Interim Results to 30 June 2018

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Press release **26 September 2018**

The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

CENTRALNIC GROUP PLC
("CentralNic" or "the Company" or "the Group")

HALF YEAR RESULTS 2018
Organic growth and achieving strategic objectives

CentralNic Group plc (AIM: CNIC), a leading global player and consolidator in the recurring revenue domain and web services industry, is pleased to announce its half year results for the six months ended 30 June 2018, which demonstrates the strong underlying organic growth in combination with the positive impact of the SK-NIC acquisition.

Highlights:

- Gross profit of £3.9m (H1 2017: £3.0m) - up 30.7%
- Revenue of £11.2m (H1 2017: £10.6m) - up 5.5%
- Adjusted EBITDA* of £2.1m (H1 2017: £1.1m) - up 95.0%
- Adjusted EBITDA*, excluding forex gains and losses, of £2.3m (H1 2017: £1.4m) - up 65.3%
- Net debt of £8.6m (H1 2017: Net cash £7.7m)
- A period of transformation in the lead-up to the completion of the $55 million acquisition of KeyDrive S.A. ("KeyDrive") in August 2018

*Adjusted EBITDA: Earnings before interest, tax, depreciation and amortisation, acquisition costs, exceptional items and non-cash charges.

Operational highlights:

- Recurring revenues continue to increase; reflecting the Group's strategy, as exemplified by the acquisition of SK-NIC in December 2017 and post period-end acquisition of KeyDrive - both 90%+ recurring revenue businesses
- Retail division continues to focus on optimising strategic marketing performance, which is realising higher rate of returns on marketing spend
- Wholesale business maintained its lead in global market share by volume, being the only company to support eight of the Top 25 new Top-Level Domains ("TLD")
- Significant new client wins as a registry service provider included .ooo, .best, .kred, .ceo and .icu
- Enterprise division's increasing focus on recurring revenue products and services, reinforced post period-end by the introduction of BrandShelter corporate domain management and brand protection services
- The Group reported an unadjusted operating loss of £1.0m (H1 2017: £0.7m) mainly driven as a result of intangible related amortisation of £1.6m, acquisition and non-recurring fees of £1.2m, and other non-cash items of £0.3m, and after adjusting for these items, £2.1m was the resulting adjusted EBITDA
- Net debt of £8.6m (H1 2017: Net cash of £7.7m) as a result of debt financing of the SK-NIC acquisition in December 2017
- SK-NIC integration has successfully completed with pleasing post-acquisition contribution to the Group

Post half year end highlights:

- Acquisition of KeyDrive S.A., effectively doubled the size of the Company:
  - On 2 August 2018, the Group announced that it acquired the share capital of KeyDrive, a strong player in the internet domain name and web services industry
  - The initial consideration of $35.8m, represented an enterprise value of $44.5m, plus a performance based earn-out of up to $10.5m. The initial consideration consisted of $16.5m in cash and $19.3m in shares of CentralNic, plus a cash adjustment for working capital at completion and settlement of debt like items
  - The board of directors of the Group (the "Board") believes that this represents a transformative, earnings enhancing acquisition, further increasing the Group's recurring revenues and diversifying the Group's underlying businesses
  - An equity raise of £24m was executed in order to fund the initial cash consideration of the KeyDrive acquisition, with 17 new holders joining existing holders in funding the deal

- The integration of KeyDrive is progressing as planned across all working groups

- H1 2018 unaudited summary financials for KeyDrive, which are in line with management expectations, are shown below:
  - Revenue - $31.8m
  - Gross profit - $5.5m
  - Adjusted EBITDA - $3.3m
  - Net cash of $0.3m - the external debt of KeyDrive was settled by the CentralNic as part of the acquisition

- Acquisition of GlobeHosting:
  - As announced on 6 September 2018, the Group acquired the business assets of GlobeHosting, a Romania and Brazil focused domain registrar and provider of hosting solutions and SSL certificates
  - The consideration for the acquisition consisted an initial consideration of €1.5m, and a deferred consideration of €1.1m, resulting in the total consideration of €2.6m

- Reporting currency:
  - Following the acquisition of KeyDrive S.A. the Board are considering changing the reporting currency of the Group's consolidated financial statements from Sterling to US dollars and, if they determined to do so, for this to take effect from the Annual Report 2018 onwards. This change would be driven as a result of US dollar being the main underlying currency in which the Group and market operates. KeyDrive also reports its trading performance in US dollars, and consequently the Group has taken this opportunity to make its reporting currency consistent with KeyDrive and the wider domain industry

Mike Turner, Chairman of CentralNic, commented:

"Our first half results are most encouraging as CentralNic continues to deliver consistent organic growth whilst at the same time concluding earnings enhancing acquisitions.

"CentralNic's organic growth and roll-up strategy continues to be bolstered by a determination to escalate the size and scale of the business by concentrating on activities which will deliver high quality earnings and recurring revenues focused on the higher-margin and higher-growth segments of the market.

"2018 will be backend loaded following the KeyDrive acquisition occurring in August, second-half results will show a heavier weighting than those of the first-half. The Board is confident that the Company is on track to meet market expectations for the full year to 31 December 2018."

