

# 32Red Plc

(“32Red” or “the Company”)

## Interim results for the six months ended 30 June 2011

32Red, the award-winning online gaming operator, today reports interim results for the half year ended 30 June 2011.

### Key Financials:

	H1 2011	H1 2010	
Casino Revenues	£9.5m	£6.8m	+41%
Poker Revenues	£0.6m	£0.4m	+36%
Revenue from Bingo and emerging products	£0.3m	£0.1m	+165%
<b>Total revenue (excluding acquisitions)</b>	<b>£10.4m</b>	<b>£7.3m</b>	<b>+43%</b>
Revenue from acquisitions	£0.6m	£0.5m	+18%
<b>Total Revenue</b>	<b>£11.0m</b>	<b>£7.8m</b>	<b>+42%</b>
<b>EBITDA before share option costs and exceptional items*</b>	<b>£1.5m</b>	<b>£0.6m</b>	<b>+156%</b>
<b>PBT before exceptional items*</b>	<b>£1.2m</b>	<b>£0.3m</b>	<b>+266%</b>
<b>PBT</b>	<b>£1.1m</b>	<b>£0.2m</b>	<b>+608%</b>
<b>Earnings Per Share</b>	<b>1.59p</b>	<b>0.23p</b>	<b>+591%</b>
<b>Interim Dividend declared</b>	<b>0.5p</b>	<b>-</b>	

\*exceptional costs of £41,000 (H1 2010: £162,000) relate to costs in respect of legal action taken against William Hill

### Key points:

- Record H1 Revenues, up 42% on H1 2010 and up 89% on H1 2009
- 156% increase in EBITDA before share options and exceptional items
- High Court victory in trade mark dispute with William Hill
- Successful action taken against numerous other infringing operators
- Inaugural Final 2010 Dividend of 0.5p approved and paid in May 2011
- Inaugural Interim 2011 Dividend of 0.5p declared today
- Current trading remains very strong

### Key performance indicators

- Active casino customers in first 6 months: 21,745 up 12% on H1 2010
- Casino player yield £438, up 27% on H1 2010
- New Casino players 13,901, up 13% on H1 2010
- Casino cost per acquisition (“CPA”): £118 (H1 2010: £86, FY 2010: £119)

## Current trading

Revenues for July and August 2011 are up 51% on the corresponding period in 2010 with strong active player levels and improved player yields. The Board continues to be watchful of the general economic environment but looks forward to a successful and exciting second half.

Ed Ware, CEO commented:

*" The excellent performance in the first half of 2011 is particularly pleasing as it builds on a very strong trading year in 2010. The 32Red brand continues to flourish and increased player activity is testament to our superb customer retention, which in turn is driven by the continued excellent levels of service and entertainment provided to our players.*

*Recruitment of new players remains strong and the launch of a new series of 32Red television advertisements allied with additional exposure from our Swansea football sponsorship will aim further to increase our market share during the second half of the year.*

*Further to our victory over William Hill in the High Court, the judgment which was handed down in January firmly establishes our intellectual property rights and has enabled us to recover infringing domains unconditionally from other operators.*

*The underlying growth in the business has continued into July and August with revenues up 51% on the corresponding period in 2010. We will continue to focus the 32Red brand in the UK and are encouraged by the progress a number of European countries have made towards creating their own regulatory frameworks."*

**8 September 2011**

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## 32Red plc Performance Summary

As reported in its trading update on 21 July 2011, 32Red is delighted to report an excellent first half's trading in 2011, building on the strong trading growth experienced throughout 2010. Record revenues for a six month period in the first half of 2011 of £11.0m, up 42% on 2010, have resulted in a EBITDA before exceptional items and share option costs of £1.5m (H1 2010: £0.6m). Profit before taxation totalled £1.1m (H1 2010: £0.2m) and earnings per share totalled 1.59p (H1 2010: 0.23p).

The performance is particularly pleasing given the continued challenging economic conditions faced by UK and European players during the first half of the year and is primarily due to excellent trading at the Group's flagship operation, the 32Red Casino, which represents 86% of total group revenues in the first half of the year (H1 2010: 87%).

### Casino (excluding acquisitions)

	H1 2011	H1 2010	
Casino Revenues	£9.5m	£6.8m	+41%
Active Casino customers	21,745	19,497	+12%
Casino player yield	£438	£346	+27%
New casino players	13,901	12,289	+13%
Casino cost per acquisition	£118	£86	+37%

The record level of revenue for the first half of the year is attributed to a return to more 'normal' player yields allied with increased levels of active customers, the latter assisted by continued strong recruitment of new customers.

