interim report
2016

mmx.co

The Directors of Minds + Machines Group Limited (LSE:MMX), the publicly quoted owner and operator of Internet top-level domains, are pleased to announce the Group's unaudited interim results for the six month period ended 30 June 2015 ("the period").

MMX is transitioning into a pure play registry. It is the owner and operator of a portfolio of top-level domain assets, which we are focused on commercializing, in partnership with our global network of distribution partners.

308%

Billings
$8,050 million for H1 2016

149%

Gross Margin
$5,736 million and 84% Gross Margin for H1 2016

14%

Operating EBITDA
$1,973 million for H1 2016

contents

"

Our direction of travel is clear and we are witnessing the management's strategy proving successful with the Company's transformation.

The transformation delivered by the executive team has been nothing short of exceptional.

I am pleased to report that the transformation of the Company delivered by the newly appointed executive team in the four months post the appointment of Toby Hall as CEO and Michael Salazar as COO/CFO in February has been very encouraging and nothing short of exceptional.

- Billings in H1 2016 have increased over 300% to US$8.05 million compared to US$2.0 million for the same period last year, a figure which has been significantly helped by the successful launch into China in the period;
- Revenues for H1 2016 have more than doubled to US$7.4 million (H1 2015: US$3.6 million);
- Ongoing operating costs have already been cut 27% to US$3.6 million (H1 2015 US$4.9 million) in the period with further savings to be realized in H2 as we decrease towards our 2017 target of US$6 million for the year;
- Gross margin on billings for the period has improved to 86% compared to 47% in H1 2015; and
- Positive operating EBITDA, before restructuring costs, of US$2 million has been delivered versus a loss of US$2.7 million1 for the same period last year.

In short, our direction of travel is clear and we are witnessing the management's strategy proving successful with the Company's transformation into an operationally profitable, sales-led, pure-play registry being ahead of management's expectation.

Likewise, developments post period end, most notably in relation to the renegotiation of historically burdensome contracts and the roll-out of business development strategies across each of our key markets, give the Board every reason for confidence for the full year and beyond.

To that end, given the strength of our balance sheet and available cash, which as at 31 August 2016, stood at US$28.2 million, the Company has today announced its intention to return £13.0 million (US$17.3 million) to Shareholders by way of a Tender Offer to all qualifying Shareholders to purchase up to 100,000,000 ordinary shares of no par value ("Ordinary Shares") at a price of 13 pence per Ordinary Share (the "Tender Offer"). Further details of the Tender Offer are set out in the announcement released this morning and are included in a circular that will be posted to Shareholders later today (the "Circular").

Alongside the Tender Offer, the Company has today announced a private subscription of c.42.5m Ordinary Shares at a price of 13 pence per Ordinary Share (the "Subscription") by Goldstream Capital Master Fund I that will invest approximately £5.5 million (US$7.3 million) in the Company. Goldstream Capital Master Fund I, advised by Goldstream Capital Management Limited, is a private fund incorporated in the Cayman islands which is wholly owned by Hony Capital, a leading Chinese equity investment and asset management company. This investment is a direct result of the Company's increased presence in China and the Directors believe the strategic investment will further assist the Company as it increases its presence in the region and will assist in developing key relationships and identifying commercial opportunities. Further details of the Subscription are outlined in the aforementioned announcement and in the Circular.

Going forward, the Board will continue to review the cash requirements of the business and the options available to it, including a progressive dividend policy, to return excess capital to Shareholders.

In conclusion, the Group has successfully been navigated out of troubled waters:

- the Board costs and associated run-rate have been cut from US$2.0 million to US$0.7 million per annum;
- the loss making registrar business has been closed down;
- the outsourcing of the technical back-end to Nominet is underway and is on track for completion in Q4; and
- the fast-growth market of China has been successfully accessed through the launch of the well received .vip TLD.

To that end, the Board wishes to thank the Company's management team, staff and external advisers that have all contributed both to the turn-around and transformation of the business.

Guy Elliott
Non-executive chairman
19 September 2016

[1] H1 2015 operating EBITDA loss of US$2.7 million is based on one-off profits from gTLD auctions being excluded.

"The new top-level domain industry as a whole and the Company itself have reached an inflexion point where historic excitement is now being reflected by tangible results and meaningful progress.

These are exciting times for the Company.

These are exciting times for the Company. At the time of the publication of the final results for the year ended 31 Dec 2015 earlier this year, I set out the strategy by which the executive team intended to transform the business. In summary, we were going to:

1. rationalize the business into a pure-play owner of top-level domains as that is where the Board sees the greatest opportunity to deliver value to Shareholders;
2. make sure we are organizationally set up so that we can incisively and cost efficiently develop those markets where we are seeing greatest growth opportunity: notably, Asia, Europe and North America;
3. work with and support the retail channel (registrars) globally to enable our inventory to be best sold – i.e. significantly grow our revenues and domains under management (DUMs);
4. cut operating expenses;
5. address historical financially burdensome contracts; and
6. ensure we have an ongoing strategy for further growth.

Six months on, as highlighted by the figures referenced by our Chairman, the strategy has already delivered some notable results for the period under review, namely:

- the successful launch into China;
- the closure of our heavily loss making registrar which accounted for a US$4.7 million loss in 2015;
- the transformational agreement with Nominet to outsource our technical back-end onto their platform;
- the restructuring of the Board and management team so that it can efficiently work across three time zones; and
- the surge in DUMs and billings in the period – billings up over 300% to $8.05 million (H1 2015: $2 million) and DUMs up 236% to 728,940 as of 30 June 2016 (30 June 2015: 217,200).

Collectively, these have all contributed to a transformation of the business's fortunes and enhanced its prospects for the future. I am therefore pleased that the Company is able to report an operating EBITDA before one-off restructuring costs of US$2 million and EBITDA before one-off restructuring costs of US$0.957 million. Significantly, operating expenses for the ongoing operations were down to US$3.6 million in H1 (H1 2015: US$4.9 million) with further reductions expected in H2. As a result, the Board is confident that Group's operating expenses in 2017 will be within its US$6.0 million target.

