



August 27, 2010

**CODERE, S.A.**  
**Results for the second quarter and first half ended**  
**June 30, 2010**

***Key recent accomplishments***

- Signed definitive agreements with Caliente
- Renewed San Martin and Puerto halls in Argentina
- Completed the acquisition of six casinos in Panama
- Signed enlarged multicurrency, multi-borrower Senior Facilities Agreement
- Issued €100 million 8.25% Senior Notes due 2015

***Highlights***

- Q2 2010 EBITDA was €55.9 million, an increase of 12.7% compared to €49.6 million in Q2 2009; and exceeded our guidance range of €51-53 million.
- Q2 2010 EBITDA reflects growth in Argentina, Spain and Italy and a reduction of overhead expenses.
- Growth in the machine portfolio was concentrated in Argentina and Mexico where the number of machine seats increased by 7.1% and 4.4%, to 4,796 and 21,955, respectively compared to Q2 2009.
- Free cash flow (EBITDA less reported net interest, corporate income taxes and capex) was €8.2 million in Q2 2010, an increase of 32% compared to €6.2 million in Q2 2009.
- At June 30, 2010 we had €8.3 million in cash and €2 million undrawn under the Senior Credit Facility. Coverage and leverage ratios were 3.5x and 2.8x, respectively, compared to 3.4x and 2.9x in Q1 2010.
- Capex in Q2 2010 was €16.6 million, compared to €13.6 million in Q2 2009 and flat compared to €16.4 million in Q1 2010. 69.3% was maintenance.
- Net income was €4.3 million in Q2 2010, compared to a loss of €7.4 million in Q2 2009.

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### ***Other highlights***

*Completion of Panama casinos acquisition.* On August 19, 2010, following receipt of regulatory approvals, we completed the previously announced purchase of Thunderbird Resorts Inc.'s (NYSE Euronext Amsterdam: TBIRD) 63.6% stake in six casinos in Panama for approximately US\$38.0 million (equivalent to €29.7 million as of August 19, 2010). Thunderbird Panama, a leading player in the local casino market, operates six casinos with a total of 85 tables and 1,831 slot machines under the Fiesta Casino brand. Assuming the Thunderbird Panama acquisition had occurred on January 1, 2009, the transaction would have added revenues and EBITDA of €11.0 million and €9.9 million, respectively, to Codere's 2009 consolidated accounts, based on unaudited consolidated pro forma financial information. Thunderbird Panama had US\$13.8 million of net debt (equivalent to €10.8 million as of August 19, 2010) on its balance sheet on June 30, 2010.

*Change in valuation of Sports Betting venture.* On January 20, 2010 we completed the purchase of William Hill's 50% stake in Victoria Apuestas, our Spanish sports betting operation, for one euro. As a result of the purchase, as required under IFRS we valued 100% of the assets of the Sports Betting business at fair value based on results through 2009 and the budget for 2010, which resulted in a €12.1 million recorded as *Gains or losses on asset disposals or acquisitions* in Q1 2010 and we provisionally recorded €8.1 million in goodwill on consolidation. In Q2 2010, following the valuation by an independent expert based on results through June 30, 2010, we adjusted the gain down by €4.6 million, which results in a €7.5 million gain, compared to the €12.1 million previously recorded, and changed the amount recorded as goodwill on consolidation from €8.9 million (the original €8.1 million plus a subsequent adjustment of €0.8 million) to €4.3 million. The amount recorded as goodwill is provisional because accounting standards allow for one year following an acquisition to assign goodwill to assets.

*Caliente transaction.* On July 16, 2010, we signed definitive documentation with Grupo Caliente ("Caliente") to restructure our previous contractual relationship (the "Caliente Agreements"). Caliente is the Mexican group to whom we have provided gaming management services and hall development funding since 1997.

The consummation of all aspects of the Caliente Agreements, other than the transactions described in this paragraph, which became effective on July 16, 2010, are subject to the approval of Cofeco, the Mexican Federal Competition Commission. Pursuant to the Caliente Agreements, Codere has agreed to provide the three licensees subject to the Caliente Agreement ("Joint Opcos") financing through a revolving credit facility of an aggregate principal amount of U.S. \$40 million, which may be increased to U.S. \$100 million, to finance the payment of certain liabilities owed by the Joint Opcos to third parties, their operating cash flows, including for capital expenditures, and to pay dividends to its shareholders ("Caliente RCF"). The obligation to repay amounts borrowed under the Caliente RCF is secured by share pledges over the shares of each of the Joint Opcos held by Caliente. In addition, on July 16, 2010, the previous management services agreements with Caliente were terminated and new management services agreements were entered into among Codere and the Joint Opcos for an aggregate annual fee of up to U.S. \$36 million through 2014. In connection with the new management services agreements, Codere will also provide transitional assistance services to the Joint Opcos for an aggregate monthly fee of U.S. \$1 million from July 1, 2010 until the earlier of (a) Cofeco approval and (b) December 31, 2010. Codere also entered into management services agreements with Promojuegos and Mio Games for an aggregate annual fee of up to U.S. \$8 million through 2014.

Following the consummation of the Caliente Agreements, which is subject to Cofeco approval, Codere would acquire 67.3% of the capital stock of the Joint Opcos, with the remaining 32.7% held by Caliente, and would sell to Caliente 32.7% of Promojuegos and Mio Games for €5.1 million. As of July 16, 2010, the Joint Opcos held an aggregate of 46 gaming permits and operated 32 halls in Mexico. Codere and Caliente would also restructure the approximate U.S. 171.5 million debts owed to us by Caliente as follows: U.S. \$71 million would be exchanged for Codere's stake in the Joint Opcos and U.S. \$75 million will be a loan from Codere to the Joint Opcos. The remaining U.S. \$25.5 million will be the new amount of the Caliente debt to Codere. Assuming the Caliente Agreements had occurred on January 1, 2009, and based on unaudited consolidated pro forma information, our consolidated revenues and EBITDA in 2009 would have increased by €79.2 million and €19.7 million, respectively.

We have presented the transaction to Cofeco on August 9, 2010 and believe that the review process will take as long as six months, nevertheless we cannot assure you that Cofeco will approve the Caliente Agreements on a timely basis or at all.



*Argentine coinless systems update.* At June 30, 2010 we had completed the installation of TITO or other coinless systems in the majority of the machines in nine halls (Lomas del Mirador, San Martín, Lanús, Morón, San Justo, San Miguel, Lomas de Zamora, Ramos Mejía and La Plata) representing 77% of the total machines seats in the Province of Buenos Aires, an increase from 59% in Q2 2009.

*Argentine licenses.* The Instituto Provincial de Lotería y Casinos de la Provincia de Buenos Aires, or “IPLyC” (the gaming regulator of the Province of Buenos Aires), resolved on June 18, 2010 Resolution 874/10 which renews the San Martín license, and on July 26, 2010 Resolution 1108/10, which renews the Puerto license. Both licenses are renewed through June 30, 2021 in accordance with Decree 3196/09 and Resolutions 144/09 and 329/09. The San Martín and Puerto halls generated approximately 14% and 1% of revenues, respectively; and 18% and 1%, respectively of EBITDA for the Argentine operation in 2009.

Resolution 874/10 stipulates an up-front renewal fee of AR\$55.5 million (equivalent to €1.1 million as of August 26, 2010) and a canon tax surcharge of AR\$72.3 million (equivalent to €4.4 million as of August 26, 2010). Resolution 1108/10 stipulates an up-front renewal fee of AR\$5.5 million (equivalent to approximately €1.1 million as of August 26, 2010), and a canon tax surcharge of AR\$7.2 million (equivalent to €1.4 million as of August 26, 2010). The up-front renewal fees for both halls were included in Capital Expenditures, as intangible asset, in Q4 2009. The canon tax surcharges for both halls are accrued and payable in 60 monthly instalments starting Q3 2010.

