

32Red Plc



**Interim Results for the six months ended
30 June 2009**

32Red Plc

(“32Red” or “the Company”)

Interim results for the six months ended 30 June 2009

32Red Plc, the award-winning online gaming operator, today reports interim results for the half year ended 30 June 2009.

32 Red has continued to accelerate the growth of its player base, reduced the cost of player acquisition, and developed operations for future growth. However, due to the challenging economic environment faced by the UK and the rest of Europe during the first half of the year, overall revenues have fallen 11.2% to £5.8m (down 8.6% on H2 2008).

Highlights:

- Active casino players in the first 6 months : 14,490, up 23% on H2 2008 and up 18% on H1 2008
- New casino players in the first 6 months : 9,733, up 32% on H2 2008 and up 19% on H1 2008
- New casino players attracted at cost of £89 each, a reduction of 16% on H2 2008 and 35% cheaper than H1 2008
- Launch of 32Red Rummy on 7 July 2009 and 32Red Spreadbet in March 2009
- Launch of PayPal banking service on 1 July 2009 making 32Red one of only a handful of online gaming operators able to offer this payment option, and providing 32Red customers with a new and trusted deposit method
- Sponsorship of Championship football team, Swansea City Football Club, until 2011
- Investment in both customer-facing and back office technology which is resulting in more effective marketing and operations with anticipated cost savings of c. £400k per annum
- Strong current trading with daily average casino revenue for July and August up 16% on the first six months of the year and up 9% on the corresponding period in 2008

Key Performance Indicators:

	H1 2009	H2 2008	H1 2008	H2 2007	H1 2007
Casino Revenues	£5.2m	£5.7m	£6.0m	£4.4m	£4.6m
Active Players	14,490	11,818	12,283	11,238	10,818
Casino Yield per active player	£360	£480	£491	£390	£426
Casino new players	9,733	7,377	8,189	7,304	7,291
Cost per acquisition	£89	£106	£137	£140	£155
Poker Revenues	£0.5m	£0.5m	£0.6m	£0.6m	£0.6m
Active Players	11,054	6,508	8,668	8,802	10,662
Poker Yield per player	£44	£77	£64	£68	£57
Revenue from emerging products	£0.1m	£0.2m	-	-	-
Total revenue	£5.8m	£6.4m	£6.6m	£5.0m	£5.2m
EBITDA before share option costs	£0.5m	£0.8m	£1.0m	£0.9m	£0.8m
Earnings/(Loss) per share	0.3p		1.1p		(16.8p)

Ed Ware, CEO commented: " *Despite the global recession, 32Red has managed to grow its new casino players by a record 9,733, driven in part by our new television advertising campaign that has helped deliver a lower cost of customer acquisition. 32Red now has an excellent offering for customers covering all aspects of online gaming and is well positioned to take advantage of any improvement in market conditions. During the period we have also signed a sponsorship deal with Swansea City Football Club and look forward to working with them throughout this season and the next.*"

2 September 2009

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32Red plc

Performance Summary

The challenging economic conditions faced by UK and European players during the first half of the year has resulted in overall revenues of £5.8m, down 9% on H2 2008 and down 11% on H1 2008.

Casino

Increased investment in selective marketing activities has yielded a record 9,733 new casino players during the first half of the year (8,189 in H1 2008). A large proportion of these new players were recruited by the recently launched television advertising campaign and it is pleasing to see the cost per acquisition of £89, down 16% on H2 2008 and down 35% on H1 2008. This cost-effective recruitment of new customers, along with continued targeted direct marketing campaigns, resulted in 14,490 active casino players in the first half of the year, up 23% on H2 2008 and up 18% on H1 2008.

The impressive growth in both active players and new players is partially offset by a reduction in player yields, which the Board believes is temporary and has been experienced widely in the industry. Casino revenues totalled £5.2m during the first six months of 2009 (H1 2008: £6.0m) and has suffered from reduced high-roller activity during the period, although the Board believe that this is a short term trend and is confident that increased high-roller activity will return later in the year.

32Red was delighted to receive a sixth consecutive Casinomeister Best Casino Award which is testament to the continued unrivalled customer service delivered by 32Red's Player Support team.

Other products

32Red Poker operations have generated revenues of £0.5m in the first half of the year (H1 2008: £0.6m). The Board continues to evaluate all aspects of the poker market and in particular welcomes recent moves to attempt to restrict those operators still accepting illegal bets from the US.

32Red Bingo operations generated £0.1m of revenue in the first half of the year (H1 2008: nil). Results from the initial marketing campaign were encouraging, confirming our belief that the 32Red brand sits comfortably as a bingo proposition and has potential.

32Red Rummy was launched on 7 July 2009 and will also offer its 32Red existing players the chance to play one of the world's best-known and compelling card games. Rummy also provides the Company with the opportunity to reach a new audience.