However, while there is reason to be positive about what has been achieved to date, I would like to focus Shareholders' attention on the reasons why the Board is more excited about the opportunities ahead than the accomplishments to date. In particular:

1. the growth of the new gTLD market;
2. the importance of the Asia market to MMX in the near to mid term;
3. our progress in Europe and the US as we look to develop these market for the mid to long-term;
4. our KPIs / portfolio developments; and
5. H2 outlook.

I would also like to stress that at the heart of MMX's growth strategy is a philosophy of partnership: recognizing where and when we can best leverage off the strengths of others to most rapidly achieve our goals whilst maintaining control of our assets and minimizing internal costs. As a consequence, a far more outward looking culture has been introduced into the Group that is allowing us to better identify new commercial opportunities. In short, MMX has been transitioned into a far leaner and more agile operator.

The growth of the new gTLD market

Net registrations per TLD type

	Country codes	Verisign (.com/.net)	new gTLDs
31.12.15	144.4m	139.8m	11.2m
30.6.16	149.6m*	143.2m	22.8m
Net gain	5.6m*	3.4m	11.6m
% increase	3.9%	2.4%	104%

* estimated based on 7.7% year on year growth in country codes in 2015
Sources: Verisign and nTLD stats

The new gTLD marketing is experiencing material growth. In H1 2016, net registrations in new gTLDs grew by 11.6 million compared to the estimated net 9.0 million new registrations across all the 200+ country codes and Verisign's .com and .net combined.

Since 30 June 2016, net new gTLD registrations have risen by a further 1.2 million to over 24 million, a 114% growth since the start of the year making this, quite simply, the fastest growing segment of the top-level domain market.

Outside of the growth of new gTLD registrations, it is also important to point out the following developments in the industry:

- Verisign's purchase of .web in July for US$135.0 million;
- GMO's purchase of .shop in May for US$41.5 million.

Both reflect the long-term value businesses are seeing in new top-level domains. As such, they help provide an additional lens by which to assess the value of new top-level domains.

The importance of the Asia market to MMX

Chinese registrars currently account for approximately 47% of all new gTLD registrations globally.

As of 31 December 2015 the Group had no exposure to this important market. To put that into perspective, at the year-end, 62% of the Group's billings came from Europe and 38% from the US with no contribution from the Asia region.

It was therefore an immediate priority for the new executive team to address and led to the accelerated introduction of the .vip TLD into the region in May. As previously reported, its launch has been nothing short of exceptional representing the most successful launch of any new gTLD to date, with approximately 405,000 registrations and $5.5 million of billings achieved in the first 21 days, the majority being generated from Asia and being well ahead of our initial expectations.

The reasons for its success have been multiple – appropriate pricing, choice of strategic partners but most importantly because the letters VIP carry a, not to be underestimated, positive meaning in the region; an insight that came from extensive research into the region ahead of launch.

More importantly, .vip is acting as a standard-bearer for the Group in the region. It is allowing us to pursue conversations and initiatives that should allow us to continue strengthening our presence in Asia going forward.

To that end, I am pleased to confirm the Group has made its first employee appointment on mainland China to our Wholly Foreign Owned Enterprise ("WFOE") in Beijing to support the exceptional technical, marketing and business development partners we already have in place. We therefore look forward to expanding our presence on the ground in China over the next 12 months.

By year-end, the Board anticipates China based revenues to account for a minimum of 45% of the Group's total revenues. The Board is likewise quietly confident about the renewal profile for .vip in 2017, given its domains under management growth has not been based on a "freemium" based marketing strategy where domains are given away with near free pricing in the first year typically leading to low renewal rates in the subsequent year.

We therefore have long term confidence both for the development of .vip and the Group in the region and look forward to updating the market of that progress.

Progress in Europe and the US

Europe

In 2015, 62% of the Group's revenues were generated from Europe – primarily through our geographic related ("geo") top-level domains - .london, .bayern, and .nrw. Whilst in registration terms per geo, there is head-room for improvement, there are key characteristics to our geo's that give us reason for long-term confidence in this asset class:

1. the above industry renewal rates they achieve – for example, over 80% in Germany;
2. the leverage that can be gained through the support of the respective city halls/municipal governing bodies; and
3. the enthusiasm of in-country registrars to support the domains when presented with appropriate initiatives.

However, it was equally apparent that there were legacy issues in certain aspects of the contracts that threatened the commerciality of these domains. I am therefore delighted to report that post period end, broad agreement has been reached allowing MMX and its respective partners to drive the growth and penetration of these domains forward on a more commercial basis.

In addition, by talking with our retail channel, it became evident that there were steps we could take to better support their marketing of geos in Europe. We therefore look forward to some of these initiatives starting to impact in Q4 2016 and H1 2017. We are also confident that the insights learnt from each will better inform the next steps of each.

In short our geos serve as the Group's European standard-bearers in much the same way .vip does in China/Asia.

Operationally in Europe, the outsourcing of the Group's technical back-end also began, the first TLD migrations onto the Nominet platform completed in September with the process on track to conclude in Q4 2016. As previously announced, Nominet is the operator of the .UK family of top-level domains and is widely acknowledged in the industry as having an industry-leading platform.

US

Whilst historically the Company was heavily weighted towards the US in terms of human resources and locations, financially it has been our weakest market. The primary reasons for this were:

- an over emphasis on the Minds + Machines registrar arm as the primary mechanism to monetize our TLDs;
- a premium name pricing and sales strategy that alienated key segments of the end-consumer market as well as our retail channel;
- a retail channel that historically was slow to embrace new gTLDs.