*Senior Notes Offering.* On July 22, 2010, our wholly owned subsidiary, Codere Finance (Luxembourg) issued an additional €100 million 8.25% Senior Notes due 2015. The proceeds of the offering were used to repay amounts outstanding under the Senior Credit Facilities and other long-term debt obligations, fund certain liabilities owed by three Grupo Caliente licensees subject to the recently announced Caliente Agreements, to acquire the casinos in Panama, and to pay fees and expenses.

*Renewal of Senior Facilities Agreement.* On June 15, 2010 we amended and extended our senior revolving facilities agreement (as amended, the “Senior Facilities Agreement”) which enables us to draw up to an aggregate principal amount of €120 million, potentially extendable to €80 million, in three tranches, comprising (i) a senior revolving credit facility that may be utilized through revolving loans and letters of credit up to an aggregate principal amount of €60 million which is made available by Barclays Capital, Credit Suisse and Banco Bilbao Vizcaya Argentaria, (ii) a letter of credit facility of up to an aggregate principal amount of €40 million, which is made available by Barclays Capital and Credit Suisse and (iii) a surety bond facility of up to an aggregate principal amount of €40 million which is made available by Houston Casualty Company Europe. Total amounts drawn under the latter two tranches may not exceed €60 million. On or before June 15, 2012, we may request an increase of commitments under the senior revolving credit facility up to an aggregate principal amount of €120 million from certain preapproved lenders or other lenders acceptable to the agent. We expect to use any such increased commitments primarily to contract debt at its Latin American subsidiaries in the functional currencies of these operations, while leveraging the Codere, S.A. guarantee and security package. The Senior Facilities Agreement, which amends and extends the €100 million three year facilities contracted in October 2007, is a multicurrency and multi-borrower facility and has a term of three years. The interest rate applicable to amounts drawn under the senior revolving credit facility is LIBOR or EURIBOR plus 4.50% per year. The Senior Facilities Agreement contains substantially the same financial covenants as the facility agreement which it replaced, namely Net financial debt of the Codere Group/EBITDA <4.25x, Bank debt/EBITDA <1.5x and Minimum interest coverage >2.5x, but excludes the Qualifying Country Covenant included in the original facility agreement.

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

### Income Statement

The following table provides condensed consolidated income statement information.

	Six months ended June 30,			Three months ended June 30,		
	2009	2010	% change	2009	2010	% change
(€in millions, except percentages)						
<b>Income statement data:</b>						
Operating revenue .....	492.6	527.5	7.1%	238.9	273.5	14.5%
Operating expenses:						
Consumption and other external expenses .....	35.1	40.1	14.2%	15.4	23.0	49.4%
Personnel expenses.....	87.0	94.5	8.6%	43.4	48.4	11.5%
Depreciation .....	37.0	35.7	(3.5%)	18.7	17.5	(6.4%)
Amortization of intangible assets .....	11.2	12.2	8.9%	5.5	6.1	10.9%
Variation in provisions for trade transactions .....	1.8	0.7	(61.1%)	0.9	0.1	(88.9%)
Other operating expenses:	265.5	282.6	6.4%	130.5	146.2	12.0%
Gaming and other taxes.....	162.0	171.4	5.8%	78.8	87.9	11.5%
Machine rentals <sup>1</sup> .....	4.6	8.0	73.9%	2.4	4.3	79.2%
Other <sup>1</sup> .....	98.9	103.2	4.3%	49.3	54.0	9.5%
Total operating expenses.....	437.6	465.8	6.4%	214.4	241.3	12.5%
Gains or losses on asset disposals.....	(1.0)	6.1	n.a.	(0.4)	(5.5)	n.a.
Operating profit.....	54.0	67.8	25.6%	24.1	26.7	10.8%
Financial items:						
Financial expenses.....	38.9	37.2	(4.4%)	19.3	19.1	(1.0%)
Financial revenues.....	3.9	4.1	5.1%	1.7	2.1	23.5%
Exchange gains (losses), net.....	3.8	13.7	n.a.	(1.2)	8.9	n.a.
Profit before tax.....	22.8	48.4	112.3%	5.3	18.6	n.a.
Corporate income tax .....	26.9	26.9	0.0%	12.2	14.1	15.6%
Consolidated net income .....	(4.1)	21.5	n.a.	(6.9)	4.5	n.a.
Minority interests .....	1.6	0.8	(50.0%)	0.5	0.2	(60.0%)
Net income .....	(5.7)	20.7	n.a.	(7.4)	4.3	n.a.
<i>Other financial data:</i>						
EBITDA <sup>2</sup> .....	105.0	110.3	5.0%	49.6	55.9	12.7%

1. These line items for the three and six months ended June 30, 2009 differ from those previously reported because we include €2.4 million and €3.8 million, respectively in Machine Rentals which were previously classified under Other.

2. We define EBITDA as operating profit plus depreciation and amortization plus variation in provisions for trade transactions plus impairment less the gains or losses on asset disposals.

## Operating Data

	At June 30,		
	2009	2010	% change
<b>Gaming machine seats</b>			
Argentina .....	4,479	4,796	7.1%
Mexico.....	21,036	21,955	4.4%
Spain AWP .....	15,569	15,280	(1.9%)
Spain Bingos.....	-	90	n.a.
Italy AWP.....	1,734	1,787	3.1%
Italy Bingos AWP .....	570	545	(4.4%)
Panama .....	1,569	1,618	3.1%
Colombia .....	7,169	6,355	(11.4%)
Uruguay .....	<u>1,527</u>	<u>1,604</u>	5.0%
<b>Total .....</b>	<b>53,653</b>	<b>54,030</b>	<b>0.7%</b>
<b>Bingo halls</b>			
Argentina .....	14	14	
Mexico .....	107	107	
Spain .....	1	1	
Italy.....	12	12	
Colombia .....	<u>6</u>	<u>5</u>	
<b>Total.....</b>	<b>140</b>	<b>139</b>	
<b>Betting locations</b>			
Mexico .....	46	47	
Spain.....	100	203	
Brazil .....	3	5	
Panama.....	5	6	
Uruguay .....	<u>6</u>	<u>14</u>	
<b>Total.....</b>	<b>160</b>	<b>275</b>	
<b>Casinos.....</b>	<b>7</b>	<b>7</b>	
<b>Horse Race Tracks .....</b>	<b>3</b>	<b>3</b>	

	Six months ended			Three months ended		
	June 30,			June 30,		
	2009	2010	% change	2009	2010	% change
<b>Euros</b>						
<b>Average daily net win per machine/seat</b>						
Argentina.....	198.1	226.2	14.2%	193.5	235.0	21.5%
Mexico <sup>1</sup> .....	51.9	54.9	5.8%	51.1	57.4	12.4%
Spain AWP.....	50.0	50.3	0.5%	48.2	49.3	2.3%
Italy AWP.....	65.1	76.0	16.7%	65.0	74.8	15.0%
Italy Bingo AWP.....	87.4	122.4	40.1%	85.1	118.8	39.6%
<b>Local currency</b>						
Argentina.....	967	1,156	19.6%	986	1,163	18.0%
Mexico.....	960	920	(4.2%)	933	918	(1.7%)