32Red Spreadbet, a platform for financial spread betting and contracts for difference (CFD's) was launched on 9 March 2009. 32Red Spreadbet is the result of a partnership with CMC Spreadbet Plc and CMC Markets UK Plc who are authorised and regulated by the Financial Services Authority. The partnership offers 32Red customers access to a multitude of financial markets around the globe.

Strategy

32Red will continue to focus on its core casino product while testing the marketability of its emerging products and monitoring regulatory changes in new territories. There are signs that economic conditions for players are improving and the Company will continue to invest in cost-effective marketing opportunities and in performance enhancing new technology.

Investment in marketing

32Red is proud to announce its association and partnership with leading Championship football team, Swansea City, for the next two seasons. The club has enjoyed notable success over recent seasons and we look forward to partnering with them as they continue their success. Swansea's progressive profile attracted 32Red to become main club sponsors through to 2011 which includes the appearance of 32Red's brand on the team's shirts and training kits and around the pitch at the Liberty Stadium.

The Directors believe that the sponsorship of Swansea City Football Club allied with targeted television advertising and other marketing campaigns will result in a steady recruitment of new players at attractive cost per acquisition rates and this bodes well for the Company's future.

Investment in new technology

The Company has recently invested in a direct marketing platform that will be fully live during the final quarter of 2009 facilitating a more detailed segmentation of the player databases and improving targeted email campaigns further enhancing the player experience.

32Red recently rolled out an automated bonus system tailored to meet the requirements of 32Red players. This investment in technology along with some re-structuring across the business has allowed the Company to implement a range of cost savings that will reduce overheads by approximately £400,000 per annum.

Litigation

32Red has initiated legal proceedings against three William Hill companies ("William Hill") in respect of the online casino, 32Vegas. The directors believe that the name 32Vegas infringes various 32Red registered trade marks and other intellectual property rights. 32Red issued a claim in the High Court of Justice on 4 March 2009 and this claim was served on 3 July 2009. Subsequent to service of the claim, William Hill has changed the 32Vegas website name, a move that was welcomed by 32Red.

In respect of the claim, William Hill filed a defence and counterclaim on 11 August 2009 challenging the validity of the 32Red trade marks. 32Red has always registered and protected its valuable trade marks and is fully prepared to defend their validity in the courts if necessary.

Current Trading and Outlook

The Board is encouraged by the key performance indicators detailed above, which allied with significant cost savings resulting from recent technological investments, leaves the Company well positioned for the future.

The second half of the year has started encouragingly with daily average casino revenue for July and August up 16% on the first six months of the year and up 9% on the corresponding period in 2008. Given current trading, the positive Key Performance Indicators detailed above and the cost-saving initiatives implemented during the first half of the year, the Board is confident that trading remains in line with expectations.

32Red Plc
Consolidated Income Statement
for the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 Unaudited £	Six months ended 30 June 2008 Unaudited £
Net gaming wins		5,838,552	6,577,856
Cost of sales		(3,976,644)	(4,274,869)
Gross Profit		1,861,908	2,302,987
Administrative expenses before depreciation and amortisation		(1,278,228)	(1,241,282)
Other operating expenses		(68,291)	(64,655)
EBITDA before share option costs		515,389	997,050
Share option costs		(82,355)	(78,176)
Depreciation and Amortisation		(193,007)	(141,867)
Profit before tax and finance costs		240,027	777,007
Finance income		2,069	47,591
Finance costs		(7,869)	(33,088)
Profit before taxation		234,227	791,510
Tax on ordinary activities	3	(450)	(450)
Profit for the period		233,777	791,060
Earnings per share (p)			
Basic	2	0.3p	1.1p
Diluted	2	0.3p	1.1p

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2009

	Six months ended 30 June 2009 Unaudited £	Six months ended 30 June 2008 Unaudited £
Profit and total comprehensive income for the period	233,777	791,060

32Red Plc
Consolidated Statement of Financial Position
as at 30th June 2009

		Six months ended 30-Jun 2009 Unaudited £	Six months ended 30-Jun 2008 Unaudited £
	Notes		
Assets			
Non-current			
Intangible assets	4	185,856	187,511
Tangible assets	5	253,319	397,659
		<u>439,175</u>	<u>585,170</u>
Current assets			
Trade and other receivables		407,029	222,394
Cash and cash equivalents		1,129,276	1,926,668
		<u>1,536,305</u>	<u>2,149,062</u>
Total assets		<u>1,975,480</u>	<u>2,734,232</u>
Equity			
Equity attributable to shareholders of 32Red Plc			
Called up share capital		138,750	138,250
Share premium		14,171,025	14,165,276
Share option reserve		414,844	254,728
Retained earnings		(15,038,615)	(15,791,451)
Total equity		<u>(313,996)</u>	<u>(1,233,197)</u>
Liabilities			
Current			
Trade and other payables		1,789,476	3,467,429
Bank loans		500,000	500,000
		<u>2,289,476</u>	<u>3,967,429</u>
Total liabilities		<u>2,289,476</u>	<u>3,967,429</u>
Total equity and liabilities		<u>1,975,480</u>	<u>2,734,232</u>

