RNS Number : 8429G
CentralNic Group PLC
30 November 2020

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

**NINE MONTHS ENDED 30 SEPTEMBER 2020 FINANCIAL RESULTS**

*Significant Year-on-Year Increases in Revenues and Adjusted EBITDA*

CentralNic Group Plc (AIM: CNIC), the global internet platform that derives revenue from the worldwide sales of internet domain names and related web services, is pleased to announce its results for the nine months ended 30 September 2020. Both revenue and Adjusted EBITDA have increased year-on-year, driven by a combination of acquisitions and underlying organic growth.

**Nine months Financial Summary:**

· Revenue increased by 118% to USD 168.5m (Sep 2019 YTD: USD 77.1m)
· Net revenue/Gross profit increased by 74% to USD 53.3m (Sep 2019 YTD: USD 30.6m)
· Adjusted EBITDA* increased by 68% to USD 22.1m (Sep 2019 YTD: USD 13.1m)
· Operating profit increased to USD 1.9m (Sep 2019 YTD: USD 0.1m)
· Cashflow from operations up to USD 13.5m (Sep 2019 YTD: USD (0.3)m) with adjusted operating cash conversion of 93%
· Net debt** as at 30 September 2020 stood at USD 44.9m (gross debt of USD 108.6m, cash of USD 63.6m including USD 37.3m raised in September to acquire the assets of Codewise but not yet deployed) versus USD 35.9m in the prior year (gross debt of USD 54.9m, cash of USD 19.0m)

**Excludes impact of share-based payments expense for options, foreign exchange charges, and non-core operating costs*
*** Includes gross cash, debt and prepaid finance costs.*

CentralNic made four acquisitions in H2 2019, and the Company has prepared a pro forma comparable financial summary including all businesses currently controlled by CentralNic, a definition of which is provided in footnote *** below, to enable effective comparison of 2020 with 2019 and show more clearly the organic growth within CentralNic's businesses.

Financial Organic Summary on a pro forma basis***:

· Revenue increased by 17% to USD 169.9m (pro forma YTD Sep 2019: USD 145.1m)
· Gross profit increased by 10% to USD 55.2m (pro forma YTD Sep 2019: USD 50.0m)
· Adjusted EBITDA* increased by 4% to USD 22.2m (pro forma YTD Sep 2019: USD 21.4m) notwithstanding notable investment in scalability and future organic growth

**Operational Highlights:**

· Record organic growth of 17% on a pro forma*** basis despite the COVID-19 crisis.
· All staff and systems remained fully operational with no interruption to the supply chains
· Healthy demand for our two largest service lines, Wholesale domains and most importantly Monetisation - the latter also driven by the rollout of a patented SSL monetisation solution

**Financial Highlights:**

· Completion of earn-out for the Team Internet acquisition, with a EUR 2.7 million payment in June 2020
· In July 2020, EUR 1.3m of deferred consideration for SK-NIC was settled with a maximum of EUR 1.7m still to be paid
· Conversion of the share premium account into a distributable reserve in August 2020
· The final deferred consideration payment of EUR 2.7m for Hexonet was made in August 2020 by issuing 3.2m new ordinary shares
· The final deferred consideration payment of EUR 0.45m for GlobeHosting was paid in August 2020
· Successful placing of 40 million shares at a price of GBP 0.75 per share for total net proceeds of approximately USD 37.3m

**Post half nine months period highlights:**

· Completion of acquisition of Zeropark and Voluum businesses for USD 36 million
· Settlement of KeyDrive 2019 earnout for USD 2.2m, paid 15% in cash and 85% by issuing 1.7m consideration shares. A further earn out of up to USD 1.4m of may still be earned.

**Outlook**

· The first nine months of strong organic growth demonstrates the Company's resilience despite the economic crisis, and the ability to drive value by executing an accelerated buy and build strategy
· New product launches and further integration activities will support and potentially improve revenue growth and margins in future periods
· We continue to assess a number of opportunities to continue our successful consolidation strategy, in what is a large, globally fragmented and growing market
· Having achieved strong results in the first nine months of 2020, management is confident that the full year results should be in line with management expectations

**Ben Crawford, CEO of CentralNic, commented:** *"In the first nine months of 2020 CentralNic's reported revenue exceeded our cumulative reported revenue for financial years 2018 and 2019 combined. These outstanding results not only demonstrate that CentralNic can source and complete transformative acquisitions, but that it can also integrate them successfully while delivering double digit organic growth. Moreover, as we scale up rapidly, the underlying CentralNic qualities of high recurring revenues and excellent cash conversion become increasingly meaningful.*

*"Our pipeline of future deals remains strong and we consider our net debt level to be comfortable given the profitability of the existing CentralNic Group and the expected contribution from recent acquisitions, which together will lead to a reduction over time, absent further acquisition activity. We have also brought a number of new senior managers onboard to drive our organic growth and we are confident in continuing our trajectory towards joining the ranks of the global leaders in our industry."*

*** Given that the Group has made a number of key strategic acquisitions in 2019, we have estimated unaudited pro forma information to provide period to period comparison of performance. In doing so, we have made the following assumptions (a) figures are provided for the entire comparative period, irrespective of when the acquisition by the Group arose (b) adjustments have been made to the currency rates used for the comparative period to the most recent balance sheet date to harmonise the impact of currency fluctuations (c) the impact of unwinding the deferred revenues relating to the period prior to 1 November 2018 arising from change of the terms of conditions, as well as identified material non-cash or one-off revenues, have been excluded to ensure period to period comparability (d) adjustments have been made, as appropriate, to ensure GAAP comparability between periods. Differences to reported figures result.

**For further information:**

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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 drives the growth of the global digital economy by developing and managing software platforms allowing businesses globally to buy subscriptions to domain names, used for their own websites and email, as well as for protecting their brands online. These platforms can also be used for distributing domain name related software and services, an opportunity that contributes significantly to CentralNic's organic growth. The Company's inorganic growth strategy is identifying and acquiring cash-generative businesses in its industry with annuity revenue streams and exposure to growth markets and migrating them onto the CentralNic software and operating platforms.

CentralNic operates globally with customers in almost every country in the world. It earns recurring revenues from the worldwide sales of internet domain names and other services on an annual subscription basis.

For more information please visit: www.centralnicgroup.com

## CHIEF EXECUTIVE OFFICER'S STATEMENT

**Introduction**
CentralNic's organic growth, combined with its 2019 and 2020 acquisitions substantially increased the scale and capabilities of the Company. The effect of this is fully demonstrated in our first nine months' 2020 results which show a transformational increase in revenues and adjusted EBITDA, both of which have grown by 118% and 68% respectively against the comparative period for 2019. This is before the impact of the acquisition of the Zeropark and Voluum businesses, which completed after the balance sheet date of this report.

**Performance Overview**

The Company has performed strongly during the nine months period with the key financial metrics listed below:

| | 30 September 2020 | 30 September 2019 | Change |
|---|---|---|---|
| | USD'000 | USD'000 | % |
| **Revenue** | 168,474 | 77,124 | 118.4% |
| **Gross profit** | 53,251 | 30,588 | 74.1% |
| **Adjusted EBITDA**[1] | 22,075 | 13,113 | 68.3% |
| **Operating profit** | 1,882 | 99 | 1,801% |
| **Profit/(loss) after tax** | (6,185) | (6,064) | (2.0)% |
| **EPS - Basic (cents)** | (3.33) | (3.36) | (1.0)% |
| **EPS - Adjusted earnings - Basic (cents)** [2] | 6.71 | 5.47 | 22.7% |

[1] Excludes impact of share-based payments expense for options, foreign exchange charges, and non-core operating costs
[2] Please refer to note 10

On a pro forma basis, as defined in footnote *** above, the Company grew revenue by 17% organically during the nine months period ended 30 September 2020, as compared with the nine months period ended 30 September 2019 performance on a pro forma basis from USD 142.8m to USD 170.8m.