1. Net wins were negatively affected by the hall closures in Mexico in Q2 2009 due to the H1N1 virus.

## Results of Operations by Business

	Six months ended June 30,			Three months ended June 30,		
	2009	2010	% change	2009	2010	% change
(€in millions, except percentages) (unaudited)						
<b>Operating Revenue:</b>						
Argentina.....	183.4	212.9	16.1%	90.0	112.8	25.3%
Mexico.....	96.3	102.7	6.6%	44.4	54.7	23.2%
Spain AWP.....	89.0	86.7	(2.6%)	44.3	43.6	(1.6%)
Italy <sup>1</sup> .....	65.7	64.9	(1.2%)	32.1	31.9	(0.6%)
Other Operations:						
Spain Bingo.....	11.5	11.3	(1.7%)	5.5	5.4	(1.8%)
Spain Sports Betting <sup>2</sup> .....	1.4	4.3	n.a.	0.6	2.2	n.a.
Internet.....	-	-	n.a.	-	-	n.a.
Brazil.....	0.9	1.4	55.6%	0.4	0.6	50.0%
Colombia.....	10.5	12.9	22.9%	5.3	7.0	32.1%
Panama.....	26.1	22.4	(14.2%)	12.6	11.2	(11.1%)
Uruguay.....	7.6	8.0	5.3%	3.7	4.1	10.8%
Corporate Overhead.....	0.2	-	(100.0%)	-	-	n.a.
<b>Total<sup>2</sup>.....</b>	<b>492.6</b>	<b>527.5</b>	<b>7.1%</b>	<b>238.9</b>	<b>273.5</b>	<b>14.5%</b>

	Six months ended June 30,			Three months ended June 30,		
	2009	2010	% change	2009	2010	% change
(€in millions, except percentages) (unaudited)						
<b>EBITDA:</b>						
Argentina.....	55.2	61.2	10.9%	27.2	33.1	21.7%
Mexico.....	30.8	25.6	(16.9%)	14.0	12.5	(10.7%)
Spain AWP.....	23.4	26.4	12.8%	11.4	13.2	15.8%
Italy <sup>1</sup> .....	3.2	6.9	115.6%	1.4	2.7	92.9%
Other Operations:						
Spain Bingo.....	0.6	0.7	16.7%	0.3	0.2	(33.3%)
Spain Sports Betting <sup>2</sup> .....	(1.9)	(3.4)	n.a.	(0.9)	(1.6)	n.a.
Internet.....	-	(1.0)	n.a.	-	(0.8)	n.a.
Brazil.....	(0.7)	(0.7)	0.0%	(0.4)	(0.4)	0.0%
Colombia.....	0.5	2.3	n.a.	0.1	1.4	n.a.
Panama.....	6.1	1.9	(68.9%)	2.8	0.5	(82.1%)
Uruguay.....	2.1	1.2	(42.9%)	1.0	0.7	(30.0%)
Corporate Overhead.....	(14.3)	(10.8)	n.a.	(7.3)	(5.6)	n.a.
<b>Total<sup>2</sup>.....</b>	<b>105.0</b>	<b>110.3</b>	<b>5.0%</b>	<b>49.6</b>	<b>55.9</b>	<b>12.7%</b>

1. Includes Italy AWP and Italy Bingo

2. Beginning in 2010 Spain Sports Betting is consolidated at 100%, compared to 2009 when it was consolidated at 50%. If the business had been consolidated at 100% in 2009, Spain Sports Betting revenues and EBITDA would have been €1.2 million and (€1.8) million, respectively, in Q2 2009 and €2.8 million and (€3.8) million, respectively in 1H 2009 and consolidated revenues and EBITDA would have been €239.5 million and €48.7 million, respectively in Q2 2009 and €94 million and €103.1 million, respectively in 1H 2009.

Constant exchange rates. The tables below show what revenue, EBITDA and net income would have been for the six and three months ended June 30, 2010 at 2009 exchange rates for the comparable periods, adjusted in both periods to eliminate the gains or losses on the foreign exchange contracts.

	Six months ended June 30,			Three months ended June 30,		
	2009	2010	% change	2009	2010	% change
(€in millions, except percentages) (unaudited)						
<b>Operating Revenue:</b>						
Argentina .....	182.0	227.0	24.7%	89.0	110.3	23.9%
Mexico .....	94.4	96.1	1.8%	43.5	50.1	15.2%
Spain <sup>1,2</sup> .....	101.9	102.3	0.4%	50.4	51.2	1.6%
Italy <sup>3</sup> .....	65.7	64.9	(1.2%)	32.1	31.9	(0.6%)
Other Operations <sup>1</sup> :						
Brazil .....	0.9	1.2	33.3%	0.4	0.5	25.0%
Colombia .....	10.5	10.7	1.9%	5.3	5.6	5.7%
Panama .....	26.1	22.3	(14.6%)	12.6	10.5	(16.7%)
Uruguay .....	7.6	6.6	(13.2%)	3.7	3.2	(13.5%)
Corporate Overhead.....	0.2	-	(100.0%)	-	-	n.a.
<b>Total<sup>2</sup> .....</b>	<b>489.3</b>	<b>531.1</b>	<b>8.5%</b>	<b>237.0</b>	<b>263.3</b>	<b>11.1%</b>

	Six months ended June 30,			Three months ended June 30,		
	2009	2010	% change	2009	2010	% change
(€in millions, except percentages) (unaudited)						
<b>EBITDA:</b>						
Argentina .....	53.8	68.2	26.8%	26.2	33.1	26.3%
Mexico .....	28.9	26.5	(8.3%)	13.1	13.2	0.8%
Spain <sup>1,2</sup> .....	22.1	22.7	2.7%	10.8	11.0	1.9%
Italy <sup>3</sup> .....	3.2	6.9	115.6%	1.4	2.7	92.9%
Other Operations <sup>1</sup> :						
Brazil .....	(0.7)	(0.5)	n.a.	(0.4)	(0.3)	n.a.
Colombia .....	0.5	1.9	n.a.	0.1	1.2	n.a.
Panama .....	6.1	2.0	(67.2%)	2.8	0.5	(82.1%)
Uruguay .....	2.1	1.0	(52.4%)	1.0	0.5	(50.0%)
Corporate Overhead.....	(14.3)	(10.8)	n.a.	(7.3)	(5.6)	n.a.
<b>Total<sup>2</sup> .....</b>	<b>101.7</b>	<b>117.9</b>	<b>15.9%</b>	<b>47.7</b>	<b>56.3</b>	<b>18.0%</b>

	Six months ended June 30,			Three months ended June 30,		
	2009	2010	% change	2009	2010	% change
(€in millions, except percentages) (unaudited)						
Net income .....	(9.0)	30.0	n.a.	(9.3)	7.2	n.a.

1. Spain Bingo, Sports Betting and Internet are included in this category, and thus excluded from Other Operations.

2. Beginning in 2010 Spain Sports Betting is consolidated at 100%, compared to 2009 when it was consolidated at 50%. If the business had been consolidated at 100% in 2009, Spain revenues and EBITDA would have been €1.0 million and €9.9 million, respectively, in Q2 2009 and €103.3 million and €20.2 million, respectively in 1H 2009 and consolidated revenues and EBITDA would have been €237.6 million and €46.8 million, respectively in Q2 2009 and €90.7 million and €9.8 million, respectively in 1H 2009.