### New player recruitment

32Red enjoyed successful results from both online and offline marketing programmes, attracting a record number of new casino players during the first half of the year. These new players were recruited at an average CPA of £118 (H1 2010: £86, FY 2010: £119). CPA remains a key performance indicator for the business but should be monitored in tandem with the H1 2011 player yield of £438 per player (H1 2010: £346).

32Red renewed its sponsorship of Swansea City Football team in February 2011 and we would like to congratulate all concerned at the Club on their subsequent promotion to the Premier League. We look forward to an exciting season and to a continued and fruitful relationship in the coming years.

We plan to further expand our investment in marketing during the remainder of the year and we have just launched the first in a series of new 32Red television advertisements. This offline expenditure will compliment our continued sponsorship of horse racing and other televised sport.

### Other products

**32Red Poker** operations have generated revenues of £0.6m in H1 2011 (H1 2010: £0.4m). Recent moves by the US authorities to curtail illegal US facing operators are welcomed by the industry, but the overall poker market remains tough.

**32Red Bingo and emerging products** generated £0.3m of revenue in the first half of the year (H1 2010: £0.1m). 32Red Bingo continues to grow steadily and will be used to access alternative areas of our market. Of the emerging products, 32Redbet continues to show encouraging signs and as well as providing an additional marketing portal for potential new customers, it acts as an effective defensive measure for those regular casino and poker players requiring a sportsbetting account for occasional use.

## **Trade Mark litigation update**

In January 2011, 32Red was successful in its trade mark action in the High Court against William Hill. As a result of that successful action 32Red was awarded an injunction against William Hill and is entitled to damages. The level of damages relating to this case and the liability for costs will be assessed in an inquiry process before the High Court. 32Red have commenced the inquiry process. William Hill has appealed against the decision of the High Court and a hearing has been set for December 2011.

## **Dividends**

In the Annual Report and Accounts for the year ended 31 December 2010, the Company announced the commencement of a progressive dividend policy. The 0.5p per share final dividend proposed in respect of the year ended 31 December 2010 was duly approved at the Annual General Meeting and was paid to shareholders on 6 May 2011.

It is intended that the Company will pursue a progressive dividend policy in future years and today declares an inaugural interim dividend of 0.5p per share (H1 2010: nil). The interim dividend will be paid on 14 October 2011 to all shareholders on the Company share register on 16 September 2011.

## **Strategy**

The increased marketing spend continues to deliver strong results and the Board remains committed to further investment in marketing to drive further growth during the second half of the year. In the short term, the regulatory environment for our industry remains challenging and unpredictable. 32Red remains committed to trading in licenced and regulated markets and welcomes and fully supports recent developments in Europe, which if properly implemented, should provide exciting expansion opportunities in the near future.

## **Current Trading and Outlook**

The second half of the year has started encouragingly with revenues for July and August up 51% on the corresponding period in 2010 and with average daily revenues up 13 % on H1 2011. The Company will continue to reinvest profits into targeted marketing campaigns while remaining watchful of economic indicators and confirms that trading remains in line with expectations.

**32Red Plc**  
**Consolidated Statement of Comprehensive Income**  
**for the six months ended 30 June 2011**

	Notes	Six months ended 30 June 2011 Unaudited £	Six months ended 30 June 2010 Unaudited £
<b>Net gaming wins</b>		<b>11,015,535</b>	<b>7,776,974</b>
Cost of sales		<u>(7,840,693)</u>	<u>(5,992,325)</u>
<b>Gross Profit</b>		<b>3,174,842</b>	<b>1,784,649</b>
Administrative expenses		(1,626,477)	(1,160,446)
Other operating expenses		(73,699)	(47,158)
<b>EBITDA before share option costs and exceptional items</b>		<b>1,474,666</b>	<b>577,045</b>
Share option costs		(44,133)	(77,345)
Depreciation and Amortisation		(248,119)	(173,314)
Exceptional costs	2	<u>(40,597)</u>	<u>(161,670)</u>
<b>Profit before tax and finance costs</b>		<b>1,141,817</b>	<b>164,716</b>
Finance income		388	2,122
Finance costs		<u>(545)</u>	<u>(5,694)</u>
<b>Profit before taxation</b>		<b>1,141,660</b>	<b>161,144</b>
Tax on ordinary activities	4	<u>(31,754)</u>	<u>(450)</u>
<b>Profit and total comprehensive income for the period</b>		<b><u>1,109,906</u></b>	<b><u>160,694</u></b>
<b>Earnings per share (p)</b>			
Basic	3	1.59p	0.23p
Diluted	3	1.50p	0.22p