Team Internet represented a significant proportion of the strong performance in the period. The acquired businesses have similar patterns of recurring revenue and cash conversion as CentralNic's prior business, and hence recurring revenue and cash conversion are expected to remain in line with the long-term trend. This underpins the Company's financial stability and visibility of earnings. The decrease in average gross margin from 40% to 32% reflects the change in the revenue mix as a result of the 2019 acquisitions. Each individual business maintained its margins, and the marginal drop of gross margin on a proforma basis from 34.4% to 32.5% is explained by the Monetisation business growing faster than the remainder of the Group.

**Segmental Analysis**

**Indirect segment**

We achieved significant scale in our Indirect segment, with revenues increasing by USD 21.5m or 51%, from USD 41.9m to USD 63.5m, chiefly driven by the acquisition of TPP Wholesale in July 2019 and Hexonet Group in August 2019. On a pro forma*** basis, revenue increased by USD 4.9m or 8% from USD 60.3m to USD 65.2m.

During the period, the Company successfully completed a number of key integration tasks within its Indirect segment, most notably the migration of all .au domain names from the Webcentral (formerly Arq group) platform to CentralNic's central domain procurement engine, leading to estimated future annualised savings of USD 350,000 on cost of sales.

At the same time, CentralNic continued to develop its reseller key accounts with six of the top ten customer accounts having increased their spend compared with the first nine months of 2019, in one instance by 63%.

**Direct segment**

Revenue in the Direct segment decreased by 9%, from USD 35.1m to USD 32.1m. The decrease was largely due to the diminishing impact of the November 2018 change in terms and conditions, the reallocation of the data center business to the Indirect business and the reallocation of the monetisation activities to the Monetisation segment. The acquisition of Ideegeo contributed favorably to growth. On a pro forma basis, revenue declined by USD 0.6m or 2% from USD 32.5m to USD 31.8m.

Management is positive that the segment will return to growth with further client wins, and a healthy pipeline of prospective clients.

**Monetisation**

The fastest growing segment of CentralNic's business was Monetisation, which is for the first time presented as a separate segment. On a pro forma basis, revenue increased strongly by USD 20.5m or 39% from USD 52.4m to USD 72.9m.

Revenue growth has been driven mostly by an increase in the average yield ("RPM") by 36%. This is a result of both superior traffic quality subsequent to pruning of the publisher base as well as the rollout of Team Internet's patented SSL monetisation technology. At the same time, the number of page visits increased by 2%, explaining the remainder of the outstanding performance.

**Outlook**

In the first nine months of 2020 CentralNic delivered higher revenue than for the whole of 2018 and 2019 combined and reported a 17% growth on a pro forma*** basis. Having achieved strong results in the first nine months of 2020, management is confident that the full year results should be in line with management expectations.

These outstanding results demonstrate that CentralNic can source and complete transformative acquisitions, but more importantly that it can also integrate them successfully while continuing to deliver organic growth. Moreover, as we scale up rapidly, the underlying qualities of high recurring revenues and excellent cash conversion become increasingly meaningful.

Our pipeline of future deals remains strong and our net debt level remains comfortable, particularly given the profitability of the existing CentralNic Group and the expected contribution from recent acquisitions. We are confident in continuing our trajectory towards joining the ranks of the global leaders in our industry.

**Ben Crawford**
**Chief Executive**

| **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** | **Note** | **Unaudited Nine months ended 30 Sep 2020 USD'000** | **Unaudited Nine months ended 30 Sep 2019 USD'000** | **Restated[(c)] Audited Year ended 31 Dec 2019 USD'000** |
|---|---|---|---|---|
| Revenue | 7 | 168,474 | 77,124 | 109,194 |
| Cost of sales | | (115,223) | (46,536) | (66,419) |
| Gross profit | | 53,251 | 30,588 | 42,775 |
| Administrative expenses | | (47,467) | (28,489) | (41,891) |
| Share based payments expense | | (3,902) | (2,000) | (2,878) |
| **Operating profit / (loss)** | | **1,882** | **99** | **(1,994)** |
| **Adjusted EBITDA[(a)]** | | **22,075** | **13,113** | **17,920** |
| Depreciation | | (1,494) | (911) | (1,306) |
| Amortisation of intangible assets | | (8,777) | (5,599) | (8,299) |
| Non-core operating expenses[(b)] | 8 | (6,020) | (4,504) | (7,357) |

| | | | | |
|---|---|---|---|---|
| Share of associate income | | - | - | (74) |
| Share based payment expense | | (3,902) | (2,000) | (2,878) |
| **Operating profit /(loss)** | | **1,882** | **99** | **(1,994)** |
| Finance income | | 8 | 5 | 5 |
| Finance costs | 9 | (6,491) | (6,454) | (7,759) |
| Foreign exchange gain/loss on debts | 9 | (4,466) | 1,445 | 3,885 |
| Net finance costs | | (10,949) | (5,004) | (3,869) |
| Share of associate income | | - | - | 74 |
| **Profit/(loss) before taxation** | | **(9,067)** | **(4,905)** | **(5,789)** |
| Taxation | 10 | 2,882 | (1,159) | 39 |
| **Profit/(loss) after taxation** | | **(6,185)** | **(6,064)** | **(5,750)** |
| **Items that may be reclassified subsequently to profit and loss** | | | | |
| Exchange difference on translation of foreign operation | | 4,311 | (2,149) | (6,861) |
| **Total comprehensive loss for the financial year** | | **(1,874)** | **(8,213)** | **(12,611)** |
| **Profit/(loss) after tax is attributable to:** | | | | |
| Owners of CentralNic Plc | | (6,185) | (6,012) | (5,686) |
| Non-controlling interest | | - | (52) | (64) |
| | | **(6,185)** | **(6,064)** | **(5,750)** |
| **Total comprehensive loss is attributable to:** | | | | |
| Owners of CentralNic Plc | | (1,874) | (8,161) | (12,547) |
| Non-controlling interest | | - | (52) | (64) |
| | | **(1,874)** | **(8,213)** | **(12,611)** |

**Earnings per share (note 10):**

| | | | |
|---|---|---|---|
| **Basic (cents)** | **(3.33)** | **(3.36)** | **(3.25)** |
| **Diluted (cents)** | **(3.33)** | **(3.36)** | **(3.25)** |
| Adjusted earnings - Basic (cents) | 6.71 | 5.47 | 9.24 |
| Adjusted earnings - Diluted (cents) | 6.43 | 5.32 | 8.97 |

All amounts relate to continuing activities.

(a) Earnings before interest, tax, depreciation and amortisation, acquisition costs, non-cash charges and non-core operating expenses

(b) Non-core operating expenses include items related primarily to acquisition, integration and other related costs, which are not incurred as part of the underlying trading performance of the Business, and therefore adjusted for, in line with Group policy.

(c) The comparative figures have been restated to reclassify the foreign exchange differences arising from foreign currency borrowings amounting to USD 3,885,000(net) and USD 2,410,000 from administrative expenses to finance costs and other comprehensive income respectively.