In all areas, major progress has been made during and after the period to allow MMX to better grow its share of the US market by working more closely with the registrar channel. To that end:

1. the Minds + Machines registrar has been closed, thereby removing a tension point with our major retail channel;
2. the strategy of attempting to sell premium inventory direct to potential customers, primarily via our wholly-owned subsidiary, Emerald Names, is now being unwound with the majority of the Emerald Names inventory, some 17,000 names in total, having been moved back into the retail channel;
3. the policy of premium renewals significantly adjusted to allow both greater volumes to be potentially sold via the registrar channel – it should be noted, though, that this policy will not come into effect until January 2017 due to the six-month notification period that had to be given to effect this change;
4. a long-term US specific sales and marketing strategy initiated to better support our portfolio of wholly-owned TLDs in 2017.

In relation to point 4, significant attention has been given to .law which we believe continues to have a long term potential given its unique positioning as the only TLD exclusively for accredited lawyers.

The executive team is also greatly encouraged by the increased importance being placed on new gTLDs by the major registrars in the US as they look to increase both revenue and market share domestically. For that reason, the Board remains confident about the long-term potential of its portfolio in the North American market.

Operationally the Company has, post period end, closed its LA office and rationalized its US operations into a single presence in Seattle, the city where its sales team had originally been located. During the first half, head-count in the US was reduced 44% with the expectation that the US internal head-count will be no more than 13 at the year-end.

$8,050m

Billings (H1 2016)

728,940

Domains Under Management (H1 2016)

22.8m

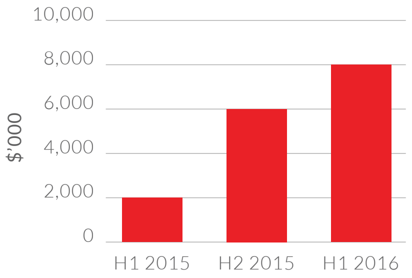
New gTLDs (H1 2016)

chief executive officer's report
continued

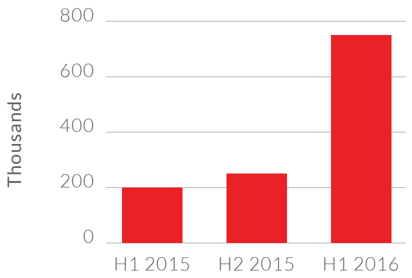
KPI's

In terms of how we measure our progress, four key metrics stand out:

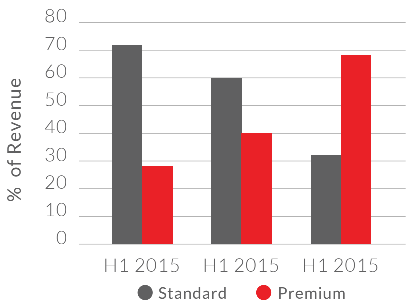
Billings



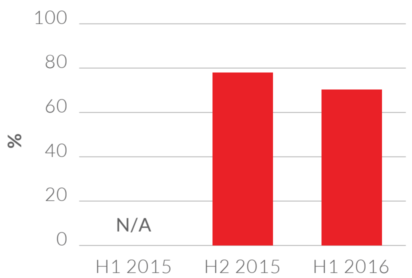
Domains Under Management



Standard / Premium Name Revenue mix



Renewal Rate



In terms of billings and DUMs, we now have experienced three halves of significant growth (Billings: H1 2015 US$2.0 million, H2 2015 US$5.9 million, H1 2016 US$8.1 million; DUMs: H1 2015 217,000, H2 2015 279,000, H1 2016 729,000). Importantly, the success of .vip in H1 this year has corrected the historic H2 weighting in terms of billings and DUMs that the business experienced as a result of previous launches having taken place in H2 2015 (.law, .miami) and H2 2014 (.london, .bayern) respectively.

In terms of renewals, we continue to trend at the top-end of the industry range, renewals in H2 2015 having been 78% and 71% in H1 2016. The slight softening of this number in H1 this year is a direct result of the aggressive price promotion run at the launch of .work in H1 last year and the associated lower renewals then experienced this year.

When looking at our revenue mix, we can see the growing significance of premium revenues over the last three halves, premiums accounting for 28% in H1 2015, 40% in H2 2015 and 68% in H2 2016. The significant increase in H1 2016 is a direct result of the change in premium price strategy used in the .vip launch which we will be implementing across the rest of our portfolio in 2017. Looking forward into 2017, we would expect a balancing between premium and standard revenue to occur.

Portfolio developments

In terms of developments of MMX's portfolio of 29 TLDs at the period end – 25 of which were wholly/majority owned, four in partnership – the main points to note outside of the .vip launch are:

- we are still awaiting the ICANN transfer process to complete on .boston before being able to schedule its launch;
- post period end we reached agreement to cede our interest in .basketball with the intention of increasing our interest .rugby;
- .dds, .luxe and .budapest remain unlaunched;
- we continue to retain our interests in a further eight contested TLDs – .cpa, .eco, .gay, .home, .hotel, .llc, .inc and .music – all of which remain in various ICANN associated processes; the expectation however remains that some will move to private auction.

Outlook for H2

To conclude, the Directors believe that both the new top-level domain industry as a whole and the Company itself have reached an inflexion point where historic excitement is now being reflected by tangible results and meaningful progress. The growth rates of registrations within new gTLDs are visible for all to see and China and the Far East are leading the way. MMX has demonstrated it can and will continue to play a meaningful role in this region and the gTLD market as a whole.

At the same time, we will continue to streamline the business through cutting costs where necessary and outsourcing operational costs where possible whilst investing in sales and marketing where appropriate.

We are therefore optimistic for the outcome of the year as a whole and remain excited about the medium and long term prospects for 2017 and beyond across our three markets of focus: Asia, Europe and the US.

Toby Hall
Chief Executive Officer
19 September 2016

chief operating officer / chief financial officer's statement

The turnaround from a business running with significant losses to one generating a positive operating EBITDA in just a few months has not only been very encouraging but validates our new strategy. As we highlight in the financials: ongoing operational costs are going down, loss generating business activities are being shut down, and most importantly, revenue generation is improving materially.