**32Red Plc**  
**Consolidated Statement of Changes in Equity**  
**for the six months ended 30 June 2011**

**Unaudited**

**Equity attributable to equity holders of 32Red Plc**

	<b>Share capital £</b>	<b>Share premium £</b>	<b>Share options reserve £</b>	<b>Retained earnings £</b>	<b>Total Equity £</b>
<b>Balance at 1 January 2011</b>	<b>139,860</b>	<b>12,765</b>	<b>415,768</b>	<b>749,155</b>	<b>1,317,548</b>
Profit and total comprehensive income for the year	-	-	-	1,109,906	<b>1,109,906</b>
Share options charge	-	-	44,133	-	<b>44,133</b>
Equity dividends paid	-	-	-	(349,650)	<b>(349,650)</b>
<b>Balance 30 June 2011</b>	<b>139,860</b>	<b>12,765</b>	<b>459,901</b>	<b>1,509,411</b>	<b>2,121,937</b>

**32Red Plc**  
**Consolidated Statement of Financial Position**  
**as at 30th June 2011**

		Six months ended 30-Jun 2011 Unaudited £	Six months ended 30-Jun 2010 Unaudited £	Year ended 31-Dec 2010 Audited £
	Notes			
<b>Assets</b>				
<b>Non-current</b>				
Intangible assets	5	1,217,364	616,046	1,098,235
Tangible assets	6	337,986	124,528	123,078
		<u>1,555,350</u>	<u>740,574</u>	<u>1,221,313</u>
<b>Current assets</b>				
Trade and other receivables		893,168	403,627	580,971
Cash and cash equivalents		2,443,104	1,501,640	2,199,333
		<u>3,336,272</u>	<u>1,905,267</u>	<u>2,780,304</u>
<b>Total assets</b>		<u><b>4,891,622</b></u>	<u><b>2,645,841</b></u>	<u><b>4,001,617</b></u>
<b>Equity</b>				
<b>Equity attributable to shareholders of 32Red Plc</b>				
Called up share capital		139,860	139,860	139,860
Share premium		12,765	12,765	12,765
Share option reserve		459,901	485,829	415,768
Retained earnings		1,509,411	(267,614)	749,155
<b>Total equity</b>		<u><b>2,121,937</b></u>	<u><b>370,840</b></u>	<u><b>1,317,548</b></u>
<b>Liabilities</b>				
<b>Current</b>				
Social Security and other taxes		-	-	62,980
Trade and other payables		2,769,685	2,275,001	2,621,089
Bank loans		-	-	-
		<u><b>2,769,685</b></u>	<u><b>2,275,001</b></u>	<u><b>2,684,069</b></u>
<b>Total liabilities</b>		<u><b>4,891,622</b></u>	<u><b>2,275,001</b></u>	<u><b>2,684,069</b></u>
<b>Total equity and liabilities</b>		<u><u><b>4,891,622</b></u></u>	<u><u><b>2,645,841</b></u></u>	<u><u><b>4,001,617</b></u></u>

**32Red Plc**  
**Consolidated Statement of Cash Flows**  
**for the six months ended 30 June 2011**

	Six months ended 30-Jun 2011 Unaudited £	Six months ended 30-Jun 2010 Unaudited £
<b>Operating activities</b>		
Profit for the year	1,109,906	160,694
Interest adjustments	157	3,572
Amortisation	254,782	92,052
Depreciation	(6,663)	81,262
Change in trade and other receivables	(312,197)	(186,112)
Change in trade and other payables	85,616	225,417
Share option costs	44,133	77,345
	<u>1,175,734</u>	<u>454,230</u>
<b>Investing activities</b>		
Additions to intangible assets	(373,911)	(392,423)
Additions to tangible assets	(208,245)	(26,092)
Interest received	388	2,122
	<u>(581,768)</u>	<u>(416,393)</u>
<b>Financing activities</b>		
Share options exercised	-	13,125
Repayment of bank loans	-	(250,000)
Interest paid	(545)	(5,694)
Dividend Paid	(349,650)	-
	<u>(350,195)</u>	<u>(242,569)</u>
Cash and cash equivalents, beginning of period	2,199,333	1,706,372
Net increase in cash and cash equivalents	<u>243,771</u>	<u>(204,732)</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>2,443,104</u></u>	<u><u>1,501,640</u></u>

**Notes:**

**1. Accounting policies**

The consolidated interim financial results have been prepared in accordance with the measurement principles of applicable International Financial Reporting Standards ("IFRSs") as adopted by the EU. The accounting policies have remained unchanged from the previous year, as set out in the Annual Report for the year ended 31 December 2010, available on [www.32redplc.com](http://www.32redplc.com).