(d) The comparative figures have been restated to reclassify the foreign exchange differences arising from foreign currency borrowings amounting to USD 485,000 from administrative expenses to Other Comprehensive Income.

| **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** | **Note** | **Unaudited 30 Sep 2020 USD'000** | **Restated Unaudited 30 Sep 2019 USD'000** | **Restated Audited 31 Dec 2019 USD'000** |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | 12 | 1,716 | 1,178 | 1,695 |
| Right-of-use assets | 12 | 4,128 | 3,789 | 4,732 |
| Intangible assets | 13 | 204,730 | 149,993 | 206,055 |
| Deferred receivables | 14 | 290 | 484 | 739 |
| Investments | | 1,557 | 1,390 | 1,778 |
| Deferred tax assets | | 3,305 | 2,301 | 2,545 |
| | | **215,726** | **159,135** | **217,544** |
| **CURRENT ASSETS** | | | | |
| Trade and other receivables | 15 | 41,227 | 30,053 | 40,760 |
| Inventory | | 452 | 3,863 | 491 |
| Cash and bank balances | | 63,662 | 18,967 | 26,182 |
| | | **105,341** | **52,883** | **67,433** |
| **TOTAL ASSETS** | | **321,067** | **212,018** | **284,977** |
| **EQUITY AND LIABILITIES** | | | | |
| **EQUITY** | | | | |
| Share capital | 18 | 292 | 227 | 232 |
| Share premium[f] | | 40,570 | 74,835 | 74,840 |
| Merger relief reserve | | 5,297 | 2,314 | 5,297 |
| Share based payments reserve | | 8,124 | 5,712 | 6,095 |
| Foreign exchange translation reserve | | 1,601 | 2,002 | (2,710) |
| Accumulated losses[f] | | 62,352 | (7,133) | (6,681) |
| **CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE GROUP** | | **118,236** | **77,957** | **77,073** |
| Non-controlling interests | | - | (58) | (69) |
| **TOTAL EQUITY** | | **118,236** | **77,899** | **77,004** |

| | Note | | | |
|---|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | | |
| Other payables | | 2,233 | 3,045 | 3,798 |
| Lease liabilities | | 3,226 | 3,076 | 3,832 |
| Deferred tax liabilities | | 21,681 | 13,279 | 22,609 |
| Borrowings | 19 | 103,516 | 54,441 | 98,967 |
| | | 130,656 | 73,841 | 129,206 |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables and accruals | 16 | 66,083 | 58,206 | 75,683 |
| Taxation payable | | - | 996 | - |
| Lease liabilities | | 1,007 | 633 | 871 |
| Borrowings[(e)] | 19 | 5,085 | 443 | 2,213 |
| | | 72,175 | 60,278 | 78,767 |
| **TOTAL LIABILITIES** | | **202,831** | **134,119** | **207,973** |
| **TOTAL EQUITY AND LIABILITIES** | | **321,067** | **212,018** | **284,977** |

(e) As at 30 Jun 2020, the Silicon Valley Bank term loan has been extended for a further six months and is now repayable in December 2020. It is therefore reflected in current liabilities.
(f) During the period ended 30 September 2020, as resolved by the Annual General Meeting on 4 June 2020 a capital reduction has been completed subsequent to its approval by the High Court and its registration by the Companies House effective 14 August 2020. The Capital Reduction is effected by the cancellation of the Company's share premium and thereby increased the distributable reserves.

| **CENTRALNIC GROUP PLC CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY** | **Share capital USD'000** | **Share premium USD'000** | **Merger relief reserve USD'000** | **Share based payments reserve USD'000** | **Restated Foreign exchange translation reserve USD'000** | **Restated Accumulated Profits/(Losses) USD'000** | **Restated Equity attributable to owners of the Parent Company USD'000** | **Non-Controlling Interest USD'000** |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2019** | **216** | **69,238** | **2,314** | **3,330** | **4,151** | **(1,186)** | **78,063** | **5** |
| Loss for the period | **-** | **-** | **-** | **-** | **-** | (6,012) | **(6,012)** | (52) |
| Adjustment to non-controlling interest | | | | | | 11 | **11** | **(11)** |
| - translation of foreign operation | - | - | - | - | (2,149) | - | **(2,149)** | **-** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **(2,149)** | **(6,001)** | **(8,150)** | **(63)** |
| **Transactions with owners** | | | | | | | | |
| Issue of new shares | 11 | 5,597 | - | - | - | - | **5,608** | **-** |
| Share based payments | - | - | - | 1997 | - | - | **1,997** | **-** |
| Share based payments - deferred tax asset | - | - | - | 439 | - | - | **439** | **-** |
| Share based payments - exercised and lapsed | - | - | - | (54) | - | 54 | **-** | **-** |
| **Balance as at 30 Sep 2019** | **227** | **74,835** | **2,314** | **5,712** | **2,002** | **(7,133)** | **77,957** | **(58)** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Profit for the period | - | - | - | - | - | 326 | **326** | (12) |
| Adjustment to non-controlling interest | - | - | - | - | - | - | - | - |
| - translation of foreign operation | - | (1) | - | - | (4,712) | - | (4,713) | 1 |
| **Total comprehensive income for the period** | **-** | **(1)** | **-** | **-** | **(4,712)** | **326** | **(4,387)** | **(11)** |
| **Transactions with owners** | | | | | | | | |
| Shares issued | 5 | 6 | 2,983 | - | - | - | **2,994** | **-** |
| Share based payments | - | - | - | 339 | - | - | **339** | **-** |
| Share based payments - deferred tax asset | - | - | - | 170 | - | - | **170** | **-** |
| Share based payments - exercised and lapsed | - | - | - | (126) | - | 126 | **-** | **-** |
| **Balance as at 31 Dec 2019** | **232** | **74,840** | **5,297** | **6,095** | **(2,710)** | **(6,681)** | **77,073** | **(69)** |
| Loss for the period | **-** | **-** | **-** | **-** | **-** | (6,185) | **(6,185)** | - |
| - translation of foreign operation | - | - | - | - | 4,311 | - | **4,311** | - |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **4,311** | **(6,185)** | **(1,874)** | **-** |
| **Transactions with owners** | | | | | | | | |
| Issue of new shares | 60 | 41,768 | - | - | - | - | **41,828** | - |
| Share issuance costs | - | (1,198) | - | - | - | - | **(1,198)** | - |
| Elimination of share premium | - | (74,840) | - | - | - | 74,840 | **-** | - |
| Adjustment to non-controlling interest | - | - | - | - | - | - | **-** | 69 |
| Share based payments | - | - | - | 2,468 | - | - | **2,468** | - |
| Share based payments - deferred tax asset | - | - | - | (61) | - | - | **(61)** | - |
| Share based payments - reclassify lapsed options | - | - | - | (378) | - | 378 | **-** | - |
| **Balance as at 30 Sep 2020** | **292** | **40,570** | **5,297** | **8,124** | **1,601** | **62,352** | **118,236** | **-** |

- 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 shares issue costs and other permitted reductions.
- 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.
- The non-controlling interests comprise the portion of equity of subsidiaries that are not owned, directly or indirectly, by the Group. These non-controlling interests are individually not material for the Group.