3. Includes Italy AWP and Italy Bingo

## Unaudited results for the six months ended June 30, 2010

### *Operating Revenue*

Operating revenue increased by €34.9 million, or 7.1%, to €27.5 million in 1H 2010 from €492.6 million in 1H 2009. The increase was principally attributable to: Argentina (€29.5 million) due to an increase in the net win per machine per day and the increase in the number of machines installed, offset in part by the appreciation of the euro against the Argentine peso and by the losses on the foreign exchange contracts which matured during the period; Mexico (€6.4 million) due to the appreciation of the Mexican peso against the euro, the absence of the revenue decrease registered in 1H 2009 due to the impact of the H1N1 virus in that period and the increase in the machine portfolio, partially offset by the losses on the foreign exchange contracts which matured during the period, the lower sales to Caliente, and a decrease in the net win per machine per day in local currency due to the implementation of anti-tobacco regulation in states other than the Distrito Federal since Q3 2009; Sports Betting Spain (€2.9 million) due to the consolidation of 100% of the business, compared to 50% in the comparable period in 2009, as well as the increase in the number of sports betting locations; and Colombia (€2.4 million) due to the appreciation of the Colombian peso against the euro. These increases were partially offset by a decrease in Panama (€3.7 million) principally associated with the temporary closure of Casino Colon (in operation December 2008-June 2009) and a decrease in commercial activity at certain of our casinos due in part to construction works which are hampering access to these halls; Spain AWP (€2.3 million) principally derived from the decrease in the portfolio installed, and the decrease in the number of machines sold to third parties; and Italy (€0.8 million) due principally to a decrease in bingo revenues as a result of an increase in the prize payout (from 58% to 70%) following the regulatory change introduced in November 2009, partially offset by an increase in bingo cards sold due to the increase in the prize payout, as well as an increase in the net win per machine per day.

### *Operating Expenses*

Operating expenses increased by €28.2 million, or 6.4%, to €465.8 million in 1H 2010 from €437.6 million in 1H 2009. The increase was principally attributable to: Argentina (€23.9 million) principally due to the increase in gaming taxes associated with the increased commercial activity, and to higher operating costs related to the increase in the number of machines installed and to inflation, partially offset by the depreciation of the Argentine peso against the euro; Mexico (€10.4 million) due to the appreciation of the Mexican peso, the increase in operating costs compared to the comparable period in 2009 when the operations were impacted by the H1N1 virus, and the increase in installed capacity in ICELA and Promojuegos; Spain Sports Betting (€5.3 million) due primarily to the consolidation of 100% of the business, compared to 50% in the comparable period in 2009 and to the increase in the number of betting locations; and Uruguay (€1.4 million) due to the appreciation of the Uruguayan peso against the euro and costs associated with the Carrasco project. The increase was partially offset by the decrease in costs in: Spain AWP (€5.8 million) due to cost reduction initiatives, a decrease in gaming taxes associated with the decrease in the number of machines installed, and the reduction in the number of machines sold to third parties; Italy (€5.1 million) primarily as a result of a decrease in the gaming tax for bingo (from 24% to 12%) following the regulatory change introduced in November 2009; and Corporate Overhead (€3.7 million) mainly attributable to cost reduction initiatives and to non-recurring costs of €0.8 million registered in 1H 2009.

### *Gains or losses on asset disposals or acquisitions*

Results on asset disposals or acquisitions increased from a loss of €1.0 million in 1H 2009 to a gain of €6.1 million in 1H 2010 primarily as a result of the consolidation of 100% of the Sports Betting business (€7.5 million) following the purchase of William Hill's 50% stake in January 2010 (See *Other Highlights*).

### *Operating Profit*

Operating profit increased by €13.8 million, or 25.6%, to €67.8 million in 1H 2010 from €54.0 million in 1H 2009. Operating margin increased to 12.9% in 1H 2010 from 11.0% in 1H 2009.

### *EBITDA*

EBITDA increased by €5.3 million, or 5.0%, to €10.3 million in 1H 2010 from €105.0 million in 1H 2009. The increase in EBITDA was principally attributable to: Argentina (€6.0 million) attributable to the increase in the number of machines and in the daily net win, offset by the losses on the foreign exchange contracts which matured in the period; Italy (€3.7 million) as a result of the increase in net win per machine per day and in the number of bingo cards sold and the lower costs associated with the reduction in the gaming tax for bingo;

Corporate overhead (€3.5 million) due primarily to cost reduction initiatives and the non-recurring costs registered in 1H 2009; and Spain AWP (€3.0 million) also primarily as a result of cost reduction initiatives. This increase was partially offset by decreases in: Mexico (€5.2 million) resulting from the losses associated with the foreign exchange contracts which matured during the period and a decrease in the net win per machine per day associated with the implementation of anti-tobacco regulation in states other than Distrito Federal since Q3 2009; and in Panama (€4.2 million) mainly attributable to the closure of Casino Colon (in operation December 2008-June 2009), the increase in gaming taxes in Q1 2010 and the decrease in commercial activity. EBITDA margin decreased to 20.9% from 21.3% in 1H 2009.

#### ***Financial Revenues***

Financial revenues in 1H 2010 increased by €0.2 million, or 5.1%, to €4.1 million from €3.9 million in 1H 2009.

#### ***Financial Expenses***

Financial expenses decreased by €1.7 million, or 4.4%, to €7.2 million in 1H 2010 from €8.9 million in 1H 2009. The decrease was principally attributable to: the absence in 1H 2010 of €1.6 million in non-recurring cost incurred in 1H 2009 in Spain AWP; lower interest paid in Colombia due to the amortization of its debt in May 2010, lower debt levels in Italy, and lower debt outstanding under the Senior Credit Facility. This decrease is partially compensated by the increase in debt in Mexico, the appreciation of the Mexican peso, and by costs associated with the early cancellation of the Senior Credit Facility related to its renewal in June 2010.

#### ***Exchange gains (losses), net***

Results associated with the impact of changes in foreign exchange increased by €0.9 million from a gain of €3.8 million in 1H 2009 to €3.7 million in 1H 2010 primarily as a result of the strong depreciation of the euro in relation to most of the currencies in which we operate in 1H 2010, compared to an appreciation, or more moderate depreciation, in the comparable period in 2009.

#### ***Corporate Income Tax***

Corporate income tax remained constant at €6.9 million as the increase in profit before taxes in Argentina and Spain is compensated by a decrease in Mexican taxes due primarily to the absence, in 1H 2010, of a non-recurring charge recorded in 1H 2009.

#### ***Minority Interest***

Minority interest decreased by €0.8 million, or 50.0%, to €0.8 million in 1H 2010 from €1.6 million in 1H 2009. This decrease is primarily attributable to minority interest in Spain Sports Betting as a result of the consolidation of 100% of the business in 1H 2010.

#### ***Net Income***

As a result of the foregoing, net income increased by €6.4 million to €20.7 million in 1H 2010 from a loss of €5.7 million in 1H 2009. Excluding the €7.5 million non-recurring income associated with the consolidation of 100% of the Sports Betting business, net income would have been €13.2 million.

## Argentina

	Six months ended June 30,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue.....	183.4	212.9	16.1%
Operating expenses:			
Consumption and other external expenses.....	3.7	4.4	18.9%
Personnel expenses .....	26.1	30.7	17.6%
Depreciation.....	6.4	6.3	(1.6%)
Amortization of intangible assets .....	0.9	1.4	55.6%
Other operating expenses:	98.4	116.6	18.5%
Gaming and other taxes .....	77.0	92.5	20.1%
Machine rentals.....	0.1	-	(100.0%)
Others .....	<u>21.3</u>	<u>24.1</u>	13.1%
Total operating expenses .....	135.5	159.4	17.6%
Operating profit .....	47.9	53.5	11.7%
EBITDA .....	55.2	61.2	10.9%

*Operating Revenue* in Argentina principally comprises revenue collected from slot machines located in our bingo halls after prize payouts and from sales of bingo cards after prize payouts. It also reflects gains or losses from Argentine peso forward foreign exchange contracts which mature during the period. Operating revenue increased by €29.5 million, or 16.1%, to €212.9 million in 1H 2010 from €183.4 million in 1H 2009, which was principally attributable to the increase in the number of machines and in the net win per day primarily as a result of the installation of the TITO and other coinless systems, partially offset by the depreciation of the Argentine peso against the euro. At a constant exchange rate, and excluding the gains and losses on the foreign exchange contracts which matured during the corresponding period, revenues would have been €227.0 million in 1H 2010, representing an increase of 24.7% compared to 1H 2009. Losses on the contracts which matured during the period were €3.8 million, compared to gains of €1.4 million in 1H 2009.