**2. Exceptional item**

	<b>Six months ended 30-Jun 2011 £</b>	<b>Six months ended 30-Jun 2010 £</b>
Legal and other costs associated with ongoing litigation	<u>40,597</u>	<u>161,670</u>

During the year, 32Red incurred further legal and other expenses in respect of the legal proceedings against three William Hill companies ("William Hill") in respect of the online casino, 32Vegas. On 21 January 2011, the Court ruled in favour of 32Red, holding that the use of "32 Vegas" and "32V" infringe 32Red's European Community Registered Trade Marks. The Court awarded 32Red an injunction to prevent further infringement in the European Community and ordered that there be an inquiry to assess the damages due to 32Red from the infringement, which will also determine liability for the costs of the proceedings. 32Red has commenced the inquiry process. William Hill has appealed against the judgment.

It is not possible at this stage to quantify the positive financial impact that the Court Judgment will eventually have and the Board has decided to expense the full legal costs in the period ended 30 June 2011 and will treat the recovery of costs and the award of damages as an exceptional gain in future periods.

### 3. Earnings per share

Basic earnings per share have been calculated by dividing the net results attributable to ordinary shareholders by the weighted average number of shares in issue during the relevant financial periods.

The weighted average number of shares used for basic earnings per share amounted to 69,930,000 shares (2010: 69,555,829).

To calculate the diluted earnings per share figure, the weighted average of employee share options and awards made under the Long Term Incentive Plan expected to vest has been added. This number represents management's best estimate at the balance sheet date, which is also used for calculating employee payments relating to share based payment transactions. At 30 June 2011, the weighted average number of share options expected to vest was 4,111,507 (2010: 4,319,275).

	<b>Six months ended 30-Jun 2011</b>	<b>Six months ended 30-Jun 2010</b>
Net profit attributable to ordinary shares	<u>£1,109,906</u>	<u>£160,694</u>
Weighted average number of ordinary shares:		
For basic earnings	<u>69,930,000</u>	<u>69,555,829</u>
for diluted earnings	<u>74,041,507</u>	<u>73,875,104</u>
Basic earnings per share	<u>1.59p</u>	<u>0.23p</u>
Diluted earnings per share	<u>1.50p</u>	<u>0.22p</u>
Weighted average number of ordinary shares for basic earnings	69,930,000	69,555,829
Weighted average number of share options	<u>4,111,507</u>	<u>4,319,275</u>
Weighted average number of ordinary shares for diluted earnings	<u>74,041,507</u>	<u>73,875,104</u>

### 4. Taxation

	<b>Six months ended 30-Jun 2011 £</b>	<b>Six months ended 30-Jun 2010 £</b>
Tax on profit on ordinary activities	<u>31,754</u>	<u>450</u>

From 1 January 2011, assessable income is taxed in Gibraltar at the mainstream corporate income tax rate of 10%. Pre 1 January 2011, the Company enjoyed a tax exempt status under the Companies (Taxation and Concessions) Act.

5. Intangible assets

	Brand and Domain names £	Player database £	Website Development £	Software licences £	Total £
<b>Cost</b>					
At 1 January 2011	150,000	522,806	385,623	887,233	1,945,662
Additions	150,000	-	164,186	59,725	373,911
At 30 June 2011	<u>300,000</u>	<u>522,806</u>	<u>549,809</u>	<u>946,958</u>	<u>2,319,573</u>
<b>Depreciation</b>					
At 1 January 2011	26,767	95,954	241,919	482,787	847,427
Charge for the period	15,000	52,281	34,825	152,676	254,782
At 30 June 2011	<u>41,767</u>	<u>148,235</u>	<u>276,744</u>	<u>635,463</u>	<u>1,102,209</u>
<b>Net book value</b>					
At 30 June 2011	<u>258,233</u>	<u>374,571</u>	<u>273,065</u>	<u>311,495</u>	<u>1,217,364</u>
At 30 June 2010	<u>223,383</u>	<u>12,513</u>	<u>176,647</u>	<u>201,503</u>	<u>616,046</u>

6. Property, plant and equipment

	Motor Vehicles £	Computer and Office Equipment £	Leasehold Improve- ments £	Total £
<b>Cost</b>				
At 1 January 2011	107,800	1,124,152	92,037	1,323,989
Additions	-	66,155	142,090	208,245
At 30 June 2011	<u>107,800</u>	<u>1,190,307</u>	<u>234,127</u>	<u>1,532,234</u>
<b>Depreciation</b>				
At 1 January 2011	103,621	1,032,941	64,349	1,200,911
Charge for the period	2,280	(22,110)	13,167	(6,663)
At 30 June 2011	<u>105,901</u>	<u>1,010,831</u>	<u>77,516</u>	<u>1,194,248</u>
<b>Net book value</b>				
At 30 June 2011	<u>1,899</u>	<u>179,476</u>	<u>156,611</u>	<u>337,986</u>
At 30 June 2010	<u>6,459</u>	<u>96,027</u>	<u>22,042</u>	<u>124,528</u>