| **CONSOLIDATED STATEMENT OF CASH FLOWS** | **Unaudited Nine months ended 30 Sep 2020** | **Unaudited Nine months ended 30 Sep 2019** | **Restated Audited Year ended 31 Dec 2019** |
|---|---|---|---|
| | **USD'000** | **USD'000** | **USD'000** |
| **Cash flow from operating activities** | | | |
| Loss before taxation | (9,067) | (4,905) | (5,789) |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | 1,494 | 911 | 1,306 |
| Amortisation of intangible assets | 8,777 | 5,599 | 8,299 |
| Profit on investment in associate | - | - | (74) |
| Finance cost - net | 10,949 | 5,004 | 3,869 |
| Share based payments | 3,902 | 2,000 | 2,878 |
| Decrease/(increase) in trade and other receivables | 819 | (5,393) | (11,487) |
| (Decrease)/increase in trade and other payables | (3,367) | (3,537) | 16,020 |
| Decrease in inventories | 39 | 47 | 3,603 |
| **Cash flow from operations** | **13,546** | **(274)** | **18,625** |
| Income tax received/(paid) | 52 | (1,819) | (2,309) |
| **Net cash flow generated from/(used in) operating activities** | **13,598** | **(2,093)** | **16,316** |
| **Cash flow used in investing activities** | | | |
| Purchase of property, plant and equipment | (609) | (566) | (755) |
| Purchase of intangible assets, net of cash acquired | (583) | (14,717) | (14,742) |
| Payment of deferred consideration | (5,130) | (2,940) | (2,940) |
| Acquisition of a subsidiary, net of cash acquired | (1,038) | (12,573) | (60,900) |
| **Net cash flow used in investing activities** | **(7,360)** | **(30,796)** | **(79,337)** |
| **Cash flow used in financing activities** | | | |
| Proceeds/(Repayments) from borrowings (net) | 2,377 | 57,437 | 103,424 |
| Bond arrangement fees | (48) | (2,280) | (2,377) |
| Proceeds from issuance of ordinary shares (net) | 37,302 | 43 | 2,133 |
| Payment of debt like items | - | (27,839) | (27,839) |
| Lease rentals | (470) | (440) | (528) |
| Interest paid | (5,624) | (973) | (1,970) |
| **Net cash flow (used in)/generated from financing activities** | **33,537** | **25,948** | **72,843** |
| **Net increase/(decrease) in cash and cash equivalents** | **39,775** | **(6,941)** | **9,822** |
| Cash and cash equivalents at beginning of the period/year | 26,182 | 23,090 | 23,090 |
| Exchange differences on cash and cash equivalents | (2,295) | 2,818 | (6,730) |
| **Cash and cash equivalents at end of the period/year** | **63,662** | **18,967** | **26,182** |

**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 4th Floor, Saddlers House, 44 Gutter Lane, London, England, EC2V 6BR.

The CentralNic Group provides subscription services on a global scale to domain names and associated digital subscription products through Indirect and Direct channels as well as Monetisation services.

**2. Basis of preparation**

The condensed interim financial information for the nine month period ended 30 September 2020 is unaudited and has been prepared on the basis of the accounting policies set out in the Group's 2019 statutory accounts in accordance with the Group's bond terms and, for all periods presented, in line with the principal disclosure requirements of Accounting Standard 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 2019 is based on the statutory accounts for the year ended 31 December 2019. 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax, and the adoption of new and amended standards and accounting policies as set out below.

As a profitable provider of online subscription services with high cash conversion and solid organic growth, decentrally organised and catering to solid customers distributed over the entire globe, we do not expect CentralNic to be severely affected by COVID-19. The Directors have taken the necessary precautions to preserve the Group's cash and review the acquisition pipeline and financing plans to ensure stability and optimisation of the business strategies in the current global climate.

**3. New and amended standards adopted by the Group**

In the current reporting period, the Group has applied amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. The adoption of these has not had any material impact on the Group's financial statements and the accounting policies adopted by the Group in the interim report are consistent with the most recent Annual Report for the year ended 31 December 2019.

The International Accounting Standards Board published an amendment to IFRS 16 (''Covid-19 Related Rent Concessions''), in which they provide an accounting policy choice to the lessees to apply practical relief for rent concessions arising as a result of the COVID-19 pandemic. This amendment has not yet been endorsed by the European Union and did not impact the Interim Report September 2020.

**4. 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 ongoing 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.

***Software development costs***

The Group accounts for costs incurred to develop software for internal use as per IAS 38 and capitalises the costs incurred during the application development stage which include costs to design the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary project stage along with post-implementation stages of internal use software are expensed as incurred. Capitalised development costs are amortised over their expected economic useful life. Costs incurred to maintain the existing software are expensed as incurred. The capitalisation and ongoing assessment of recoverability of development costs requires considerable judgement by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

***Deferred Consideration***

The fair value of the contingent deferred consideration arising on business combinations is a key area of accounting estimate. Judgement was exercised in determining the fair value of the deferred consideration in the KeyDrive acquisition, as described in note 15.

**5. Significant accounting policy**

**a) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the course of ordinary activities, net of discounts and sales related taxes.

Revenue from the sale of services is recognised when the performance obligations are met under the customer contract In particular:

**(i) Indirect Sale of services for domain names to registrars (formerly reported as Reseller)**

Indirect revenues are derived from their customer base, registrars, via the following three channels:

(a) Reseller channel - Revenues are derived by facilitating the sale of domain names and associated digital subscription products to registrars by acting as a wholesale platform provider.

(b) Registry Operator channel - CentralNic is an asset holder for Country Code TLD .SK, and therefore generates revenues through sale of domain names of .SK extension to registrars

(c) Registry Service Provider channel - These revenues are generated from the provision of services through the registry service provider mechanism. CentralNic operates as a back-end service provider for third-party Top Level Domains on an exclusive basis, enabling the registrars to sell domain names to registrants.

In accordance with IFRS 15, each segment evaluates the representation of the underlying customer contracts with the registrars and identifies the performance obligation that is required to be met under the customer contract. Determining the transaction price and allocating the transaction price to the performance obligation is done is also considered, followed by the fulfilment of the performance obligation, therefore leading to the revenue recognition of the sale.

For the Reseller channel, upon evaluation of the customer contract, the registry channel has performance obligations that are met at point of sale of the domain name. An invoice under this division could cover the license to utilise the domain name for a fixed term period which could vary between one and ten years, however, all performance obligations are met at the point of sale, and therefore no revenue is deferred.

For the Registry operator revenues and Registry service channels, upon evaluation of the customer contract, the registry channel has several performance obligations that need to be met over the term of the domain name sale. An invoice under these divisions could cover the sale of a domain name for a fixed term period which could vary between one and ten years, and the performance obligations are expected to be fulfilled over the course of this term on a straight-line basis. Revenues that relate to the period in which the services are performed are recognised in the income statement of that period, with the amounts relating to future periods being deferred into ''deferred revenue''.

**(ii) Direct sale of services for domain names to domain registrants (formerly reported as Small business and Corporate Services)**

For the Direct segment, upon evaluation of the customer contract, the registrar channel has performance obligations that are met at the point of sale of the domain name. An invoice under this segment could cover the license to utilise the domain name for a fixed term period which could vary between one and ten years, however, all performance obligations are met at the point of sale, and therefore no revenue is deferred.

Direct revenues are generated from the provision of retail and similar services to domain registrants. The sub revenue streams would be those of new registrations and renewals. Revenue originates when a transaction is generated on the service registry platform by the customer.

Revenue from the provision of computer software to a customer is recognised when the Group has delivered the related software and completed all of the adaptions required by the customer for either the whole contract or for a specific milestone deliverable within the contract. The revenue is recognised at the point of fulfilment of the performance obligation, in line with the customer contract.

Revenue from strategic consultancy and similar services is recognised in profit and loss in proportion to the stage of completion of the performance obligation at the reporting date. The stage of performance obligation fulfilment is determined based on completion of work performed to date as a percentage of total services to be performed.

**(iii) Monetisation services**

In the Monetisation segment, CentralNic places third party advertising ("Advertisers") on domain names held by third parties ("Publisher") not yet or not intended to be developed into website. Revenues are recognized after a chargeable click on the Advertiser's advertisement placed on a Publisher's domain name or a chargeable redirect from a Publisher's domain name to an Advertiser's website are registered.