Readers of our financials will also see meaningful changes to the financial statements. The reasoning behind this change is to better represent the Company's strategy as a pure-play registry. We have spent considerable time and energy to shut down the registrar and to outsource the registry back-end to Nominet. Our financials should therefore accurately reflect these activities.

In doing so, and in compliance with financial reporting standards, we have also changed the presentation of the financial statements for H1 2015 as well as for 2015. This allows us to show a like-for-like comparison i.e., registry operations only. The registrar is now reflected as Discontinued Operations and its considerable losses are separately stated in the Income Statement.

Such a like-for-like comparison is informative, and as we highlight in more detail below, shows impressively strong results. However, we would suggest that comparisons with the actual 2015 results are also informative, as they reflect the Company's strategy at the time.

For example, if we remove one-time private auction revenue and add back in registrar operational costs, H1 2015 would have reflected an operating EBITDA loss of US$4.37 million and a full year operating EBITDA loss of US$12.25 million.

Based on the revised strategy for company to be a pure-play registry, for H1 2016, we are pleased to report a positive operating EBITDA of US$2 million before restructuring costs.

Financial highlights

Analysis of key numbers

As reported per the income statement	H1 2016 $'000	H1 2015 $'000	% Change	YE 2015 $'000
Billings	**8,050**	1,974	308%	7,922
Revenue	**7,384**	3,435	115%	6,324
Profit on gTLD Auctions	**-**	4,460	-	7,943
Operating Expenses - Ongoing	**(3,525)**	(4,881)	(27%)	(11,745)
Operating EBITDA, before restructuring costs	**1,973**	1,732	14%	(377)
EBITDA before restructuring costs	**957**	(1,885)	151%	(5,012)
Restructuring costs	**875**	-	-	-
Profit / (loss) before taxation	**56**	(2,018)	103%	(5,313)
Loss from Discontinued Operations	**(1,963)**	(1,637)	20%	(4,684)
Total profit / (loss)	**(1,907)**	(3,655)	(48%)	(9,997)
Basic & diluted EPS from continuing operations (cents)	**0.02**	(0.24)	(91%)	(0.64)
Basic & diluted EPS from discontinued operations (cents)	**(0.26)**	(0.20)	30%	(0.56)
Cash & Cash Equivalents	**29,051**	34,651	(16%)	46,891

In H1, billings increased by over 300% to US$8.1 million from US$2.0 million in H1 2015. The increase was primarily attributable to the very successful launch of .vip into China.

In the current period the Group did not participate in any gTLD auctions (private or ICANN).

On a like for like basis (excluding discontinued operations – see below), operating expenses attributable to the core of the business have been reduced by 27% to US$3.6 million in H1 2016 (H1 2015: US$4.9 million), which is a reflection of the restructuring activity currently being undertaken (see "Restructuring of Registry Operations" below).

To reflect the strength of the underlying Group's restructured business, that of being a pure play registry, the Group has reported an Operating EBITDA before restructuring costs from ongoing operations in H1 2016 of US$2 million, 14% up from US$1.7 million in H1 2015 (note though, H1 2015 also included one-off gTLD auction income of US$4.5 million). Overall EBITDA before restructuring costs is significantly up by 151% with a positive EBITDA of US$1.0 million for H1 2016 being achieved as compared to the US$1.9 million EBITDA loss for H1 2015. Furthermore, post restructuring costs, a profit before taxation of US$0.1 million has been delivered for H1 2016 compared to a US$2.0 million loss for H1 2015. As a result, basic & diluted EPS has improved from a loss per share of 0.24 cents to an earnings per share of 0.02 cents.

chief operating officer / chief financial officer's statement
continued

As noted below (under "Discontinuing Registrar Operations"), the Group shut down its registrar business. Losses from discontinued operations were US$2.0 million in the current period as compared to US$1.6 million in H1 2015.

Cash & cash equivalents have decreased by 16% to US$29.1 million as of 30 June 2016 from US$34.7 million as of 31 December 2015. This is as a result of:

- foreign currency fluctuations: the Group holds significant bank balances denominated in Pound Sterling to meet certain, upcoming obligations;
- share buybacks: as part of the share buy-back programme initiated in September 2015, the Group spend on share buy-backs was US$1.2 million in H1;
- share based payments; and
- discontinued operations and restructuring costs as highlighted in these interim financial statements.

It is, however, worth noting that under our billing cycle, cash is typically collected the month following a domain registration. As a result, trade receivables as of 30 June 2016 were US$3.9 million (of which US$1.6 million has been received to date) reflecting the significant increase in billings that month primarily from the launch phase of .vip. When trade receivables are added back in and netted off against trade payables of US$1 million, cash balances at the half year effectively stood at US$32 million.

As noted in the Chairman's statement, cash balances as at 31 August 2016 effectively stood at US$28.2 million. Whilst the group's activities fully funded operations for July and August, the reduction in effective cash since the period end primarily results from further FX fluctuations, funding letter of credits to ICANN, and a payment in relation to exiting .basketball.

Restructuring of Registry Operations

As previously highlighted, to better clarify our ongoing revenue and operational costs we have separated continuing operations for the registry along with its restructuring from discontinued registrar operations. Accordingly, this section focuses on our restructuring activities for the ongoing registry operations.

Key summary points from our restructuring activities in H1 2016 are:

- at year-end we had 43 personnel of which 23 were in the US. As of 19 September 2016 we now have 27 personnel, including Board members, of which 13 reside in the US. The intention is to continue scaling down engineers and scale up sales personnel as the migration is completed;
- planning for outsourcing our Registry operations to Nominet was completed and as previously stated in the 2015 year-end financials we continue to work towards a mid Q4 timeline to complete the migration;
- our US offices have been consolidated into a single location in Seattle, Washington and the office footprint in Dublin decreased;
- an external industry-leading marketing agency has been hired to provide cost efficient and effective marketing support in China as well as the rest of the world; and
- the pricing strategy for premium names has been revised to enable the Company to potentially reach a broader end-market through the registrar channel.