-Ends-

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Forward-Looking Statements
This document includes forward-looking statements. Whilst these forward-looking statements are made in good faith, they are based upon the information available to CentralNic at the date of this document and upon current expectations, projections, market conditions and assumptions about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about the Group and should be treated with an appropriate degree of caution.

About CentralNic Group plc
CentralNic (AIM: CNIC) is a London-based AIM-listed company which develops and manages software platforms allowing businesses globally to use the internet for their own websites and email, as well as protecting their brands online. CentralNic operates a recurring revenue business model as sales of internet domain names and add on web presence services are sold on an annual subscription basis.

CentralNic operates globally with customers in over 200 countries. The Company's core growth strategy is identifying and acquiring cash-generative businesses with annuity revenue streams and exposure to growth markets, and migrating them onto the CentralNic software and operating platforms.

For more information please visit: www.centralnicgroup.com

KEY FINANCIALS H1 2018

	30 June 2018	30 June 2017	Change
	£'000	£'000	%
Revenue	11,169	10,587	**5.5%**
Gross profit	3,861	2,954	**30.7%**
Adjusted EBITDA[1]	2,057	1,055	**95.0%**
Adjusted EBITDA adjusted for FOREX	2,260	1,367	**65.3%**
Adjusted Profit before tax[2]	1,466	670	**118.8%**
Loss after tax	(1,045)	(619)	**(68.8%)**
Basic EPS (pence)	(1.08)	(0.65)	**(66.2%)**

[1] Earnings before interest, tax, depreciation, amortisation, acquisition and non-recurring fees and non-cash charges.

[2] Profit before tax adjusted for acquired amortisation charges, acquisition and non-recurring fees and non-cash charges.

CHIEF EXECUTIVE OFFICER'S STATEMENT

In the first half of 2018, it is pleasing to report that the Group's revenues and adjusted EBITDA profit, excluding foreign exchange gains and losses, have shown growth of 5.5% and 65.3% respectively whilst improving the quality of earnings. The Group's gross margin increased markedly to 35% (2017: 28%) with absolute gross profit increasing by £0.9m, following the SK-NIC acquisition in December 2017 and the focus on improving margins. The Group's stability and visibility of earnings is underpinned by its stable recurring revenue base and predictable renewal rates, ensuring that the Group is well positioned to maintain and grow its profitability.

As the Group continues to move forward with its growth strategy, it intends to further increase its recurring revenues, in turn reducing the proportion of revenue represented by non-recurring sources. This is underpinned by its industry consolidation strategy, which is focused on businesses with strong levels of recurring revenue. During 2018, CentralNic has completed two acquisitions to date, including the reverse takeover of KeyDrive.

The Company oversaw a period of transformation in the months leading up to the completion of the acquisition of KeyDrive on 2 August 2018. On 14 March 2018 the Company was required to announce, the existence of discussions regarding the potential acquisition of KeyDrive, which led to the suspension of trading in the Company's shares. This period enabled the combined Group to operate cohesively from completion of the acquisition, with much of the integration already planned in detail or completed.

The KeyDrive group performed well in H1 2018, generating revenues of $31.8m, gross profit of $5.5m and adjusted EBITDA of $3.3m. This was in line with management expectations. The integration of KeyDrive is on track and progressing efficiently, with the senior and experienced management team in place. The integration of the sales, marketing and operations teams is already under way and our new and existing customers are beginning to realise the benefits. The teams and processes are being aligned as part of the migration to unified platforms and reporting structures.

The integration of SK-NIC has progressed according to plan and was completed in H1 2018. The .sk registry has been migrated onto a customised version of the CentralNic registry software in the Slovak language. The marketing, finance and supporting functions have been integrated into the operations of the enlarged Group, and strengthened with the addition of a Finance Manager and Head of Communications in Bratislava. Trading since the acquisition was completed is in line with expectations.

Retail Division

The Retail division generated revenues of £6.8m (H1 2017: £8.0m), adjusted EBITDA of £1.4m (H1 2017: £0.9m) and adjusted EBITDA, excluding foreign exchange gains and losses, of £1.3m (H1 2017: £1.1m).

The short-term reduction in revenue was in line with management's expectations, as the division continued to realign and optimise its online marketing strategy for improved return on investment, resulting in higher margins and profitability despite reduced revenue.

Wholesale Division

The Wholesale division generated revenues of £3.9m during the first half of the year (H1 2017: £1.8m), adjusted EBITDA of £1.3m (H1 2017: £0.5m) and adjusted EBITDA, excluding foreign exchange gains and losses, of £1.6m (H1 2017: £0.55m). This period included a full six months of trading for the SK-NIC business which was acquired in December 2017. The SK-NIC segment performed in line with management expectations, producing £1.6m of revenues and adjusted EBITDA of £0.7m.

The division continues to evolve with a blend of businesses reflecting demand for heavily promoted and low-priced new TLDs, the high volumes offsetting lower per domain revenues. Domain renewals now account for 25% of new gTLD transaction volumes (H1 2017: 18%), and for 20% of overall domain transactions in H1 2018 (H1 2017: 15%).