The acquisition of Team Internet AG and other transformative acquisitions during 2019 have altered the business mix of the Group which have resulted in the restatement and reclassification of the Group segmental reporting. At 30 June 2020, certain restatement and reclassification have been made to the segmental reporting analysis of CentralNic Group for the period and financial year ended 30 June 2019 and 31 December 2019 respectively to enhance comparability with the current year's Interim Report ended 30 June 2020. These restatement and reclassification have had no impact on the Group reported Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flow. As result, comparative figures in note 6 Segmental Analysis have been adjusted to conform to the Interim Report presentation and the formerly reported segments have been restated and reclassified as follows:

Segments reclassification

(a) Indirect, materially consistent with the former Reseller segment,
(b) Direct, combining the former Small Business and Corporate segment
(c) Monetisation, due to its materially enlarged weight warranted its own segment

The segments restated were as follows:

| As at 31 December 2019 | Reseller USD'000 | Small Business USD'000 | Corporate USD'000 | Total USD'000 |
|---|---|---|---|---|
| **Previously reported** | | | | |
| Revenue | 60,681 | 37,753 | 10,760 | 109,194 |
| **After reclassification** | **Indirect USD'000** | **Direct USD'000** | **Monetisation USD'000** | **Total USD'000** |
| Revenue | 60,681 | 46,638 | 1,875 | 109,194 |

**b) Foreign currency translation**

**Functional and presentation currency**

Items included in the financial statements of each of the CentralNic Group's entities are measured using the currency of the primary economic environment in which the entity operates. The Condensed Consolidated Financial Statements are presented in USD given that more than half of its trade is in US Dollar and the industry in which it operates is predominantly trading in US Dollars.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as reserve for exchange rate adjustments.

In the Condensed Consolidated Statement of Comprehensive Income, the comparative figures for the period ended 30 June 2019 and financial year ended 31 December 2019 have been restated to reclassify the foreign exchange differences arising from foreign currency borrowings from administrative expenses to finance costs and other comprehensive income respectively. The Directors believe that this change of presentation provides more reliable and relevant information to the users of the Interim Report about the effect of the transaction and the financial performance of the Group. The change has had a material impact on the Group reported Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flow for the period ended 30 September 2019 and financial year ended 31 December 2019, please refer to the footnote in the Condensed Consolidated Statement of Income for further details of the reclassification and presentation. Following this change of accounting policy and in order to be in conformity with IAS 21.32, future foreign exchange differences arising on the translation of foreign currency borrowings will be recognised in other comprehensive income and accumulated in a separate reserve '' Foreign exchange translation reserve'' in equity.

**Change of functional currency**

On 1 January 2020, CentralNic Group PLC, the Parent Company changed its functional currency from GBP to EUR. The change was made to reflect that EUR has become the predominant currency in the company, counting for a significant part of the company's foreign currency borrowings. The change has been implemented with prospective effect and comparatives have not been restated. The change in functional currency will significantly reduce the volatility of the Parent Company's exposure to foreign currency exchange movement, in particular due to translation of foreign currency borrowings.

The exchange rates used were as follows:

| GBP/EUR exchange rate | 1 January 2020 | 30 June 2020 | 30 September 2020 |
|---|---|---|---|
| Spot rate | 1.1755 | - | - |
| Average rate | - | 1.1126 | 1.0960 |
| Closing rate | - | 1.0960 | 1.0995 |

## 6. Segment analysis

CentralNic is an independent global service provider distributing domain names and associated digital subscription products through Indirect and Direct channels as well as Monetisation services to domain name owners. 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.

The Directors do not rely on segmental cash flows or analysis of segment assets and liabilities arising from the operating, investing and financing activities for each reportable segment for their decision making and have therefore not included them. As described in note 5, there has been a restatement and reclassification of the Group's segmental reporting and therefore the comparatives have been updated. The segmental analysis is organised around the products and services of the business.

The Indirect segment is a global distributor of domain names and provides consultancy services to retailers. The Direct segment provides domain names, ancillary services to end users, monitoring services to protect brands online, technical and consultancy services to corporate clients, licencing of the Group's in house developed registry management platform, also on a global basis. The Monetisation segment provides advertising placement services, sale of domain name and data traffic management services on a global basis.

Management reviews the activities of the CentralNic Group in the segments disclosed below:

| | Nine months ended 30 September 2020 | | | |
|---|---|---|---|---|
| | Indirect USD'000 | Direct USD'000 | Monetisation USD'000 | Total USD'000 |
| **Revenue** | **63,478** | **32,102** | **72,894** | **168,474** |
| Gross profit | 19,198 | 14,888 | 19,165 | 53,251 |
| Total administrative expenses | | | | (47,467)) |
| Share based payments expense | | | | (3,902) |
| **Operating profit** | | | | **1,882** |
| | | | | |
| **Adjusted EBITDA** | | | | **22,075** |
| Depreciation | | | | (1,494) |
| Amortisation of intangibles assets | | | | (8,777) |
| Non-core operating expenses | | | | (6,020) |
| Share based payment expense | | | | (3,902) |
| **Operating profit** | | | | **1,882** |
| Finance cost (net) | | | | (10,949) |
| **Loss before taxation** | | | | **(9,067)** |
| Income tax expense | | | | 2,882 |
| **Loss after taxation** | | | | **(6,185)** |

**Nine months ended 30 September 2019**

| | Indirect USD'000 | Direct USD'000 | Monetisation USD'000 | Total USD'000 |
|---|---|---|---|---|
| **Revenue** | **41,978** | **35,146** | **-** | **77,124** |
| Gross profit | 13,245 | 17,343 | - | 30,588 |
| Total administrative expenses | | | | (28,489) |
| Share based payments expense | | | | (28) |
| **Operating profit** | | | | **2,071** |

| | |
|---|---|
| **Adjusted EBITDA** | **13,113** |
| Depreciation | (911) |
| Amortisation of intangibles assets | (5,599) |
| Non-core operating expenses | (4,504) |
| Share based payment expense | (2,000) |
| **Operating profit** | **99** |
| Finance cost (net) | (5,004) |
| **Loss before taxation** | **(4,905)** |
| Income tax expense | (1,159) |
| **Loss after taxation** | **(6,064)** |

| | Year ended 31 December 2019 | | | |
|---|---|---|---|---|
| | Indirect USD'000 | Direct USD'000 | Monetisation USD'000 | Total USD'000 |
| **Revenue** | **60,681** | **46,638** | **1,875** | **109,194** |
| Gross profit | 19,604 | 22,671 | 500 | 42,775 |
| Total administrative expenses | | | | (41,891) |
| Share based payments expense | | | | (2,878) |
| **Operating loss** | | | | **(1,994)** |

| | |
|---|---|
| **Adjusted EBITDA** | **17,920** |
| Depreciation | (1,306) |
| Amortisation of intangibles assets | (8,299) |
| Non-core operating expenses | (7,357) |
| Share of associate income | (74) |
| Share based payment expense | (2,878) |
| **Operating loss** | **(1,994)** |
| Finance cost (net) | (3,869) |
| Share of associate income | 74 |
| **Loss before taxation** | **(5,789)** |
| Income tax expense | 39 |
| **Loss after taxation** | **(5,750)** |

**7. Revenue**

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

| | Nine months ended | | Financial year ended |
|---|---|---|---|
| | 30 Sep 2020 (Unaudited) USD'000 | 30 Sep 2019 (Unaudited) USD'000 | 31 Dec 2019 (Audited) USD'000 |
| **Indirect Services** | | | |
| UK | 807 | 581 | 828 |
| North America | 16,916 | 9,824 | 13,509 |
| Europe | 32,558 | 25,487 | 34,972 |

| | | | |
|---|---|---|---|
| ROW | 13,197 | 6,086 | 11,372 |
| | **63,478** | **41,978** | **60,681** |
| **Direct Services** | | | |
| UK | 1,848 | 2,230 | 2,792 |
| North America | 10,317 | 9,456 | 11,656 |
| Europe | 12,519 | 13,560 | 19,623 |
| ROW | 7,418 | 9,900 | 12,567 |
| | **32,102** | **35,146** | **46,638** |
| **Monetisation services** | | | |
| UK | 256 | - | 8 |
| North America | 2,574 | - | 102 |
| Europe | 68,264 | - | 1,711 |
| ROW | 1,800 | - | 54 |
| | - | 618 | 4,523 |
| | **72,894** | **-** | **1,875** |
| **Total revenue** | **168,474** | **77,124** | **109,194** |

The Indirect segment has one customer that represents more than 10% of the segment's revenue during the period amounting to USD 7.5m.