*Operating expenses* increased by €23.9 million, or 17.6%, to €159.4 million in 1H 2010 from €135.5 million in 1H 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*, which principally include food and beverage cost of sales, increased by €0.7 million, or 18.9%, to €4.4 million in 1H 2010 from €3.7 million in 1H 2009, due primarily to an increase in the sale of food and beverages in the halls, as well as the price of goods sold, which were affected by inflation, partially offset by the depreciation of the Argentine peso against the euro.
- *Personnel Expenses* increased by €4.6 million, or 17.6%, to €30.7 million in 1H 2010 from €26.1 million in 1H 2009, principally due to increases in payroll resulting from inflation as well as personnel increases associated with an increase in the number of machines.
- *Depreciation* decreased by €0.1 million, or 1.6%, to €6.3 million in 1H 2010 from €6.4 million in 1H 2009.
- *Amortization* increased by €0.5 million, or 55.6%, to €1.4 million in 1H 2010 from €0.9 million 1H 2009 due to the recording of the San Martin and Puerto license renewals in Q4 2009, partly offset by the depreciation of the Argentine peso against the euro.
- *Other Operating Expenses*, which include gaming and other taxes, marketing expenses, and payments to the non-profit organizations that nominally hold the licenses to operate the bingo halls, increased by €18.2 million, or 18.5%, to €116.6 million in 1H 2010 from €98.4 million in 1H 2009. The increase is principally attributable to: an increase in gaming tax related to the increase in the commercial activity and to the higher canon tax surcharge associated with the renewal of the La Plata



license; an increase in the commercial activity; and the recording, in Q1 2010 of a non-recurring provision of €1.0 million associated with a potential fiscal contingency.

*Operating Profit* increased by €5.6 million, or 11.7% to €33.5 million in 1H 2010 from €47.9 million in 1H 2009. Operating margin decreased to 25.1% in 1H 2010 from 26.1% in 1H 2009.

*EBITDA* increased by €6.0 million, or 10.9%, to €31.2 million in 1H 2010 from €55.2 million in 1H 2009. The increase is principally attributable to an increase in the net win per machine per day and in the number of machines installed, partially offset by the depreciation of the Argentine peso against the euro. At a constant exchange rate (and adjusted to eliminate the losses on the foreign currency contracts which matured during the period) EBITDA would have been €38.2 million in 1H 2010, representing an increase of 26.8% compared to 1H 2009. EBITDA margin decreased to 28.7% in 1H 2010 from 30.1% in 1H 2009.

### Mexico

	Six months ended June 30,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue.....	96.3	102.7	6.6%
<i>Of which sales to Caliente</i> .....	5.9	2.4	(59.3%)
Operating expenses			
Consumption and other external expenses.....	24.2	25.1	3.7%
<i>Of which sales to Caliente</i> .....	7.1	2.9	(59.2%)
Personnel expenses .....	8.6	11.0	27.9%
Depreciation .....	9.0	7.6	(15.6%)
Amortization of intangible assets.....	1.3	1.5	15.4%
Other operating expenses	32.7	41.0	25.4%
Gaming and other taxes .....	6.4	6.8	6.3%
Machine rentals <sup>1</sup> .....	4.4	7.8	77.3%
Other <sup>1</sup> .....	21.9	26.4	20.5%
Total operating expenses .....	75.8	86.2	13.7%
Gains or losses on asset disposals.....	(0.1)	-	100.0%
Operating profit .....	20.4	16.5	(19.1%)
EBITDA .....	30.8	25.6	(16.9%)

1. These line items for the quarter ended June 30, 2009 differ from those previously reported because we include €3.8 million in Machine Rentals which were previously classified under Other.

*Operating Revenue* includes our participation in the operating companies of ICELA (our joint venture with CIE), and the directly-owned licensees (Promojuegos and Mio Games), as well as revenue from our bingo hall management services agreement with Caliente. We proportionally consolidate our 49% stake in ICELA, and we consolidate 100% of Promojuegos and Mio Games. Our operating revenue under the management services agreement with Caliente is equivalent to 50% of the profit before tax of the bingo halls we manage. Mexico operating revenue also includes sales to Caliente of gaming halls, improvements, and equipment including machines, as well as reimbursement of costs incurred on Caliente's behalf, such as bingo hall managers' salaries and fees paid in connection with the use of machines. It also includes gains and losses from the Mexican peso forward exchange contracts which mature during the period.

Operating revenue increased by €6.4 million, or 6.6%, to €102.7 million in 1H 2010 from €96.3 million in 1H 2009. The increase is principally attributable to the appreciation of the Mexican peso against the euro, the absence of the revenue decrease registered in 1H 2009 due to the impact of the H1N1 virus in Q2 2009, and the increase in the number of machines installed. This increase has been partially offset by lower sales to Caliente, to the implementation of anti-tobacco regulation in states other than Distrito Federal since Q3 2009 and the losses on the foreign exchange contracts which matured during the period compared to gains on the contracts which

matured in the comparable period in 2009. At a constant exchange rate, and excluding the gains and losses on the foreign exchange contracts which matured during the corresponding period, revenues would have been €6.1 million in 1H 2010, representing an increase of 1.8% compared to 1H 2009. Losses on the contracts which matured during the period were €3.8 million, compared to gains of €1.9 million in 1H 2009.

*Operating expenses* increased by €10.4 million, or 13.7%, to €66.2 million in 1H 2010 from €55.8 million in 1H 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*, which include the cost of building out and equipping the bingo halls sold to Caliente, fees paid in connection with the use of machines, expenses primarily in connection with the roll-out of machines, and personnel costs related to the salaries of bingo hall managers whom we provide for Caliente's bingo halls, and food and beverages cost of sales for ICELA and Promojuegos and Mio Games, increased by €0.9 million, or 3.7%, to €25.1 million in 1H 2010 from €24.2 million in 1H 2009, due primarily to the increase in sales of food and beverages compared to the same period in 2009 (associated in part with the reduced costs in 1H 2009 resulting from the impact of the H1N1 virus in Q2 2009) and to the appreciation of the Mexican peso against the euro, partially offset by lower sales to Caliente.
- *Personnel Expenses* increased by €2.4 million, or 27.9% to €11.0 million in 1H 2010 from €8.6 million in 1H 2009 primarily due to the appreciation of the Mexican peso and an increase in the installed capacity in the ICELA and Promojuegos operations.
- *Depreciation*, which includes the investment in halls operated by ICELA, Promojuegos and Mio Games as well as the racetrack and the convention center and the capitalized leases associated with the IGT machines, decreased by €1.4 million, or 15.6% to €7.6 million in 1H 2010 from €9.0 million in 1H 2009. The decrease is principally attributable to the re-estimation of the useful life of some assets in ICELA and was partially offset by the appreciation of the Mexican peso against the euro.
- *Amortization*, which primarily includes the amortization of the licenses for the ICELA halls, increased by €0.2 million, or 15.4%, to €1.5 million in 1H 2010 from €1.3 million in 1H 2009 due primarily to the appreciation of the Mexican peso against the euro.
- *Other Operating Expenses* increased by €8.3 million, or 25.4% to €41.0 million in 1H 2010 from €32.7 million in 1H 2009 principally due to: the appreciation of the Mexican peso, the increase in the number of machines installed in halls operated by ICELA and Promojuegos, the decreased operating costs in 1H 2009 associated with the impact of the H1N1 virus, and the recording of non-recurring charge of €0.8 million associated with the Caliente transaction. These increases were partially offset by the absence of a €0.6 million non-recurring charge recorded in Q1 2009.