The period saw the Wholesale division maintain its lead in the new TLD market, closing out the half year as the only company supporting eight out of the top 25 new TLDs from a total of 1,224 new TLDs launched. These TLDs, .website, .space, .tech, .site, .online, .ooo, .store and .xyz, retain their top 25 global rankings.

New Top Level Domains won in the period include: .ooo, .best, .kred, .ceo, and .icu, all of which are live on CentralNic's registry infrastructure. CentralNic also continued to win and deliver contracts selling value-added services to domain registries, such as business, marketing and policy consulting and software licensing.

Enterprise Division

CentralNic's Enterprise division generated revenues of £0.5m in the first half of the year (H1 2017: £0.8m) and adjusted EBITDA of (£0.1m) (H1 2017: £0.2m). In line with management expectations, the decrease in revenue reflects the Group's strategy to reduce the proportion of its overall revenues derived from one-off premium domain sales revenues, which contributed over £0.3m in revenues in H1 2017.

The shift of the Enterprise division's product mix and activities towards a recurring revenue model continues, following the acquisition of KeyDrive in August 2018. The addition of KeyDrive's BrandShelter brand to the Enterprise division provides significant opportunities for growth as the company fast-tracks the introduction of corporate registrar and online brand protection services through its global distribution network.

Management and Board

There were no Board or senior management appointments in the first half of the year. With the completion of the acquisition of KeyDrive in August 2018, Alex Siffrin, CEO and founder of KeyDrive, joined the enlarged Group as Chief Operating Officer, and Michael Riedl, Chief Financial Officer of KeyDrive, as Deputy Group Chief Financial Officer. The addition of Alex and Michael to the senior management team brings a wealth of industry experience that complements those of the other team members.

Outlook

The Company's strategy is to grow organically and through industry consolidation, with future acquisitions aligning well with one of the Company's four key industry channels of Corporate, Registry, and Reseller & Retail (reflecting the post-KeyDrive acquisition restructure). The Company's technology platforms, following the acquisition of KeyDrive, are very strong and cost synergies would be expected from any acquisition that fitted into one of these divisions. Private Equity and other stand-alone bidders find it difficult to compete with the commercial package, industry knowledge and established technical platform that a CentralNic offer brings.

Furthermore, the Company has access to funding for suitable acquisitions. In addition to its own cash reserves and debt facilities, the Company has increased its institutional investor base by 17, following the £24m equity raise in August 2018 to fund the KeyDrive acquisition.

The business is expanding geographically too, as high-growth markets present a significant opportunity for the Company to roll-out its industry know-how in regions with the fastest take-up of the internet globally and a pressing need for domain names and web services.

The Group has made three profit-enhancing acquisitions in the last nine months. The successful integration of the Group's previous acquisitions, coupled with the announcement of the KeyDrive and GlobeHosting acquisitions in 2018, are clear milestones in the execution of its strategy. This is supported by the ongoing development of its existing business through its continued success in winning new clients and contracts, and the introduction of new value-enhancing products such as Registry lock, and new SSL certificate and website builder products.

CentralNic is confident of trading in line with market expectations for the year and delivering its vision of becoming a major global-player in the provision of subscription website-related services to business in years to come. Reflecting the highly cash generative nature of the business, CentralNic's Board has committed to start paying a dividend, with the initial dividend relating to the 2019 financial year.

I would like to thank CentralNic's personnel for their professionalism and commitment to the ongoing growth and transformation of the business. It is thanks to them, to our clients and to our distribution channel partners, as well as our shareholders, that the Group continues to maintain and enhance its industry-leading position.

Ben Crawford
Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note	Unaudited Six months ended 30 Jun 2018 £'000	Unaudited Six months ended 30 Jun 2017 £'000	Audited Year ended 31 Dec 2017 £'000
Revenue	5	11,169	10,587	24,348
Cost of sales		(7,308)	(7,633)	(14,554)
Gross profit		3,861	2,954	9,794
Administrative expenses		(4,691)	(3,408)	(7,453)
Share based payments expense		(210)	(232)	(453)
Operating (loss) / profit		**(1,040)**	**(686)**	**1,888**
Adjusted EBITDA*		2,057	1,055	6,607
Depreciation		(35)	(62)	(100)
Amortisation of intangible assets		(1,608)	(1,064)	(2,184)
Acquisition costs and non-recurring fees		(1,244)	(383)	(1,982)
Share based payment expense		(210)	(232)	(453)
Operating (loss) / profit		**(1,040)**	**(686)**	**1,888**
Finance income		13	8	19
Finance costs		(359)	(102)	` (536)
Finance income - net/		(346)	(94)	(517)
(Loss) / Profit before taxation		**(1,386)**	**(780)**	**1,371**
Taxation	6	341	161	(349)
(Loss) / Profit after taxation attributable to equity shareholders		**(1,045)**	**(619)**	**1,022**
Items that may be reclassified subsequently to profit and loss				
Exchange difference on translation of foreign operation		(495)	52	(302)
Cash flow hedges - effective portion of changes in fair value		-	-	-
Total comprehensive income / (loss) for the financial year		**(1,540)**	**(567)**	**720**
Earnings per share				
Basic, Pence	7	(1.08)	(0.65)	1.07
Diluted, Pence	7	(1.08)	(0.65)	1.04

All amounts relate to continuing activities.