Through H1 2016 the one-time restructuring costs, which includes Board rationalization, severance packages, relocation, and migration costs amounted to US$875,000 and will result in ongoing operational savings of approximately US$1.45 million on an annualized basis.

Looking forward to H2, there will be an element of one-off restructuring costs in relation to our ongoing operations as the Nominet migration activity completes. However, the quantum will be significantly less than H1, the costs comprising: satisfying ICANN requirements, shutting down the registry platform (i.e., Espresso), removing hosting costs, and maintaining a small engineering & operations team to complete the necessary migration tasks. In total, the remaining restructuring costs of the registry operations in H2 2016 are expected to be less than US$0.375 million.

Ongoing Registry Operations

Post period end, we also have begun focusing on our marketing efforts by bringing onboard an outsourced marketing agency. The agency provides a better and more cost effective mechanism for addressing immediate and longer-term marketing needs. Marketing costs will be incurred based on continuous testing and analysis of results while also providing for potential upside where revenue reaches certain agreed on goals. Where we find marketing to work effectively we will continue to make an investment and where it does not work effectively, we will be quick to shut down under-performing activities.

We have also been reviewing the success of our premium sales in China as well as working with certain industry experts to review the Company's prior premium name strategy. It is clear that premium renewal rates have been a challenge to consumers. Based on our experience and advice provided, effective in January 2017 we are lowering our premium name renewal rates. We believe this will allow us to better push our significant inventory of premium names - several hundred thousand names across our portfolio of TLDs – through the registrar channel.

As we highlighted at year-end, we expect ongoing operational costs to be approximately US$6 million per year beginning in 2017. To date we are pleased to report that we are ahead of those plans. Our cost of ongoing registry operations for H1 2016 of US$3.53 million is 27% lower, on a like-for-like basis, from H1

2015 (costs: US$4.88 million), and we expect ongoing registry operating costs in H2 2016 to continue its recent pattern of decreasing towards our goal of US$6 million beginning 2017.

Discontinuing registrar operations

As highlighted above, we have separated the reporting of our financials so that revenue and costs associated with running the discontinued ICANN accredited registrar are better reflected.

The registrar has been a large undertaking by the Company with considerable investments in software development, staffing, and other resources. Unfortunately, the strategy for the business did not prove to be a profitable venture.

The costs were considerable in 2015, with total net losses for the year amounting to US$4.68 million including H1 2015 losses of US$1.64 million. In the beginning of March 2016 we began working in earnest to shut down this business. We are now pleased to report that as of 31 August 2016 we have completed the closure of our registrar business having successfully navigated an extensive ICANN process in relation to this.

The closure has been achieved through:

- selling off the registrar's customers to Uniregistry in exchange for a perpetual ongoing affiliate commission from those customers for the domains transferred;
- working with our reseller customer, join.gop, to move their back end to another registrar platform, and
- by outsourcing the reseller business for .law (i.e., join.law) to Instra, a leading registrar.

H1 2016 registrar revenues were minimal and it incurred a loss of US$1.96 million. The majority of the loss can be attributed to writing off a significant portion of capitalized software development costs, which amounted to US$1.03 million. Other costs incurred in H1 2016 consisted of ICANN fees, hosting fees, 3rd party registry fees, staff salaries and severance packages. Note, six positions were eliminated during H1 2016 and a further four staff positions have been or will be eliminated in H2 2016.

Losses in H2 2016 will result from the remaining software write off plus salaries, remaining transition costs, and severance payments. Expenditures for the registrar in H2 2016 will be less than $300,000. However, there will be an additional remaining non-cash write-off for capitalized software of $200,000.

Reduction of outstanding options, RSU's, warrants

With the reduction in personnel and restructuring of employment contracts total outstanding options, restricted stock units (RSU's), and warrants have also substantially decreased. In July 2015 outstanding options, RSU's and warrants reached its peak at 88.4 million. As of 30 June 2016 this figure now stands at 46.3 million.

Outlook

We continue to have interests in eight contested TLDs although many continue to sit within various ICANN processes. Whereas we expected some to be resolved via a private auction this year we are not holding our breath for this to happen. We will nevertheless continue to push for these to be resolved so we can move forward with our registry plans.

We also continue to negotiate various ICANN processes to complete the acquisition of .boston and expect this to be resolved in H2 2016. Once resolved we will begin working on a plan to launch, ensuring that we leverage our experience from the success of the .vip launch into China and our previous geo launches.

We are likewise pleased that the registrar business and its considerable costs have been put behind us and we are excited about completing the migration to Nominet and working with them to help promote .london as well as the rest of our top level domains.

We are also pleased with our progress in China.

Finally, with revised premium pricing, we are also optimistic about the prospects of driving our premium sales in the long term as they become attractive to a wider audience, including an under-served domain investor community. In conclusion, we therefore look forward to H2 and 2017 with confidence.

Michael Salazar
Chief Operating Officer/Chief Financial Officer
19 September 2016