32Red Plc
Consolidated Statement of Cash Flows
for the six months ended 30 June 2009

	Six months ended 30-Jun 2009 Unaudited £	Six months ended 30-Jun 2008 Unaudited £
Operating activities		
Results for the year before interest and after tax	239,577	776,557
Amortisation	75,866	32,234
Depreciation	117,141	109,633
Change in trade and other receivables	(80,932)	657,820
Change in trade and other payables	(321,324)	(1,545,025)
Share option costs	82,355	78,176
	<u>112,683</u>	<u>109,395</u>
Investing activities		
Additions to other intangible assets	(66,190)	(49,007)
Additions to tangible assets	(71,032)	(43,974)
Interest received	2,069	47,591
	<u>(135,153)</u>	<u>(45,390)</u>
Financing activities		
Share options exercised	-	3,750
Proceeds from borrowings	500,000	500,000
Repayment of bank loans	(250,000)	-
Interest paid	(7,869)	(33,088)
	<u>242,131</u>	<u>470,662</u>
Cash and cash equivalents, beginning of period	909,615	1,392,001
Net increase in cash and cash equivalents	<u>219,661</u>	<u>534,667</u>
Cash and cash equivalents, end of period	<u><u>1,129,276</u></u>	<u><u>1,926,668</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 2008, available on www.32redplc.com.

2. 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 69,375,000 shares (2008: 69,083,563).

To calculate the diluted earnings per share figure, the weighted average of employee share options 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 2009, the weighted average number of share options expected to vest was 3,953,000 (2008: 3,245,707).

	Six months ended 30-Jun 2009 £	Six months ended 30-Jun 2008 £
Net profit attributable to ordinary shares	<u>233,777</u>	<u>791,060</u>
Weighted average number of ordinary shares:		
for basic earnings	<u>69,375,000</u>	<u>69,083,563</u>
for diluted earnings	<u>73,328,000</u>	<u>72,329,270</u>
Basic earnings per share	<u>0.3p</u>	<u>1.1p</u>
Diluted earnings per share	<u>0.3p</u>	<u>1.1p</u>
Weighted average number of ordinary shares for basic earnings	69,375,000	69,083,563
Weighted average number of share options	<u>3,953,000</u>	<u>3,245,707</u>
Weighted average number of ordinary shares for diluted earnings	<u>73,328,000</u>	<u>72,329,270</u>

3. Taxation

	Six months ended 30-Jun 2009 £	Six months ended 30-Jun 2008 £
Tax on profit on ordinary activities	<u>450</u>	<u>450</u>

The Company has been granted tax exempt status under the Companies (Taxation and Concessions) Act. Under the terms of such status an annual charge of £450 is payable to the Government of Gibraltar. Provided the Company complies with the necessary criteria, payment of such charges will satisfy the Company's tax obligation in Gibraltar in relation to the period.

4. Intangible assets

	Website Development £	Software License £	Total £
Cost			
At 1 January 2009	264,883	217,819	482,702
Additions	<u>5,520</u>	<u>60,670</u>	<u>66,190</u>
At 30 June 2009	<u>270,403</u>	<u>278,489</u>	<u>548,892</u>
Amortisation			
At 1 January 2009	174,024	113,146	287,170
Provided during the period	<u>26,806</u>	<u>49,060</u>	<u>75,866</u>
At 30 June 2009	<u>200,830</u>	<u>162,206</u>	<u>363,036</u>
Net book value			
At 30 June 2009	<u>69,573</u>	<u>116,283</u>	<u>185,856</u>
At 30 June 2008	<u>73,653</u>	<u>113,858</u>	<u>187,511</u>

5. **Property, plant and equipment**

	Motor Vehicles £	Computer and Office Equipment £	Leasehold Improve- ments £	Total £
Cost				
At 1 January 2009	132,795	941,285	78,116	1,152,196
Additions	-	71,032	-	71,032
At 30 June 2009	<u>132,795</u>	<u>1,012,317</u>	<u>78,116</u>	<u>1,223,228</u>
Depreciation				
At 1 January 2009	93,102	727,027	32,639	852,768
Charge for the period	<u>12,235</u>	<u>97,094</u>	<u>7,812</u>	<u>117,141</u>
At 30 June 2009	<u>105,337</u>	<u>824,121</u>	<u>40,451</u>	<u>969,909</u>
Net book value				
At 30 June 2009	<u>27,458</u>	<u>188,196</u>	<u>37,665</u>	<u>253,319</u>
At 30 June 2008	<u>52,972</u>	<u>291,398</u>	<u>53,289</u>	<u>397,659</u>