*Earnings before interest, tax, depreciation and amortisation, acquisition costs and non-cash charges.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited 30 Jun 2018 £'000	Unaudited 30 Jun 2017 £'000	Audited 31 Dec 2017 £'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		232	184	208
Intangible assets	8	51,605	29,015	53,460
Deferred receivables	9	581	1,204	1,050
Investments		997	997	997
Deferred tax assets		1,535	1,263	1,502
		54,950	32,663	57,217
CURRENT ASSETS				
Trade and other receivables	10	14,048	11,209	14,054
Inventory		2,899	386	327
Cash and bank balances		7,875	9,571	10,862
		24,822	21,166	25,243
TOTAL ASSETS		**79,772**	**53,829**	**82,460**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	12	96	96	96
Share premium		16,729	16,545	16,545
Merger relief reserve		1,879	1,879	1,879
Share based payments reserve		2,542	2,255	2,507
Foreign exchange translation reserve		1,113	1,962	1,608
Retained earnings		2,928	2,171	3,817
TOTAL EQUITY		25,287	24,908	26,452
NON-CURRENT LIABILITIES				
Other payables		4,304	3,445	5,634
Deferred tax liabilities		5,179	3,092	5,519
Borrowings		14,676	807	15,541
		24,159	7,344	26,694
CURRENT LIABILITIES				
Trade and other payables and accruals	11	29,371	20,091	27,047
Taxation payable		(812)	453	413
Borrowings		1,767	1,033	1,854
		30,326	21,577	29,314
TOTAL LIABILITIES		54,485	28,921	56,008
TOTAL EQUITY AND LIABILITIES		**79,772**	**53,829**	**82,460**

CENTRALNIC GROUP PLC
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Merger relief reserve	Share based payments reserve	Foreign exchange translation reserve	Foreign currency hedging reserve	Retained earnings	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 January 2017	**96**	**16,545**	**1,879**	**2,004**	**1,910**	**-**	**2,785**	**25,219**
Profit/(loss) for the period	-	-	-	-	-	-	(619)	(619)
other comprehensive income/(expense)								
- translation of foreign operation					52	-		52
- Cash flow hedge					-	-		
Total comprehensive income for the period					52	-	(619)	(567)
Transactions with owners								
Share based payments				232	-	-		232
Share based payments - deferred tax asset				24	-	-		24
Share based payments - exercised and lapsed				(5)	-	-	5	-
Balance as at 30 June 2017	**96**	**16,545**	**1,879**	**2,255**	**1,962**	**-**	**2,171**	**24,908**
Profit/(loss) for the period					-		1,641	1,641
other comprehensive income/(expense)								
- translation of foreign operation					(354)			(354)
- Cash flow hedge					-			
Total comprehensive income for the period					(354)		1,641	1,287
Transactions with owners								
Share based payments				221	-			221
Share based payments - deferred tax asset				(34)	-		5	(29)
Share based payments - exercised and lapsed				65	-			65
Balance as at 31 December 2017	**96**	**16,545**	**1,879**	**2,507**	**1,608**	**-**	**3,817**	**26,452**
Profit/(loss) for the period					-		(1,045)	(1,045)

other comprehensive income/(expense)								
- translation of foreign operation					(495)			(495)
- Cash flow hedge								
Total comprehensive income for the period					(495)		(1,045)	(1,540)
Transactions with owners								
Issue of new shares	-	184						184
Share based payments				210				210
Share based payments - deferred tax asset				(19)	-			(19)
Share based payments - reclassify lapsed options				(156)	-		156	-
Balance as at 30 June 2018	**96**	**16,729**	**1,879**	**2,542**	**1,113**	**-**	**2,928**	**25,287**

- Share capital represents the nominal value of the company's cumulative issued share capital.
- Share premium represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable share issue costs and other permitted reductions.
- Merger relief reserve represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable share issued costs and other permitted reductions. Where the consideration for shares in another company includes issued shares, and 90% of the equity is held in the other company.
- Retained earnings represent the cumulative value of the profits not distributed to shareholders, but retained to finance the future capital requirements of the CentralNic Group.
- Share based payments reserve represents the cumulative value of share based payments recognised through equity.
- Foreign exchange translation reserve represents the cumulative exchange differences arising on group consolidation.
- Foreign currency hedging reserve represents the effective portion of changes in the fair value of derivatives.