*Losses on asset disposals* decreased from a loss of €0.1 million in 1H 2009 to nil in 1H 2010.

*Operating Profit* decreased by €3.9 million, or 19.1% to €6.5 million in 1H 2010 from €20.4 million in 1H 2009. Operating margin decreased to 16.1% in 1H 2010 from 21.2% in 1H 2009.

*EBITDA* decreased €5.2 million, or 16.9%, to €25.6 million in 1H 2010 from €30.8 million in 1H 2009. At a constant exchange rate (and adjusted to eliminate the gains and losses on the foreign currency contracts) EBITDA would have been €26.5 million in 1H 2010, a decrease of 8.3% compared to 1H 2009. EBITDA margin decreased to 24.9% in 1H 2010 from 32.0% in 1H 2009.

## Spain AWP

	Six months ended		
	June 30,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue.....	89.0	86.7	(2.6%)
Operating expenses:			
Consumption and other external expenses.....	4.3	3.3	(23.3%)
Personnel expenses.....	18.3	16.5	(9.8%)
Depreciation .....	7.8	7.9	1.3%
Amortization of intangible assets .....	7.3	6.9	(5.5%)
Variation in provisions for trade transactions.....	1.5	1.3	(13.3%)
Other operating expenses:	43.0	40.5	(5.8%)
Gaming and other taxes .....	30.9	29.5	(4.5%)
Machine rentals.....	0.1	-	(100.0%)
Others .....	<u>12.0</u>	<u>11.0</u>	(8.3%)
Total operating expenses .....	82.2	76.4	(7.1%)
Gains or losses on asset disposals.....	(0.7)	(0.8)	(14.3%)
Operating profit .....	6.1	9.5	55.7%
EBITDA .....	23.4	26.4	12.8%

*Operating Revenue* decreased by €2.3 million, or 2.6%, to €86.7 million in 1H 2010 from €89.0 million in 1H 2009, as a result of a decrease in the number of machines installed, as well as a decrease in the number of machines sold to third parties. We had 15,280 machines in Spain as of June 30, 2010, compared to 15,569 as of June 30, 2009. In 1H 2010, we entered into new contracts for the placement of 899 machines in bars, restaurants and other establishments. In 1H 2010 contracts related to 797 machines expired or were otherwise terminated. The net win per day per machine was €50.3 in 1H 2010, compared to €50.0 in 1H 2009. We believe that the increase in the net win per machine per day resulted primarily by the continuous renewal and rotation of the machine portfolio and the positive effect from regulatory changes in Madrid, the Basque Region and to a lesser extent Extremadura. This increase has been partially offset by the macroeconomic slowdown in the country.

*Operating Expenses* decreased by €5.8 million, or 7.1%, to €76.4 million in 1H 2010 from €82.2 million in 1H 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses* include payments to certain AWP operators with whom we enter into collaboration agreements, costs related to ancillary services provided to site owners and machines purchased for resale. Consumption and other external expenses decreased by €1.0 million, or 23.3%, to €3.3 million in 1H 2010 from €4.3 million in 1H 2009 principally attributable to the reduction in the number of machines purchased for resale.
- *Personnel Expenses* decreased by €1.8 million, or 9.8%, to €16.5 million in 1H 2010 from €18.3 million in 1H 2009. The decrease is principally attributable to a reduction in personnel in 1H 2010 compared to 1H 2009 and by lower restructuring expenses recorded in 1H 2010 (€0.3 million) compared to 1H 2009 (€0.4 million).
- *Depreciation* increased by €0.1 million, or 1.3%, to €7.9 million in 1H 2010 from €7.8 million in 1H 2009.
- *Amortization* decreased by €0.4 million, or 5.5% to €6.9 million in 1H 2010 in from €7.3 million in 1H 2009 as a result of the reduction in exclusivity payments to bar owners associated with the change, in Q1 2009 from up-front payments, to payments conditional on the performance of the machines at the bars.
- *Other Operating Expenses* decreased by €2.5 million, or 5.8%, to €40.5 million in 1H 2010 from €43.0 million in 1H 2009 principally due to a decrease in gaming taxes as a result of the decrease in the

number of machines installed, a provision reversal of €0.5 million in Q1 2010 associated with gaming taxes for previous periods, and cost reduction initiatives.

*Losses on asset disposals* increased by €0.1million from a loss of €0.7 million in 1H 2009 to a loss of €0.8 million in 1H 2010.

*Operating Profit* increased by €3.4 million, or 55.7%, to €9.5 million in 1H 2010 from €6.1 million in 1H 2009. Operating margin increased to 11.0% in 1H 2010 compared to 6.9% in 1H 2009.

*EBITDA* increased by €3.0 million, or 12.8%, to €6.4 million in 1H 2010 from €3.4 million in 1H 2009. EBITDA margin increased to 30.4% in 1H 2010 from 26.3% in 1H 2009.

### Italy

	Six months ended June 30,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue.....	65.7	64.9	(1.2%)
Operating expenses:			
Consumption and other external expenses.....	0.8	1.0	25.0%
Personnel expenses.....	12.1	13.6	12.4%
Depreciation .....	4.0	3.9	(2.5%)
Amortization of intangible assets .....	0.4	0.6	50.0%
Variation in provisions for trade transactions.....	0.1	(0.6)	n.a.
Other operating expenses:	49.6	43.4	(12.5%)
Gaming and other taxes .....	36.6	30.9	(15.6%)
Others .....	<u>13.0</u>	<u>12.5</u>	(3.8%)
Total operating expenses .....	67.0	61.9	(7.6%)
Gains or losses on asset disposals.....	(0.2)	(0.1)	n.a.
Operating profit .....	(1.5)	2.9	n.a.
EBITDA .....	3.2	6.9	115.6%

*Operating Revenue* in Italy comprises revenue from our bingo operation, which includes revenues from sales of bingo cards after prize payouts, amounts collected from machines after prize payouts and food and beverage sales, as well as revenues from our AWP machine operation, which includes the connection fee for machines connected to the network as well as the amounts collected from machines after prize payouts, and excluding the site owner's share. Operating revenue decreased by €0.8 million, or 1.2%, to €64.9 million in 1H 2010 from €65.7 million in 1H 2009, due to a decrease in bingo revenues as a result of an increase in the prize payout (from 58% to 70%) following the regulatory change introduced in November 2009, partially offset by an increase in the number of bingo cards sold resulting from the increase in the prize payout, as well as an increase in the net win per machine per day, principally attributable to the renewal in the portfolio following a regulatory change allowing for the introduction of a new type of machine (Comma 6a).

*Operating Expenses* decreased by €5.1 million, or 7.6%, to €61.9 million in 1H 2010 from €67.0 million in 1H 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses* which principally includes food and beverage cost of sales in our bingo halls. Consumption and other external expenses increased by €0.2 million, or 25.0%, to €1.0 million in 1H 2010 from €0.8 million in 1H 2009 mainly attributable to increased food and beverage sales.
- *Personnel Expenses* increased by €1.5 million, or 12.4%, to €13.6 million in 1H 2010 from €12.1 million in 1H 2009. The increase is principally attributable to an increase in personnel associated with an increase in the number of bingo cards sold as well as the preparation for the roll-out of the VLTs which operation is expected in Q4 2010.