The Direct segment has no customer that represents more than 10% of the segment's revenue during the period.

The Monetisation segment has one customer that represents more than 92% of the segment's revenue during the period amounting to USD 66.9m.

**8. Non-core operating expenses**

| | Nine months ended | | Financial year ended |
|---|---|---|---|
| | 30 Sep 2020 (Unaudited) | 30 Sep 2019 (Unaudited) | 31 Dec 2019 (Audited) |
| | USD'000 | USD'000 | USD'000 |
| Acquisition related costs | 686 | 1,652 | 3,466 |
| Acquisition related bonuses | - | 603 | 603 |
| Integration and streamlining costs | 3,010 | 2,249 | 3,288 |

| | | | |
|---|---|---|---|
| Other costs[1] | 2,324 | - | - |
| | **6,020** | **4,,504** | **7,357** |

[1] Other costs include items related primarily to business reviews and restructuring expenses.

### 9. Finance costs

| | Nine months ended | | Financial year ended |
|---|---|---|---|
| | | | **Restated[2]** |
| | **30 Sep 2020 (Unaudited)** | **30 Sep 2019 (Unaudited)** | **31 Dec 2019 (Audited)** |
| | **USD'000** | **USD'000** | **USD'000** |
| Impact of unwinding of discount on Net Present Value of deferred consideration[1] | 70 | (299) | (3,398) |
| Reappraisal of deferred consideration | - | (3,173) | - |
| Foreign exchange loss on revolving credit facility revaluation | (196) | (363) | (214) |
| Foreign exchange (loss)/gain on bond revaluation | (4,270) | 1,808 | 4,099 |
| Arrangement fees on borrowings | (837) | (1,218) | (1,420) |
| Interest expense on short-term borrowings | (248) | (728) | (781) |
| Interest expense on long-term bank borrowings | (5,357) | (949) | (2,033) |
| Interest expense on leases | (119) | (87) | (127) |
| | **(10,957)** | **(5,009)** | **(3,874)** |

[1] Details on the impact of deferred consideration on the Finance costs is discussed in detail in note 15.

[2] The finance costs for the financial year ended 31 December 2019 have been restated to reclassify the foreign exchange loss on the revolving credit facility revaluation from administrative expenses to reflect the appropriate IFRS accounting treatment as per IAS 23.

### 10. Income tax expense

| | Nine months ended | | Financial year ended |
|---|---|---|---|
| | **30 Sep 2020 (Unaudited)** | **30 Sep 2019 (Unaudited)** | **31 Dec 2019 (Audited)** |
| | **USD'000** | **USD'000** | **USD'000** |
| Current tax on profits for the period- UK and foreign | 1,295 | (1,860) | (1,292) |
| Adjustments in respect of previous periods | 57 | 38 | 48 |
| Current income tax | 1,352 | (1,822) | (1,244) |

| | | | |
|---|---|---|---|
| Deferred income tax | 1,530 | 663 | 1,283 |
| | **2,882** | **(1,159)** | **39** |

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:

| | **Nine months ended** | | **Financial year ended** |
|---|---|---|---|
| | | | **Restated** |
| | **30 Sep 2020** | **30 Sep 2019** | **31 Dec 2019** |
| | **(Unaudited)** | **(Unaudited)** | **(Audited)** |
| | **USD'000** | **USD'000** | **USD'000** |
| Loss before taxation | (9,067) | (4,905) | (5,789) |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | (798) | (1,377) | (1,580) |
| Tax effects of: | | | |
| Expenses not deductible for tax purposes | (1,001) | 42 | 803 |
| Adjustments in respect of previous periods | 57 | 38 | 48 |
| Tax loss movement | 1,982 | 478 | 578 |
| Deferred tax | 1,530 | 663 | 1,283 |
| Withholding tax | - | (7) | (168) |
| Other adjustments | 1,112 | (996) | (925) |
| Current tax (expense)/credit for the period/year | **2,882** | **(1,159)** | **39** |

The Company estimates for income taxes in the condensed financial statements 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 nine months period was 32% (Nine months ended 2019: 24%), mainly driven by the different jurisdictions tax rate, local tax treatment of deferred consideration amounts, tax losses carried forward and the impact of SK-NIC's profits set off against amortisation of goodwill. As illustrated above the business incurs a high level of non-cash charges which are mainly not deductible for income taxes in the relevant jurisdictions and largely represent permanent differences between accounting and taxable profits. As a percentage of the adjusted EBITDA less non-core operating expenses, the tax charge was 18% for the nine months ended 30 Sep 2020 (Nine months ended 2019: 13.5%), which in the opinion of the Directors is a more appropriate measure of the tax cost to the business.

In the UK, the applicable statutory tax rate for 2020/21 is 19% (2019/20: 19%).

In the USA, federal taxes are due at 21% on taxable income. Under California tax legislation a statutory minimum of USD 800 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 14%-c.17% is also levied with rates determined by the municipality taking the total effective tax charge to circa 30%-34%.

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

In Slovakia, income tax is due at 21% of taxable income.

**11. 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.

| | **As at** | **As at** | **As at** |
|---|---|---|---|
| | **30 Sep 2020** | **30 Sep2019** | **31 Dec 2019** |
| | **(Unaudited)** | **(Unaudited)** | **(Audited)** |
| | **USD'000** | **USD'000** | **USD'000** |
| Loss) after tax attributable to owners | (6,185) | (6,012) | (5,686) |
| Operating profit /(loss) | 1,882 | 99 | (1,994) |

| | | | |
|---|---|---|---|
| Depreciation | 1,494 | 911 | 1,306 |
| Amortisation of intangible assets | 8,777 | 5,599 | 8,299 |
| Non-core operating expenses | 6,020 | 4,504 | 7,357 |
| Share of associate income | - | - | 74 |
| Share based payment expense | 3,902 | 2,000 | 2,878 |
| Adjusted EBITDA | 22,075 | 13,113 | 17,920 |
| Depreciation | (1,494) | (911) | (1,306) |
| Finance costs (excluding deferred consideration related amounts - note 8) | (11,027) | (1,537) | (476) |
| Finance income | 8 | 5 | 5 |
| Taxation | 2,882 | (1,159) | 39 |
| Adjusted Earnings | 12,444 | 9,511 | 16,182 |
| **Weighted average number of shares:** | | | |
| Basic | 185,521,432 | 173,793,044 | 175,083,962 |
| Effect of dilutive potential ordinary shares | 8,044,990 | 5,072,447 | 5,397,202 |
| Diluted | 193,566,422 | 178,865,491 | 180,481,164 |
| **Earnings per share:** | | | |
| **Basic (cents)** | **(3.33)** | **(3.36)** | **(3.25)** |
| **Diluted (cents)** | **(3.33)** | **(3.36)** | **(3.25)** |
| Adjusted earnings - Basic (cents) | 6.71 | 5.47 | 9.24 |
| Adjusted earnings - Diluted (cents) | 6.43 | 5.32 | 8.97 |

Basic and diluted earnings per share has been impacted by non-recurring acquisition costs, amortisation changes and other significant operating costs.