CONSOLIDATED STATEMENT OF CASH FLOWS	**Unaudited Six months ended 30 Jun 2018**	**Unaudited Six months ended 30 Jun 2017**	**Audited Year ended 31 Dec 2017**
	£'000	**£'000**	**£'000**
Cash flow from operating activities			
Profit / (loss) before taxation	(1,386)	(780)	1,371
Adjustments for:			
Depreciation of property, plant and equipment	35	62	100
Amortisation of intangible assets	1,608	1,064	2,184
Reclassification of intangible assets	-	-	428
Finance income/(cost) - net	61	52	453
Share based payments	210	232	-
Share of result of associate		-	-
Operating cashflow before working capital changes	528	630	4,536
Decrease / (Increase) in trade and other receivables	441	724	1,196
Increase / (Decrease) in trade and other payables and accruals	1,107	(374)	(1,011)
Decrease / (Increase) in inventories	(2,574)	4	77
Cash flow from operations	(498)	984	4,798
Income tax paid	(1,112)	(507)	(1,098)
Net cash flow from operating activities	(1,610)	477	3,700
Cash flow used in investing activities			
Purchase of property, plant and equipment	(70)	(86)	(104)
Purchase of intangible assets, net of cash acquired	(9)	(161)	(415)

Acquisition of a subsidiary, net of cash acquired	-	-	(17,368)
Net cash flow used in investing activities	(79)	(247)	(17,887)
Cash flow used in financing activities			
(Repayments) / Proceeds from borrowings (net)	(1,000)	(583)	15,298
Proceeds from issuance of ordinary shares (net)	10	-	-
Reduction in deferred consideration	(250)	-	-
Net cash flow generated from / (used in) financing activities	(1,240)	(583)	15,298
Net (decrease) / increase in cash and cash equivalents	(2,929)	(353)	1,111
Cash and cash equivalents at beginning of the period/year	10,862	9,902	9,902
Exchange differences on cash and cash equivalents	(58)	22	(151)
Cash and cash equivalents at end of the period/year	**7,875**	**9,571**	**10,862**

NOTES TO THE FINANCIAL INFORMATION

1. General information

CentralNic Group Plc is the UK holding company of a group of companies which are engaged in the provision of global domain name services. The company is registered in England and Wales. Its registered office and principal place of business is 35-39 Moorgate, London, EC2R 6AR.

The CentralNic Group provides Wholesale ("registry"), Retail ("registrar") and Enterprise services and strategic consultancy for new Top Level Domains ("TLDs"), Country Code TLD's ("ccTLDs") and Second-Level Domains ("SLDs") and it is the owner and registrant for a portfolio of domain names, which it uses as SLD domain extensions and for resale on the domain aftermarket.

2. Basis of preparation

The condensed interim financial information is unaudited and has been prepared on the basis of the accounting policies set out in the Group's 2017 statutory accounts in accordance with IAS 34 Interim Financial Reporting.

The condensed interim consolidated financial statements do not represent statutory accounts within the meaning of section 435 of the Companies Act 2016. The financial information for the year ended 31 December 2017 is based on the statutory accounts for the year ended 31 December 2017. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

As described in the Annual report 2017, the standard has been adopted as of 1 January 2018, and the Directors completed their detailed review of IFRS 15 and concluded that the adoption of this standard would have no material impact on the Revenue Recognition.

IFRS 15 is a prescriptive standard which requires a business to identify the performance obligations which are contracted with its customer base. The transaction price of the contract is determined after which the transaction price is allocated against the identified performance obligations. Revenue is recognised against each of the performance obligations as they are satisfied and as control is transferred. The Group has evaluated the revenue recognition policy in place against the requirement of the standard. Performance obligations within customer contracts have been identified where domain names are sold for a term, where the management, customer and technical support is available to the customer over the period of that term, in both Wholesale division, and where applicable in the Retail division. The transaction price of the contract is evaluated in accordance with IFRS 15, and is attached to the performance obligations of the customer contract. Performance obligations are deemed to be satisfied by transferring control rateably over the period of contractual time, being the anniversary of the expiry date of the domain name. Enterprise and consultancy revenues take a similar approach, however revenues here are either recognised when control is passed onto the customer either on a percentage completion basis in line with contractual milestones or immediately recognised on delivery of the contracted work. Overall, the business has determined that there is no material impact on the adoption of IFRS 15.

The board is considering changing the reporting currency of the Group's consolidated financial statements from sterling to US dollars, and if they determine to do so, for this to take effect from the Annual Report 2018 onwards. This change would be driven as a result of US dollar being the main underlying currency in which the Group and market operates. KeyDrive also reports its trading performance in US dollars, and the Group has taken this opportunity to streamline the reporting currency in line with KeyDrive and the domain industry.

The seasonality or cyclicality of operations does not impact on the interim financial statements.

3. Critical accounting judgments and key sources of estimating uncertainty

In the application of the CentralNic Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities in the Financial statements:

Impairment Testing

The recoverable amounts of individual non-financial assets are determined based on the higher of the value-in-use calculations and the recoverable amount, or fair value less costs to sell. These calculations will require the use of estimates and assumptions. It is reasonably possible that assumptions may change, which may impact the Directors' estimates and may then require a material adjustment to the carrying value of tangible and intangible assets.

The directors review and test the carrying value of tangible and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. For the purposes of performing impairment tests, assets are grouped at the lowest level for which identifiable cash flows are largely dependent on cash flows of other assets or liabilities. If there are indications that impairment may have occurred, estimates of expected future cashflows will be prepared for each group of assets.