- *Depreciation* decreased by €0.1 million, or 2.5% to €3.9 million in 1H 2010 in from €4.0 million in 1H 2009.
- *Amortization* increased by €0.2 million, or 50.0%, to €0.6 million in 1H 2010 in from €0.4 million in 1H 2009. The increase is mainly derived from the amortization of software applications related to the implementation of VLTs.
- *Variation in provisions for trade transactions* decreased by €0.7 million to (€0.6) million in 1H 2010 from €0.1 million in 1H 2009. This decrease is due to the reversal of €0.8 million in provisions for amounts due from AWP operators and the AAMS, which have been, or are expected to be recovered in the near future.
- *Other Operating Expenses* decreased by €6.2 million, or 12.5%, to €43.4 million in 1H 2010 from €49.6 million in 1H 2009 principally due to a decrease in gaming taxes in bingo as a result of the regulatory change, partially offset by increased taxes as a result of the increase in the net win per day per machine in the Bingo and AWP businesses.

*Losses on asset disposals* decreased by €0.1 million from a loss of €0.2 million in 1H 2009 to a loss of €0.1 million in 1H 2010.

*Operating Profit* increased by €4.4 million to €2.9 million in 1H 2010 from a loss of €1.5 million in 1H 2009. Operating margin was 4.5% in 1H 2010.

*EBITDA* increased by €3.7 million, or 115.6%, to €6.9 million in 1H 2010 from €3.2 million in 1H 2009. EBITDA margin increased to 10.6% in 1H 2010 from 4.9% in 1H 2009.

### Other Operations

Other Operations includes the results of our operations in Panama, Uruguay, Colombia, Brazil, Spain Bingo, Spain Sports Betting and Internet, but excludes Corporate Overhead.

*Operating revenue* increased by €2.3 million, or 4.0%, to €60.3 million in 1H 2010 from €58.0 million in 1H 2009. This was principally attributable to the increase in: Spain Sports Betting (€2.9 million) associated with progressive build-out of the operations in Madrid and in the Basque Region and the consolidation of 100% of the business since January 2010, Colombia (€2.4 million) due to the appreciation of the Colombian peso against the euro, and Brazil (€0.5 million) mainly due to the appreciation of the Brazilian Reais against the euro and by the increase in the installed capacity. This increase was partially offset by the decrease in: Panama (€3.7 million) due to the temporary closure of Casino Colon (in operation December 2008 - June 2009) and to a decrease in commercial activity at certain of our casinos due in part to construction works which are hampering access to these halls; and Spain Bingo (€0.2 million) due to a decrease in the number of bingo cards sold.

*Operating Expenses* increased by €3.5 million, or 13.9%, to €69.8 million in 1H 2010 from €61.3 million in 1H 2009. This increase is mainly attributable to: Spain Sports Betting (€5.3 million) associated with the 100% consolidation of the business since January 2010 and with the increase in the number of sports betting locations; Uruguay (€1.4 million) due to the appreciation of the Uruguayan peso against the euro and costs associated with the Carrasco project; Internet (€1.0 million) due to the resources dedicated to the project development; and Colombia (€0.6 million) due to the appreciation of the Colombian peso against the euro. This increase is partially offset by the decrease in costs in Spain Bingo (€0.3 million) principally as a result of the decrease in personnel expenses.

*Gains or losses on asset disposals or acquisitions* resulted in a gain of €6.9 million in 1H 2010 compared to nil in 1H 2009 primarily as a result of the adjustment in the Sports Betting business (€7.5 million) as a result of the consolidation of 100% of the Sports Betting business following the purchase of William Hill's 50% stake in January 2010 (see *Other Highlights*). This gain is partially offset by losses on assets disposals in the same business unit.

*Operating profit or loss* increased by €0.7 million to a loss of €2.6 million in 1H 2010 from a loss €3.3 million in 1H 2009.

*EBITDA* decreased by €5.7 million, or 85.1%, to €1.0 million in 1H 2010 from €6.7 million in 1H 2009.

## Unaudited results for the quarter ended June 30, 2010

### *Operating Revenue*

Operating revenue increased by €4.6 million, or 14.5%, to €73.5 million in Q2 2010 from €38.9 million in Q2 2009. The increase was principally attributable to: Argentina (€2.8 million) due to an increase in the net win per machine per day as well as in the number of machines installed, and by the appreciation of the Argentine peso against the euro, offset in part by the losses on the foreign exchange contracts which matured during the period; Mexico (€10.3 million) due to absence of the revenue decrease registered in Q2 2009 due to the impact of the H1N1 virus in that period, the appreciation of the Mexican peso against the euro, and the increase in the machine portfolio, partially offset by losses on the foreign exchange contracts which matured during the period, by the implementation of anti-tobacco regulation in states other than the Distrito Federal since Q3 2009, and by the lower sales to Caliente; Colombia (€1.7 million) due to the appreciation of the Colombian peso against the euro and the increase in the net win per machine per day, which offset the decrease in the number of machines installed; and Sports Betting Spain (€1.6 million) due to the consolidation of 100% of the business, compared to 50% in the comparable period in 2009, as well as the increase in the number of sports betting locations. These increases were partially offset by a decrease in Panama (€1.4 million) due to the temporary closure of Casino Colon (in operation December 2008 - June 2009) and to a decrease in commercial activity at certain of our casinos due in part to construction works which are hampering access to these halls; Spain AWP (€0.7 million) principally derived from the decrease in the portfolio installed.

### *Operating Expenses*

Operating expenses increased by €6.9 million, or 12.5%, to €41.3 million in Q2 2010 from €14.4 million in Q2 2009. The increase was principally attributable to: Argentina (€7.3 million) principally due to the increase in gaming taxes associated with the increased commercial activity, and to higher operating costs due to the increase in the number of machines installed and inflation; Mexico (€10.5 million) due to: the appreciation of the Mexican peso against the euro, the increase in operating costs compared to the comparable period in Q2 2009 when the operations were impacted by the H1N1 virus and the increase in installed capacity in ICELA and Promojuegos; Spain Sports Betting (€2.7 million) due primarily to the consolidation of 100% of the business, compared to 50% in the comparable period in 2009 and to the increase in the number of sports betting locations; Uruguay (€0.9 million) as a result of the appreciation of the Uruguayan peso against the euro as well as the costs associated with the Carrasco project; and Internet (€0.8 million) due to the resources dedicated to the project development. The increase was partially offset by the decrease in costs in: Spain AWP (€2.6 million) driven by cost reduction initiatives as well as a decrease in gaming taxes due to the decrease in the number of machines installed; Italy (€2.2 million) primarily as a result of a decrease in the gaming tax for bingo (from 24% to 12%) following the regulatory change introduced in November 2009; and Corporate Overhead (€1.7 million) mainly attributable to cost reduction initiatives and to the absence, in Q2 2010, of a non-recurring charge of €0.8 million recorded in Q2 2009.

### *Gains or losses on asset disposals or acquisitions*

Results on asset disposals or acquisitions increased from a loss of €0.4 million in Q2 2009 to a loss of €5.5 million in Q2 2010 primarily as a result of the €4.6 million adjustment recorded on the gain resulting from the consolidation of 100% of the Sports Betting business following the purchase of William Hill's 50% stake in January 2010 (see *Other Highlights*).

### *Operating Profit*

Operating profit increased by €2.6 million, or 10.8%, to €6.7 million in Q2 2010 from €4.1 million in Q2 2009. Operating margin decreased to 9.8% in Q2 2010 from 10.1% in Q2 2009.