**12. Property, plant and equipment**

| | Right of use assets USD'000 | Motor vehicles USD'000 | Computer equipment USD'000 | Furniture and fittings USD'000 | Total USD'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2019 | **-** | **30** | **1,722** | **257** | **2,009** |
| IFRS 16 adjustment on 1 January 2019 | 779 | - | - | - | 779 |
| Additions | 3,598 | - | 440 | 188 | 4,226 |
| Acquisition of subsidiary | - | - | 28 | 45 | 73 |
| Exchange differences | (138) | (19) | (209) | (27) | (393) |
| **At 30 September 2019** | **4,239** | **11** | **1,981** | **463** | **6,694** |
| Additions | - | - | 240 | 25 | 265 |
| Acquisition of subsidiary | 911 | - | 348 | 82 | 1,341 |
| Exchange differences | 251 | 1 | 77 | 10 | 339 |
| **At 31 December 2019** | **5,401** | **12** | **2,646** | **580** | **8,639** |
| Additions | 160 | - | 717 | 37 | 914 |
| Exchange differences | (18) | - | 5 | 14 | 1 |
| **At 30 September 2020** | **5,543** | **12** | **3,368** | **631** | **9,554** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2019 | **-** | **11** | **958** | **109** | **1,078** |
| Charge for the period | 462 | 5 | 369 | 75 | 911 |
| Exchange differences | (12) | (5) | (222) | (23) | (262) |
| **At 30 September 2019** | **450** | **11** | **1,105** | **161** | **1,727** |
| Charge for the period | 196 | - | 158 | 41 | 395 |
| Exchange differences | 23 | 1 | 60 | 6 | 90 |
| **At 31 December 2020** | **669** | **12** | **1,323** | **208** | **2,212** |
| Charge for the period | 769 | - | 577 | 148 | 1,494 |
| Exchange differences | (23) | - | (2) | 29 | 4 |

| | | | | | |
|---|---|---|---|---|---|
| **At 30 September 2020** | **1,415** | **12** | **1,898** | **385** | **3,710** |

**Property, plant and equipment- carrying value**

| | | | | | |
|---|---|---|---|---|---|
| **At 30 Sep 2019** | **3,789** | **-** | **876** | **302** | **4,967** |
| **At 31 Dec 2019** | **4,732** | **-** | **1,323** | **372** | **6,427** |
| **At 30 Sep 2020** | **4,128** | **-** | **1,470** | **246** | **5,844** |

The carrying value of property, plant and equipment excluding right of use assets recognised under IFRS 16 at 30 September 2020 was USD 1.7m (30 September 2019: USD 1.2m)

**13. Intangible assets**

| | Domain Names USD'000 | Patents & Trademarks USD'000 | Software USD'000 | Customer List USD'000 | Goodwill USD'000 | Intellectual Property USD'000 | Total USD'000 |
|---|---|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | | | |
| At 1 January 2019 | **1,472** | **3,210** | **14,639** | **41,946** | **77,600** | **-** | **138,867** |
| Additions | - | - | 142 | - | - | - | **142** |
| Acquisition of subsidiary | - | 1,038 | - | 13,632 | 15,421 | 1,464 | **31,555** |
| Exchange Differences | (60) | (54) | (276) | (1,616) | (2,105) | 113 | **(3,998)** |
| **At 30 September 2019** | **1,412** | **4,194** | **14,505** | **53,962** | **90,916** | **1,577** | **166,566** |
| Additions | - | - | 21 | - | - | - | **21** |
| Acquisition of subsidiary | 6,761 | 836 | 3,232 | 20,934 | 16,354 | - | **48,117** |
| Reclassification from Inventory | 3,467 | - | - | - | - | - | **3,467** |
| Exchange Differences | 199 | 144 | 559 | 4,286 | 2,967 | 62 | **8,217** |
| **At 31 December 2019** | **11,839** | **5,174** | **18,317** | **79,182** | **110,237** | **1,639** | **226,388** |
| Additions | 85 | 2 | 1,381 | 192 | 655 | **-** | **2,315** |
| Acquisition of Subsidiary | - | - | - | - | (93) | **-** | **(93)** |
| Exchange Differences | 370 | 33 | (19) | 1,563 | 3,176 | 21 | **5,144** |
| **At 30 September 2020** | **12,294** | **5,209** | **19,679** | **80,937** | **113,975** | **1,660** | **233,754** |
| | | | | | | | |
| **Amortisation** | | | | | | | |
| At 1 January 2019 | **399** | **88** | **3,718** | **7,395** | **-** | **-** | **11,600** |
| Charge for the period | 79 | 184 | 1,638 | 3,522 | 149 | 27 | **5,599** |
| Exchange differences | (18) | (3) | (198) | (273) | (144) | 10 | **(626)** |
| **At 30 September 2019** | **460** | **269** | **5,158** | **10,644** | **5** | **37** | **16,573** |
| Charge for the period | 564 | 114 | 522 | 1,614 | (145) | 31 | **2,700** |
| Exchange Differences | 52 | (5) | 273 | 590 | 140 | 10 | **1,060** |
| **At 31 December 2019** | **1,076** | **378** | **5,953** | **12,848** | **-** | **78** | **20,333** |
| Charge for the period | 886 | 320 | 1,806 | 5,647 | - | 118 | **8,777** |
| Exchange Differences | (30) | (53) | (81) | (85) | 165 | (2) | **(86)** |
| **At 30 September 2020** | **1,932** | **645** | **7,678** | **18,410** | **165** | **194** | **29,024** |
| | | | | | | | |
| **Carrying value** | | | | | | | |
| **At 30 September 2019** | **952** | **3,925** | **9,347** | **43,318** | **90,911** | **1,540** | **149,993** |
| At 31 December 2019 | **10,763** | **4,796** | **12,364** | **66,334** | **110,237** | **1,561** | **206,055** |
| **At 30 September 2020** | **10,362** | **4,564** | **12,001** | **62,527** | **113,810** | **1,466** | **204,730** |

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

**14. Deferred receivables**

| | As at 30 Sep 2020 (Unaudited) USD'000 | As at 30 Sep2019 (Unaudited) USD'000 | As at 31 Dec 2019 (Audited) USD'000 |
|---|---|---|---|
| Deferred costs | 190 | 384 | 639 |
| Loans to related parties | 100 | 100 | 100 |
| | **290** | **484** | **739** |

**15. Trade and other receivables**

| | As at 30 Sep 2020 (Unaudited) USD'000 | As at 30 Sep 2019 (Unaudited) USD'000 | As at 31 Dec 2019 (Audited) USD'000 |
|---|---|---|---|
| Trade receivables | 20,790 | 11,911 | 21,121 |
| Accrued revenue | 6,676 | 8,746 | 6,251 |
| Deferred costs | 1,335 | 874 | 1,723 |
| Prepayments and other receivables | 9,335 | 3,903 | 7,278 |
| Supplier payments on account | 3,091 | 4,619 | 4,387 |
| | **41,227** | **30,053** | **40,760** |

**16. Trade and other payables and accruals**

| | As at 30 Sep 2020 (Unaudited) USD'000 | As at 30 Sep 2019 (Unaudited) USD'000 | As at 31 Dec 2019 (Audited) USD'000 |
|---|---|---|---|
| Accounts payable | 19,448 | 6,307 | 15,645 |
| Accrued expenses | 18,214 | 16,402 | 23,252 |
| Other taxes and social security | 146 | 157 | - |
| Deferred consideration | 3,072 | 8,242 | 10,881 |
| Deferred revenue | 6,431 | 6,919 | 6,331 |
| Customer payments on account | 15,359 | 18,173 | 16,724 |
| Accrued interest | 1,877 | 938 | 1,850 |
| Other liabilities | 1,536 | 1,068 | 1,000 |
| | **66,083** | **58,206** | **75,683** |

On 23 June 2020, CentralNic Group has settled EUR 2,700,000 deferred consideration payable to the sellers of Team Internet AG in cash. On 15 July 2020, CentralNic Group settled EUR 1,324,492 deferred consideration to the seller of SK-NIC. On 6 August 2020, the Company settled EUR 2,971,000 deferred

consideration to the sellers of Hexonet Group by issuing 3,208,819 consideration shares and on 31 August 2020, settled an amount of EUR 450,000 as deferred considered to the seller of GlobeHosting in cash. The deferred consideration and the finance costs also reflected the unwinding of the discount factor resulting from the passage of time.