Expected future cash flows used to determine the value in use of tangible and intangible assets will be inherently uncertain and could materially change over time.

Estimation of useful life

The charge in respect of periodic amortisation and depreciation is derived after determining an estimate of an asset's expected useful life. The useful lives of the assets are determined by management at the time the asset is acquired and are reviewed continually for appropriateness.

Share based payments

The fair value of share-based remuneration is determined at the date of grant and recognised as an expense in the statement of comprehensive income on a straight line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of Black Scholes model method.

4. Segment analysis

CentralNic is an independent global domain name service provider. It provides Wholesale, Retail and Enterprise services and it is the owner and registrant of a portfolio of domain names, which it uses as SLD domain extensions. Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance. These reportable operating segments includes the aggregation of certain operating units. Management reviews the activities of the CentralNic Group in the segments disclosed below:

Period ended 30 June 2018

	Revenue	Adjusted EBITDA	Non-current assets	Current assets	Non-current liabilities	Current liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Wholesale domain sales	3,902	1,257	28,662	14,828	20,766	21,674
Retail domain sales	6,816	1,394	26,209	9,767	3,393	8,567
Enterprise including premium domain name sales	451	(123)	79	227	-	85
Group overheads including costs associate with public company status	-	(471)	-	-	-	-
	11,169	**2,057**	**54,950**	**24,822**	**24,159**	**30,326**

Period ended 30 June 2017

	Revenue	Adjusted EBITDA	Non-current assets	Current assets	Non-current liabilities	Current liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Wholesale domain sales	1,816	453	2,881	10,884	1,193	13,101
Retail domain sales	7,974	913	29,578	9,966	6,151	8,396
Enterprise including premium domain name sales	797	223	127	393	-	80
Group overheads including costs associate with public company status	-	(534)	-	-	-	-
	10,587	**1,055**	**32,586**	**21,243**	**7,344**	**21,577**

Year ended 31 December 2017

	Revenue	Adjusted EBITDA	Non-current assets	Current assets	Non-current liabilities	Current liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Wholesale domain sales	4,706	2,098	29,514	13,896	22,203	19,530
Retail domain sales	15,577	2,650	27,571	11,070	4,491	9,759
Enterprise including premium domain name sales	4,065	2,828	132	277	-	25
Group overheads including costs associate with public company status	-	(969)	-	-	-	-
	24,368	**6,607**	**57,217**	**25,243**	**26,694**	**29,314**

5. Revenue

The CentralNic Group's revenue is generated from the following geographical areas:

	Unaudited 6 months ended 30 Jun 2018 £'000	Unaudited 6 months ended 30 Jun 2017 £'000	Audited Year ended 31 Dec 2017 £'000
Wholesale Domain Sales			
UK	201	204	451
North America	562	537	1,092
Europe	2,019	608	1,260
ROW	1,120	467	1,903
	3,902	**1,816**	**4,706**
Retail Domain Sales			
UK	612	685	1,402
North America	1,403	2,085	3,209
Europe	2,089	2,059	4,285
ROW	2,712	3,145	6,681
	6,816	**7,974**	**15,577**
Enterprise including Premium Domain Name Sales			
UK	-	-	-
North America	32	36	2,697
Europe	284	298	811
ROW	135	463	557
	451	**797**	**4,065**

Enterprise including premium domain name sales by nature are subject to annual variation depending on customer demand.

The following table shows customers that represented 10% or more of the wholesale domain sales:

	Unaudited 6 months ended 30 Jun 2018 £'000	Unaudited 6 months ended 30 Jun 2017 £'000	Audited Year ended 31 Dec 2017 £'000
Customer A	830	26	613
Customer B	427	50	-
Customer C	-	440	-

Other customers	2,645	1,300	4,093
	3,902	**1,816**	**4,706**

No single customer contributes greater than 10% or more of the retail domain sales.

In the six months ended 2018 enterprise revenues were principally driven by £102k of Dotbrand registry support, software licencing and consulting of £327k, and premium domain name sales of £22k. There were 4 customers representing over 10% of the revenues totaling over of £34k, £72k, £75k, and £136k.

In prior periods the enterprise including premium domain name sales were principally driven by premium domain name sales of £2,992k for the year ended 31 December 2017 (6 months ended 2017: £355k).

6. Income tax expense

	Unaudited 6 months ended 30 Jun 2018 £'000	Unaudited 6 months ended 30 Jun 2017 £'000	Audited Year ended 31 Dec 2017 £'000
Current tax on profits for the period	28	153	(887)
Adjustments in respect of previous periods	(64)	-	45
Current income tax	(36)	153	(842)
Deferred income tax	377	8	493
	341	**161**	**(349)**

A reconciliation of the current income tax expense applicable to the profit before taxation at the statutory tax rate to the current income tax expense at the effective tax rate of the CentralNic Group are as follows:

	Unaudited 6 months ended 30 Jun 2018 £'000	Unaudited 6 months ended 30 Jun 2017 £'000	Audited Year ended 31 Dec 2017 £'000
(Loss)/profit before taxation	(1,386)	(780)	1,371
Tax calculated at domestic tax rates applicable to profits in the respective countries	417	217	(204)
Tax effects of:-			
Expenses not deductible for tax purposes	(12)	(56)	(199)
Adjustments in respect of previous periods	(64)	-	45
Unutilised tax losses	-	-	9
Current tax credit/(expense) for the period/year	**341**	**161**	**(349)**

The Company provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items that are not assessable or deductible for income tax purposes, in accordance with the regulations of domestic tax authorities.