condensed consolidated statement of comprehensive income

for the period ended 30 June 2016

	Note	Period ended 30 June 2016 (unaudited) $'000	Period ended 30 June 2015 (unaudited) $'000	Year ended 31 Dec 2015 (audited) $'000
Billings		8,050	1,974	7,922
Continuing Operations				
Of which:				
Revenue		7,384	3,435	6,324
Less: Partner Payments	2	(544)	(97)	(1,487)
Revenue less partner payments		6,840	3,338	4,837
Cost of sales	3	(1,104)	(1,037)	(1,264)
Gross Margin		5,736	2,301	3,573
Gross Margin %		84%	69%	74%
Profit on gTLD auctions		-	4,460	7,943
Loss on withdrawal of gTLD applications		-	(148)	(148)
Operating expenses – ongoing		(3,525)	(4,881)	(11,745)
Operating expenses – forfeited		(238)	-	-
Operating Earnings before interest, depreciation, taxation and amortization (Operating EBITDA), before restructuring costs		1,973	1,732	(377)
Foreign exchange loss		(604)	(687)	(1,240)
Loss on disposal of fixed assets		-	-	(161)
Share based payments	11	(397)	(2,909)	(3,235)
Share of results of joint ventures		(15)	9	1
Earnings before interest, depreciation, taxation and amortization (EBITDA) before restructuring costs		957	(1,855)	(5,012)
Restructuring costs	4	(875)	-	-
Earnings before interest, depreciation, taxation and amortization (EBITDA)		82	1,732	(377)
Amortization & depreciation charge		(50)	(194)	(417)
Finance Revenue		24	31	82
Finance Costs		-	-	(18)
(Loss) / Profit before taxation		56	(2,018)	(5,365)
Income tax		-	-	52
Profit for the year from continuing operations		56	(2,018)	(5,313)
Loss from discontinued operations	5	(1,963)	(1,637)	(4,684)
Retained loss for the period		(1,907)	(3,655)	(9,997)

condensed consolidated statement of comprehensive income
for the period ended 30 June 2016, continued

	Note	Period ended 30 June 2016 (unaudited) $'000	Period ended 30 June 2015 (unaudited) $'000	Year ended 31 Dec 2015 (audited) $'000
Other Comprehensive Income				
Items that may be reclassified subsequently to profit or loss:				
Foreign Exchange Hedge		(1,729)	-	-
Currency translation differences		534	407	732
Other comprehensive income for the period net of taxation		(1,194)	407	732
Total comprehensive income for the period		(3,101)	(3,248)	(9,265)
Retained (loss)/profit for the period attributable to:				
Equity holders of the parent		(1,804)	(3,644)	(9,978)
Non-controlling interests		(103)	(11)	(19)
		(1,907)	(3,655)	(9,997)
Total comprehensive income for the period attributable to:				
Equity holders of the parent		(3,006)	(3,268)	(9,281)
Non-controlling interests		(96)	20	16
		(3,102)	(3,248)	(9,265)
Earnings / (loss) per share (cents)				
From continuing operations				
Basic	6	0.02	(0.24)	(0.64)
Diluted	6	0.02	(0.24)	(0.64)
From discontinued operations				
Basic	6	(0.26)	(0.20)	(0.56)
Diluted	6	(0.26)	(0.20)	(0.56)

condensed consolidated statement of financial position

for the period ended 30 June 2016

	Note	30 June 2016 (unaudited) $'000	31 Dec 2015 (audited) $'000	30 June 2015 (unaudited) $'000
Assets				
Non-current assets				
Goodwill		2,828	2,828	2,828
Intangible assets	7	40,273	41,291	41,434
Fixtures and equipment		131	189	792
Interest in joint ventures		820	835	843
Other long-term assets	8	3,298	3,448	4,230
Total non-current assets		47,350	48,591	50,127
Current assets				
Trade and other receivables	9	5,145	4,759	1,202
Cash and cash equivalents		29,051	34,651	46,891
Total current assets		34,196	39,410	48,093
Total assets		81,546	88,001	98,220
Liabilities				
Current liabilities				
Trade and other payables	10	(6,989)	(8,972)	(3,754)
Obligations under finance lease		-	(2)	(120)
Total current liabilities		(6,989)	(8,974)	(3,874)
Non-current liabilities				
Obligations under finance lease		-	-	-
Total non-current liabilities		-	-	-
Net assets		74,557	79,027	94,346
Equity				
Share capital		-	-	-
Share premium	12	72,732	73,816	82,866
Other reserves		(1,729)	-	-
Foreign exchange reserve		1,930	1,403	1,083
Retained earnings		2,052	4,140	10,726
		74,985	79,359	94,675
Non-controlling interests		(428)	(332)	(329)
Total equity		74,557	79,027	94,346

condensed consolidated statement of cash flows
for the period ended 30 June 2016

	Note	Period ended 30 June 2016 (unaudited) $'000	Period ended 30 June 2015 (unaudited) $'000	Year ended 31 Dec 2015 (audited) $'000
Net cash outflow from operations (a)		(2,459)	(3,615)	(10,692)
Cash flows from investing activities				
Interest received		24	31	82
Interest paid		-	-	(18)
Amounts released from restricted cash		150	642	684
Payments to acquire intangible assets		-	(1,052)	(1,139)
Receipts from the disposal of intangible assets		25	-	47
Payments to acquire property, plant and equipment		(14)	(113)	(108)
Amounts received in gTLD auctions		-	5,432	9,155
Net cash inflow / (outflow) from investing activities		185	4,940	8,703
Cash flows from financing activities				
Repayments of obligations under finance lease		-	(222)	(360)
Issue of ordinary share capital		96	-	-
Purchase of own shares		(1,179)	-	(9,050)
Repurchase of vested equity instruments		(681)	-	(577)
Net cash inflow from financing activities		(1,764)	(222)	(9,987)
Net increase in cash and cash equivalents		(4,038)	1,103	(11,976)
Cash and cash equivalents at beginning of period		34,651	45,796	45,796
Exchange (loss) / gain on cash and cash equivalents		(1,562)	(8)	831
Cash and cash equivalents at end of period		29,051	46,891	34,651
(a) Cash flows from consolidated operations				
Operating EBITDA		1,973	1,732	(377)
Adjustments for:				
Loss from discontinued operations (note 5)		(937)	(1,427)	(3,883)
Restructuring costs		(875)	-	-
(Increase) / decrease in trade and other receivables including long term receivables		(1,851)	4,984	826
(Decrease) / increase in trade and other payables		(529)	(2,560)	205
Profit on gTLD auction		-	(4,460)	(7,943)
Loss on withdrawal of gTLD applications		-	148	148
Foreign exchange (gain)/loss		(240)	(2,032)	332
Cash flow from operations		(2,459)	(3,615)	(10,692)