Deferred consideration is subject to actuarial and net present value discounts and the resulting income or expense are recorded in the finance cost in the Consolidated Statement of Comprehensive Income as described in note 9. The maximum amount of deferred consideration payable in cash or in shares is USD 9.9m, out of which USD 3.5m is in cash and USD 6.4m in shares. Please refer to note 19 for further details of deferred consideration liabilities settled after the balance sheet date.

**17. Financial instruments**

The CentralNic Group is exposed to market risk, credit risk and liquidity risk arising from financial instruments. The Group's overall financial risk management policy focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the 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:

| | As at 30 Sep 2020 (Unaudited) USD'000 | As at 30 Sep 2019 (Unaudited) USD'000 | As at 31 Dec 2019 (Audited) USD'000 |
|---|---|---|---|
| **Financial assets** | | | |
| *Loan and receivables* | | | |
| Trade and other receivables | 34,178 | 25,817 | 33,701 |
| Cash and cash equivalents | 63,662 | 18,967 | 26,182 |
| | **97,840** | **44,784** | **59,883** |
| **Financial liabilities measure at amortised costs** | | | |
| Trade and other payables | 45,303 | 28,511 | 46,555 |
| Loan and borrowings (short and long term) | 108,600 | 54,884 | 101,180 |
| | **153,903** | **83,395** | **147,735** |

Cash and Net Debts movement in the 9 months period to 30 September 20 were as follows:

| **Cash conversion** | **As at 30 Sep 2020 (Unaudited) USD'000** |
|---|---|
| Cash flow from operations | 13,546 |
| Exceptional costs incurred and paid during the period | 6,020 |
| Settlement of one-off working capital items from prior period | 1,029 |
| **Adjusted cash flow from operations** | **20,595** |
| Adjusted EBIDTA | 22,075 |
| Conversion % | 93.3% |

| | **Bond USD'000** | **Bank debt USD'000** | **Cash USD'000** | **Net debt USD'000** |
|---|---|---|---|---|
| **At 31 Dec 19** | **(97,724)** | **(3,456)** | **26,182** | **(74,998)** |
| Draw down | - | (2,377) | 2,377 | - |
| Amortisation of costs | (1,223) | (199) | - | (1,422) |
| Placing proceeds (net of costs) | - | - | 37,298 | 37,298 |
| Other cash movements | - | - | 100 | 100 |
| Net cash flows before foreign exchange | (1,223) | (2,576) | 39,775 | 35,976 |
| Foreign exchange differences | (3,461) | (161) | (2,295) | (5,917) |

| | | | | |
|---|---|---|---|---|
| **At 30 Sep 20** | **(102,408)** | **(6,193)** | **63,662** | **(44,939)** |

**18. Share capital**

| | Number | Share Capital USD'000 | Share Premium USD'000 | Merger Relief USD'000 |
|---|---|---|---|---|
| **At 1 January 2019** | 170,652,802 | 216 | 69,238 | 2,314 |
| Proceeds from shares issued in connection with the employee share option schemes | 100,000 | 1 | 44 | - |
| Shares issued to settle the deferred consideration in respect of KeyDrive acquisition | 7,384,978 | 10 | 5,553 | - |
| Option exercised in August 2019 | 436,698 | - | 5 | - |
| **At 30 September 2019** | **178,574,478** | **227** | **74,840** | **2,314** |
| Shares issued in respect of Team Internet acquisition | 3,911,650 | 5 | - | 2,983 |
| **At 31 December 2019** | **182,486,128** | **232** | **74,840** | **5,297** |
| New shares issued | 3,138,356 | 4 | - | - |
| Elimination of share premium to create distributable reserve | - | - | (74,840) | - |
| Shares issued to settle deferred consideration of Hexonet Group | 3,208,819 | 4 | 3,324 | - |
| Shares issued in relation to the acquisition of Codewise | 40,000,000 | 52 | 38,444 | - |
| Shares issuance costs | - | - | (1,198) | - |
| **At 30 September 2020** | **228,833,303** | **292** | **40,570** | **5,297** |

**19. Borrowings**

At 30 September 2020, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

| | Less than 6 months | Less than 6-12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets)/liabilities |
|---|---|---|---|---|---|---|---|
| | USD' 000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| Trade and other payables and accruals | 45,303 | - | - | - | - | 45,303 | 45,303 |
| Borrowings (include prepaid costs) | 6,036 | 156 | - | 102,408 | - | 108,600 | 108,600 |
| Lease liabilities | 500 | 508 | 954 | 1,316 | 955 | 4,233 | 4,233 |
| **Total non-** | **51,839** | **664** | **954** | **103,724** | **955** | **158,136** | **158,136** |

derivatives

At 30 September 2020, the SVB Revolving facility is reflected in short term borrowings as its repayment is due within six months from the date of this report.

At 31 December 2019, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

| | Less than 6 months | Less than 6-12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets)/liabilities |
|---|---|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| Trade and other payables and accruals | 46,555 | - | - | - | - | 46,555 | 46,555 |
| Borrowings (include prepaid costs) | 2,809 | 348 | 299 | 97,724 | | 101,180 | 101,180 |
| Lease liabilities | 403 | 468 | 935 | 1,717 | 1,180 | 4,703 | 4,703 |
| **Total non-derivatives** | **49,767** | **816** | **1,234** | **99,441** | **1,180** | **152,438** | **152,438** |

As at 31 December 2019, a second tranche of bonds for a nominal amount of EUR 40,000,000 had been issued from the existing senior secured bond.

At 30 September 2019, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

| | Less than 6 months | Less than 6-12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets)/liabilities |
|---|---|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| Trade and other payables and accruals | 28,511 | - | - | - | - | 28,511 | 28,511 |
| Borrowings (include prepaid costs) | 2,398 | - | - | 52,486 | - | 54,884 | 54,884 |
| Lease liabilities | 206 | 243 | 568 | 1,531 | 1,161 | 3,709 | 3,709 |
| **Total non-derivatives** | **31,115** | **243** | **568** | **54,017** | **1,161** | **87,104** | **87,104** |

In July 2019, the EUR 50,000,000 bond proceeds replaced the SVB term loan and was reflected in long term borrowings.

**20. Events occurring after the reporting period**

Detailed below are the significant events that happened after the Group's period end date of 30 September 2020 and before the signing of this Interim Report and Accounts on 30 November 2020.

**Acquisition of Zeropark and Voluum**

On 31 October 2020, CentralNic Group PLC completed the acquisition of Zeropark and Voluum businesses including all material trade and assets pertaining thereto (together, being "Codewise"). Codewise is a Monetisation and Marketing technology business offering digital solutions, including Zeropark (an Ad Exchange platform connecting domain investors and other traffic providers with online marketers) and Voluum (SaaS analytics, measurement, optimisation and media buying tools). In addition to the underlying Zeropark and Voluum platforms, CentralNic took on all Codewise staff and management, including the development team developing the platforms to serve an increasing number of monetisation and marketing customers. Zeropark operates a revenue model based on cost per 1k impressions ("CPM") and cost per click ("CPC") together with a commission-based model on sales in marketplace whereas Voluum operates a revenue model based on a recurring yearly tiered subscription pricing for its Tracker product, together with a commission-based model on demand side platforms ("DSPs").

**KeyDrive deferred consideration**

The acquisition of KeyDrive SA on 2 August 2018, has performed well against its highly ambitious targets set for FY2019. As a result of this performance, USD 2,245,000 Additional Consideration attributable to the FY2019 objectives is payable to Inter.Services GmbH ("Inter.Services"). On 3 November 2020, 15% of the total consideration amounting to USD 336,750 has been settled in cash. The remainder of the Additional Consideration attributable to the FY2019 objectives will be settled by issuing 1,685,723 Additional Consideration Shares. Inter.Services may still earn up to a maximum of USD 1,423,000 of Additional Consideration in the future under the terms of the SPA, which the Company considers a contingent liability.

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