The effective rate of tax for the period was 24.6% (Six months ended 2017: 20.7%)

In the UK, the applicable statutory tax rate for 2017/18 is 19% (2016/17: 19%).

In the USA, federal taxes are due at 15% on taxable income. Under California tax legislation a statutory minimum of $400 of state tax is due.

In Germany, federal taxes are due at 15% on taxable income. With an additional 5.5% solidarity surcharge due on the income tax. A community business tax of c.17% is also levied with rates determined by the municipality.

In Australia and New Zealand, income taxes are due at 30% and 28% respectively on taxable income.

7. Earnings per share

Earnings per share has been calculated by dividing the consolidated profit/(loss) after taxation attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share has been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares (arising from the Group's share option scheme and warrants) into ordinary shares has been added to the denominator. There are no changes to the profit (numerator) as a result of the dilutive calculation.

	Unaudited 6 months ended 30 Jun 2018 £'000	Unaudited 6 months ended 30 Jun 2017 £'000	Audited Year ended 31 Dec 2017 £'000
Profit / (loss) after tax attributable to owners	(1,045)	(619)	1,022
Weighted average number of shares:			
Basic	96,492,348	95,894,348	95,894,348
Effect of dilutive potential ordinary shares	-	-	2,922,785
Diluted	96,492,348	95,894,348	98,817,133
Earnings per share:			
Basic (pence)	(1.08)	(0.65)	1.07
Diluted (pence)	(1.08)	(0.65)	1.04

At 30 June 2017 and 30 June 2018, the contingently issuable potential ordinary shares included within the share options are anti-dilutive and are not included in the calculation.

8. Intangible assets

	Domain Names £'000	Patents & Trademarks £'000	Software £'000	Customer List £'000	Goodwill £'000	Total £'000
Cost or deemed cost						
At 1 January 2017	1,166	-	3,294	12,716	15,303	32,479
Additions	-	-	161	-	-	161
Acquisition of subsidiary	-	-	-	-	-	-
Exchange Differences	-	-	7	36	53	96
At 30 June 2017	**1,166**	**-**	**3,462**	**12,752**	**15,356**	**32,736**
Additions	-	-	254	-	-	254
Acquisition of subsidiary	-	-	132	11,709	13,839	25,680
Reclassification	(25)	-	-	-	-	(25)
Exchange Differences	-	-	(43)	(123)	(187)	(353)
At 31 December 2017	**1,141**	**-**	**3,805**	**24,338**	**29,008**	**58,292**
Additions	-	-	9	-	-	9
Exchange Differences	-	-	(49)	(259)	42	(266)
At 30 June 2018	**1,141**	**-**	**3,765**	**24,079**	**29,050**	**58,035**
Amortisation						
At 1 January 2017	125	-	920	1,612	-	2,657
Charge for the period	52	-	375	637	-	1,064
Acquisition of subsidiary	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
At 30 June 2017	**177**	**-**	**1,295**	**2,249**	**-**	**3,721**
Charge for the period	52		386	682	-	1,120
Acquisition of subsidiary	-	-	-	-	-	-
Reclassification	(9)		-	-	-	(9)
Exchange Differences	-	-	-	-	-	-
At 31 December 2017	**220**	**-**	**1,681**	**2,931**	**-**	**4,832**
Charge for the period	46	-	412	1,150	-	1,608
Exchange Differences	-	-	(10)	-	-	(10)
At 30 June 2018	**266**	**-**	**2,083**	**4,081**	**-**	**6,430**
Carrying value						
At 30 June 2017	**989**	**-**	**2,167**	**10,503**	**15,356**	**29,015**
At 31 December 2017	**921**	**-**	**2,124**	**21,407**	**29,008**	**53,460**
At 30 June 2018	**875**	**-**	**1,682**	**19,998**	**29,050**	**51,605**

Amortisation of intangible assets is included in administrative expenses in the combined and consolidated statement of comprehensive income.