condensed consolidated statement of changes in equity (unaudited)

for the period ended 30 June 2016

Group	Called up share capital $'000	Share premium reserve $'000	Other reserves $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
As at 1 January 2015	-	82,866	-	707	11,461	95,034	(349)	94,685
Loss for the period	-	-	-	-	(3,644)	(3,644)	(11)	(3,655)
Currency translation differences	-	-	-	376	-	376	31	407
Total comprehensive income	-	-	-	376	(3,644)	(3,268)	20	(3,248)
Share capital issued	-	-	-	-	-	-	-	-
Cost of share issue	-	-	-	-	-	-	-	-
Share options and warrants exercised	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	2,909	2,909	-	2,909
As at 30 June 2015	-	82,866	-	1,083	10,726	94,675	(329)	94,346
As at 1 January 2016	-	73,816	-	1,403	4,140	79,359	(332)	79,027
Loss for the period	-	-	-	-	(1,804)	(1,804)	(103)	(1,907)
Other Comprehensive Income	-	-	(1,729)	527	-	(1,202)	7	(1,195)
Total comprehensive income	-	-	(1,729)	527	(1,804)	(3,006)	(96)	(3,102)
Share capital issued	-	95	-	-	-	95	-	95
Additions to share capital/ premium	-	(1,179)	-	-	-	(1,179)	-	(1,179)
Cost of share issue share based payments	-	-	-	-	-	-	-	-
Credit to equity for equity-settled	-	-	-	-	359	359	-	359
Share based payments (other movement)	-	-	-	-	(643)	(643)	-	(643)
As at 30 June 2016	-	72,732	(1,729)	1,930	2,052	74,985	(428)	74,557

notes to the financial statements
for the period ended 30 June 2016

1. Basis of preparation

The condensed financial statements have been prepared under the historical cost convention.

The same accounting policies and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2015.

The same presentation as were applied in the preparation of the Group's financial statement for the year ended 31 December 2015, with the exception of:

- the disclosure of partner payment in the statement of total comprehensive income to better reflect the Group's underlying business;
- reclassification of cost of sales to better reflect the company's on-going operations as described in note 3; and
- the disclosure and reclassification in prior periods of discontinued operations as required by accounting standards.

The adoption of Standards and Interpretations in 2016 has not affected the Group's accounting policies.

Basis of consolidation

The condensed consolidated financial information incorporates the results of the Company and its subsidiaries.

Approval

The Board of Directors approved this Interim Financial Report on 19 September 2015.

2. Partner Payments

	H1 2016 $ 000's	H1 2015 $ 000's
Partner Payments	544	97

Partner payments represent the expense relating to certain TLDs where royalty and similar payments are required to be made.

3. Cost of sales

	H1 2016 $ 000's	H1 2015 $ 000's
Cost of Sales	1,104	1,037

In prior periods, cost of sales included certain employee costs. To better reflect the company's on-going operations as a pure-play registry, these costs have been re-classified to operating expenses. The prior period amounts have been adjusted to reflect this.

Cost of sales now comprise ICANN fees, hosting costs and other costs directly related to the sale of goods.

4. Restructuring Costs

	H1 2016 $ 000's	H1 2015 $ 000's
Executive severance payouts	(522)	-
Employee severance payouts	(87)	-
RSP migration costs	(150)	-
Relocation costs	(116)	-
	(875)	-

The nature of the restructuring actives and costs are detailed in the Chief Operating Officer's / Chief Financial Officer's statement.

5. Discontinued Operations

In H1, the group entered into a sales agreement to dispose of the registrar customer list effectively closing down the registrar business. The disposal was effected to pursue the group's strategy of being a pure play registry. The disposal was completed on 19 July 2016.

The results of the discontinued operations which have been included in the consolidated statement of comprehensive income were as follows:

	Period ended 30 June 2016 $'000	Period ended 30 June 2015 $'000	Year ended 31 Dec 2015 $'000
Revenue	45	208	-
Expenses	(983)	(1,635)	(3,883)
	(938)	(1,427)	(3,883)
Amortization	(1,025)	(210)	(801)
Loss on discontinued operations	(1,963)	(1,637)	(4,684)

6. Earnings / (loss) per share

The calculation of earnings per share is based on the profit / (loss) after taxation divided by the weighted average number of shares in issue during the period

Earnings	H1 2016 $'000	H1 2015 $'000
Earnings for the purpose of basic and diluted earnings per share		
Earnings from continuing operations ($'000)	159	(2,007)
Earnings from discontinued operations	(1,963)	(1,637)
Total earnings for the period	(1,804)	(3,644)
Number of shares		
Weighted average number of ordinary shares used in calculating basic loss per share (millions)	748.72	835.98
Effect of dilutive potential ordinary shares – share options and warrants (millions)	30.42	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions)	779.14	835.98

Earnings / (loss) per share from continuing operations	H1 2016 $'000	H1 2015 $'000
Basic (cents)	0.02	(0.24)
Diluted (cents)	0.02	(0.24)
Loss per share from discontinued operations		
Basic (cents)	(0.26)	(0.20)
Diluted (cents)	(0.26)	(0.20)

In H1 2016, for the purpose of calculating loss per share from discontinued operations, and in H1 2015, all potential shares were anti-dilutive due to the loss reported.

7. Intangible Assets

	Generic top level domains $ 000's	Software & development costs $ 000's	Development costs (Assets under construction) $ 000's	Other $ 000's	Total $ 000's
Cost					
At 1 January 2015	39,063	1,423	148	162	40,796
Additions	500	88	541	10	1,139
Transfer from other long term assets	551	-	-	-	551
Disposals	-	666	(666)	-	-
Exchange differences	(36)	(107)	(23)	(1)	(167)
At 31 December 2015	40,078	2,070	-	171	42,319
Additions	-	-	-	-	-
Transfer from other long terms assets	-	-	-	-	-
Exchange differences	-	11	-	-	11
At 30 June 2016	**40,078**	**2,081**	**-**	**171**	**42,329**
Accumulated amortization					
At 1 January 2015	-	(199)	-	-	(199)
Charge for the year	-	(677)	-	(171)	(848)
Exchange Differences	-	19	-	-	19
At 31 December 2015	-	(857)	-	(171)	(1,028)
Charge for the period	-	(1,029)	-	-	(1,029)
At 30 June 2016	**-**	**(1,886)**	**-**	**(171)**	**(2,057)**
Carrying amount					
At 30 June 2016	**40,078**	**195**	**-**	**-**	**40,273**
At 31 December 2015	40,078	1,213	-	-	41,291

Generic Top Level Domains

In 2012, the Group applied for new generic Top Level Domains to the Internet Corporation for Assigned Names and Numbers (ICANN). Successful applications are transferred from other long-term assets to Intangible assets. The Group capitalizes the full cost incurred to pursue the rights to operate generic Top Level Domains including amounts paid at auction to gain this right where there are more than one applicant to ICANN for the same generic Top Level Domain.

This class of intangible assets are assessed to have an indefinite life as it is deemed that the application fee and amounts paid at auction give the Group indefinite right to this generic Top Level Domain.

8. Other long-term assets

	30 June 2016 $'000	31 December 2015 $'000
Restricted cash	2,003	2,153
Other long-term receivables	1,295	1,295
Total other long term assets	3,298	3,448

The Group capitalizes the costs incurred to pursue the rights to operate certain gTLD strings as these are deemed to provide probable future economic benefit.

During the application process capitalized payments for gTLD applications are included in Other Long Term Assets. While there is no assurance that MMX will be awarded any gTLDs, long-term receivables payments will be reclassified as intangible assets once the gTLD strings are available for their intended use, which is expected to occur following the delegation of gTLD strings by ICANN. In general, MMX does not expect to withdraw any of its applications unless the application has not passed the evaluation process and there is no further recourse or there is an agreement to sell or dispose of its interest in certain applications.

During the 2012 financial period, the Group paid US$13.5 million in application fees to the Internet Corporation for assigned Names and Numbers (ICANN) under ICANN's New generic Top Level Domain (gTLD) Program and deposited US$3.6 million to fund the letters of credit required by ICANN.

Since then, due to withdrawal either as a result of participation in auctions or management decision, the application fees to ICANN (where the gTLD is still in application phase) and the amounts to fund the letter of credit required by ICANN have decreased to $1,295k (2015: $1,295k) and $2,003k (2015: $2,153k) respectively.

Where MMX receives a partial cash refund for certain gTLD applications and/or to the extent the Group elects to sell or dispose of its interest in certain gTLD applications throughout the process, it may incur gains or losses on amounts invested. In such cases the application fee will be reclassified from a long-term asset. Refunds received will be properly recorded when received, gains on the sale of the Group's interest in gTLD applications will be recognized when realized, and losses will be recognized when deemed probable. Other costs incurred by MMX as part of its gTLD initiative not directly attributable to the acquisition of gTLD operator rights are expensed as incurred.

Restricted cash is interest bearing and is therefore stated at fair value. Other long-term receivables are stated at amortized cost.

9. Trade and other receivables

	30 June 2016 $'000	31 December 2015 $'000
Trade receivables	3,873	2,791
Other receivables	447	916
Prepayments	824	1,046
Due from joint ventures	-	6
	5,145	4,759

10. Deferred revenue

Included within Trade and other payables:

	30 June 2016 $'000	31 Dec 2015 $'000
Deferred revenue	5,929	5,613

11. Share based payments

	30 June 2016 $'000	31 June 2015 $'000
Equity settled share based payments	359	2,909
Expense as a result of modification to share based payment	38	-
	397	2,909

Equity settled share based payments relate to directors and employees share options and restricted stock option plans.

12. Share capital and premium

Called up, allotted, issued and fully paid ordinary shares of no par value	Number of shares	Price per share (cents)	Total $'000
As at 1 January 2015	835,969,485		82,866
Shares acquired by the company:			
Share repurchase	(68,864,800)	13/8.6	(9,050)
As at 31 December 2015	767,104,685		73,816
Shares acquired by company:			
Share repurchase	(10,658,568)	11/7.7	(1,179)
Share warrants exercised:			
24 May 2016 for cash on exercise of options	1,103,753	8.7/6	95
As at 30 June 2016	757,549,870		72,732

13. Post balance sheet events

On 19 July 2016 the group completed the disposal of its registrar business line (see note 5).

corporate information

Registered number
1412814 registered in
British Virgin Islands

Directors
Non Executive Chairman
Guy Elliott

Chief Executive Officer
Toby Hall

Chief Operating Officer and Chief Finance Officer
Michael Salazar

Non Executive Director
Henry Turcan

Registered Office
Craigmuir Chambers
Road Town, Tortola
British Virgin Islands VG 1110

Website
www.mmx.co

Auditor
Mazars LLP
Tower Bridge House
St. Katharine's Way
London E1W 1DD
United Kingdom

Solicitors
Kerman & Co LLP
7 Savoy Court
Strand, London WC2R 0ER
United Kingdom

Nominated Advisor and Broker
N+1 Singer
One Bartholomew Lane
London EC2N 2AX
United Kingdom

Registrars
Computershare Investor Services
(Channel Islands) Ltd

PO Box 83
Ordnance House, 31 Pier Road
St Helier JE4 8PW
Channel Islands

Principal Bankers
Bank of Ireland
40 Mespil Road
Dublin 4
Ireland

Silicon Valley Bank
15260 Ventura Blvd #1800 Sherman Oaks, CA 91403 United States of America

HSBC Bank plc
8 Canada Square London
E14 5HQ
United Kingdom

Designed and produced by Mediasterling:
www.mediasterling.com

mmx.co

Minds + Machines Group Limited
220 W Mercer St
Suite 250
Seattle, WA 98119

investors@mmx.co