9. Deferred receivables

	Unaudited 6 months ended 30 Jun 2018 £'000	Unaudited 6 months ended 30 Jun 2017 £'000	Audited Year ended 31 Dec 2017 £'000
Deferred costs	505	1,127	976
Loans to related parties	76	77	74
	581	**1,204**	**1,050**

10. Trade and other receivables

	Unaudited 6 months ended 30 Jun 2018 £'000	Unaudited 6 months ended 30 Jun 2017 £'000	Audited Year ended 31 Dec 2017 £'000
Trade receivables	3,412	3,607	3,826
Accrued revenue	4,595	1,860	3,056
Deferred costs	3,813	3,741	3,435
Prepayments	318	255	222
Supplier payments on account	437	591	563
Amounts due from shareholders	774	755	764
Other taxes and social security	-	37	-
Other receivables	699	363	2,188
	14,048	**11,209**	**14,054**

11. Trade and other payables and accruals

	Unaudited 6 months ended 30 Jun 2018 £'000	Unaudited 6 months ended 30 Jun 2017 £'000	Audited Year ended 31 Dec 2017 £'000
Accounts payable	3,715	1,336	3,091
Accrued expenses	5,594	5,081	7,024
Other taxes and social security	173	163	208
Deferred consideration	-	-	523
Deferred revenue	10,463	7,649	9,218
Customer payments on account	9,071	5,820	6,877
Accrued interest	139	17	70
Other liabilities	216	25	36
	29,371	**20,091**	**27,047**

12. Share capital

	Number	Share Capital £'000	Share Premium £'000	Merger Relief £'000
At 30 June 2017 and December 2017	**95,894,348**	**96**	**16,545**	**1,879**
Proceeds from shares issued in connection with the employee share option schemes	598,000	-	184	-
At December 2017 and 30 June 2018	**96,492,348**	**96**	**16,729**	**1,879**

On 9 February 2018, share options of 500,000 (exercised at 35p each) and 98,000 (exercised at 10p each) resulted in additional share premium of £184,202.

The company has no authorised share capital.

13. Financial instruments

The CentralNic Group is exposed to market risk, credit risk and liquidity risk arising from financial instruments. The CentralNic Group's overall financial risk management policy focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the CentralNic Group's financial performance. The Group does not trade in financial instruments.

The principal financial instruments used by the CentralNic Group, from which financial instrument risk arises, are as follows:

	Unaudited 6 months ended 30 Jun 2018 £'000	Unaudited 6 months ended 30 Jun 2017 £'000	Audited Year ended 31 Dec 2017 £'000
Financial assets			
Loan and receivables			
Trade and other receivables	9,479	10,955	9,835
Inventory	2,899	386	-
Cash and cash equivalents	7,875	9,571	10,682
	20,253	**20,912**	**20,697**
Financial liabilities measure at amortised costs			
Trade and other payables	9,836	20,091	10,432
Loan and borrowings	1,767	1,033	1,854
	11,603	**21,124**	**12,286**

14. Seasonal or cyclical factors

There are no seasonal factors that materially affect the operations of any company in the Group.

15. Nature of financial information

The financial information presented above does not constitute statutory financial information for either the company or the CentralNic Group.

16. Post Balance Sheet Events

KeyDrive S.A.
On 2 August 2018 CentralNic Group completed the acquisition of the entire issued share capital of the companies forming the KeyDrive Group for an initial consideration of $35.8m, representing an enterprise value of $44.5m, plus a performance based earn out of up to $10.5m. The initial consideration consists of $16.5m in cash and $19.3m in shares in CentralNic Group plc, plus a cash adjustment for working capital at completion and settlement of debt like items.

The following table summarises the consideration to acquire the share capital of KeyDrive group and the provisional fair value of the assets and liabilities at the acquisition date in line with Group accounting policies.

Consideration	$'000	£'000
Cash	16,477	12,560
Equity Instruments (28,006,607 ordinary shares)	19,311	14,721
Settlement of debt like items (in cash and shares)	15,961	12,167

Deferred consideration	10,500	8,004
Total consideration and settlement of debt like items	**62,249**	**47,452**

Fair value recognised on acquisition	**$'000**	**£'000**
Assets		
Intangible assets	44,362	33,817
Property, plant & equipment	661	504
Other investments	551	420
Trade receivables	4,220	3,217
Other receivables	3,789	2,888
Cash	5,694	4,340
	59,277	**45,186**
Liabilities		
Trade payables	6,063	4,621
Other payables and accruals	20,055	15,288
Deferred revenue	314	239
Corporation and deferred tax liabilities	8,986	6,850
	35,418	**26,998**
Total identifiable estimated net liabilities at fair value	**23,859**	**18,188**
Initial estimated goodwill arising on acquisition+	38,390	29,264
Purchase consideration	**62,249**	**47,452**

+The Company will be reviewing further the fair value of assets and liabilities acquired and to determine the Purchase Price Allocation for the acquisition of KeyDrive S.A.

GlobeHosting
As announced on 6 September 2018, the Group has acquired the business assets of GlobeHosting, a Romania and Brazil focused registrar and provider of hosting solutions and SSL certificates. The consideration for the acquisition consisted of €1.5m of initial consideration, and €1.058m of deferred consideration, resulting in the total consideration of €2.56m. The total consideration of €2.56 million represents 3.0x of GlobeHosting's revenues of €849k for the 12 months to 31 July 2018 and 6.1x of its EBITDA of €419k. All figures given in this announcement are based on unaudited management accounts for the period to July 2018.

Since June 2018, in line with management expectations, the Company drew down on £3m and €1.5m against its RCF with SVB, the Group's main bankers.