### *EBITDA*

EBITDA increased by €6.3 million, or 12.7%, to €55.9 million in Q2 2010 from €49.6 million in Q2 2009. The increase in EBITDA was principally attributable to: Argentina (€5.9 million) due to the increase in net win per machine per day and the increase in the machine portfolio, partially offset by the losses on the foreign exchange contracts which matured during the period; Spain AWP (€1.8 million) as a result of cost reductions; Corporate Overhead (€1.7 million) due primarily to cost reductions and the absence, in Q2 2010 of non-recurring costs registered in Q2 2009; Colombia (€1.3 million) due to the increase in the net win per machine per day and the appreciation of the Colombian peso against the euro; and Italy (€1.3 million) as a result of the increase in net

win per machine per day and the lower costs associated with the reduction in the gaming tax for bingo. This increase was partially offset by decreases in: Panama (€2.3 million) associated with the temporary closure of Casino Colon (in operation December 2008 - June 2009), the decrease in commercial activity and the increase in gaming tax since Q1 2010; Mexico (€1.5 million) resulting from the losses associated with the foreign exchange contracts maturing during the period and a decrease in the net win per machine per day associated with the implementation of anti-tobacco regulation in states other than Distrito Federal since Q3 2009, which offset the favorable comparison to Q2 2009 which was impacted by the H1N1 virus. EBITDA margin decreased to 20.4% in Q2 2010 from 20.8% in Q2 2009.

#### ***Financial Revenues***

Financial revenues in Q2 2010 increased by €0.4 million, or 23.5%, to €2.1 million from €1.7 million in Q2 2009.

#### ***Financial Expenses***

Financial expenses decreased by €0.2 million, or 1.0%, to €9.1 million in Q2 2010 from €9.3 million in Q2 2009. The decrease was principally attributable to the absence, in Q2 2010 of €1.6 million non-recurring cost incurred in Q2 2009 in Spain AWP; a decrease in interest paid in Colombia due to the amortization of its debt in May 2010, and lower debt levels in Italy. This decrease is partially compensated by the increase in debt in Mexico, the appreciation of the Mexican peso against the euro and by costs associated with the early cancellation of the Senior Credit Facility related to its renewal in June 15, 2010.

#### ***Exchange gains (losses), net***

Results associated with the impact of changes in foreign exchange increased by €0.1 million from a loss of €1.2 million in Q2 2009 to a gain of €8.9 million in Q2 2010 primarily as a result of the strong depreciation of the euro in relation to most of the currencies in which we operate in Q2 2010, compared to an appreciation, or more moderate depreciation, in the comparable period in 2009.

#### ***Corporate Income Tax***

Corporate income tax increased by €1.9 million, or 15.6%, to €4.1 million in Q2 2010 from €2.2 million in Q2 2009 due primarily to a restructuring implemented in our Mexican subsidiaries. The restructuring has no cash effect.

#### ***Minority Interest***

Minority interest decreased by €0.3 million, or 60.0%, to €0.2 million in Q2 2010 from €0.5 million in Q2 2009. This decrease is primarily attributable to lower minority interest in Spain Sports Betting as a result of the consolidation of 100% of the business in Q2 2010.

#### ***Net Income***

As a result of the foregoing, net income increased by €1.7 million to €4.3 million in Q2 2010 from a loss of €7.4 million in Q2 2009. Excluding the €4.6 million non-recurring adjustment registered in the Sports Betting business, net income would have been €8.9 million.

## Argentina

	Three months ended June 30,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue.....	90.0	112.8	25.3%
Operating expenses:			
Consumption and other external expenses.....	2.0	2.4	20.0%
Personnel expenses .....	13.1	16.4	25.2%
Depreciation.....	3.3	3.4	3.0%
Amortization of intangible assets .....	0.4	0.7	75.0%
Other operating expenses:	47.7	60.9	27.7%
Gaming and other taxes .....	37.1	48.1	29.6%
Machine rentals.....	0.1	-	(100%)
Others .....	<u>10.5</u>	<u>12.8</u>	21.9%
Total operating expenses .....	66.5	83.8	26.0%
Operating profit .....	23.5	29.0	23.4%
EBITDA .....	27.2	33.1	21.7%

*Operating Revenue* in Argentina principally comprises revenue collected from slot machines located in our bingo halls after prize payouts and from sales of bingo cards after prize payouts. It also reflects gains or losses from Argentine peso forward foreign exchange contracts which mature during the period. Operating revenue increased by €2.8 million, or 25.3%, to €112.8 million in Q2 2010 from €90.0 million in Q2 2009, which was principally attributable to the increase in the number of machines and in the net win per machine per day primarily as a result of the installation of the TITO and other coinless systems, and to the appreciation of the Argentine peso against the euro. At a constant exchange rate, and excluding the gains and losses on the foreign exchange contracts which matured during the corresponding period, revenues would have been €10.3 million in Q2 2010, representing an increase of 23.9% compared to Q2 2009. Losses on the contracts which matured during the period were €0.9 million, compared to gains of €1.0 million in Q2 2009.

*Operating expenses* increased by €17.3 million, or 26.0%, to €83.8 million in Q2 2010 from €66.5 million in Q2 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*, which principally include food and beverage cost of sales, increased by €0.4 million, or 20.0%, to €2.4 million in Q2 2010 from €2.0 million in Q2 2009, due primarily to an increase in the sale of food and beverages, as well as the price of goods sold, which were affected by inflation.
- *Personnel Expenses* increased by €3.3 million, or 25.2%, to €16.4 million in Q2 2010 from €13.1 million in Q2 2009, principally due to increases in payroll resulting from inflation as well as personnel increases associated with an increase in the number of machines.
- *Depreciation* increased by €0.1 million, or 3.0%, to €3.4 million in Q2 2010 from €3.3 million in Q2 2009.
- *Amortization* increased by €0.3 million, or 75.0%, to €0.7 million in Q2 2010 from €0.4 million in Q2 2009 due to the recording of the San Martin and Puerto license renewals in Q4 2009, and to the appreciation of the Argentine peso against the euro.
- *Other Operating Expenses*, which include gaming and other taxes, marketing expenses, and payments to the non-profit organizations that nominally hold the licenses to operate the bingo halls, increased by €13.2 million, or 27.7%, to €60.9 million in Q2 2010 from €47.7 million in Q2 2009. The increase is principally attributable to an increase in gaming tax resulting from the increase in commercial activity and to the higher canon tax surcharge related to the renewal of the La Plata license as well as to the appreciation of the Argentine peso against the euro.

*Operating Profit* increased by €5.5 million, or 23.4% to €29.0 million in Q2 2010 from €23.5 million in Q2 2009. Operating margin decreased to 25.7% in Q2 2010 from 26.1% in Q2 2009.

*EBITDA* increased by €5.9 million, or 21.7%, to €33.1 million in Q2 2010 from €27.2 million in Q2 2009. The increase is principally attributable to an increase in the net win per machine per day and in the number of machines installed and to the appreciation of the Argentine peso against the euro. At a constant exchange rate (and adjusted to eliminate the losses on the foreign currency contracts which matured during the period) EBITDA would have been €33.1 million in Q2 2010, representing an increase of 26.3% compared to Q2 2009. EBITDA margin decreased to 29.3% in Q2 2010 from 30.2% in Q2 2009.

### Mexico

	Three months ended		
	June 30,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue.....	44.4	54.7	23.2%
<i>Of which sales to Caliente</i> .....	1.4	0.8	(42.9%)
Operating expenses			
Consumption and other external expenses.....	9.8	13.7	39.8%
<i>Of which sales to Caliente</i> .....	1.6	1.0	(37.5%)
Personnel expenses .....	4.3	6.0	39.5%
Depreciation .....	4.7	3.2	(31.9%)
Amortization of intangible assets .....	0.5	0.7	40.0%
Other operating expenses	16.3	22.5	38.0%
Gaming and other taxes .....	2.8	3.7	32.1%
Machine rentals <sup>1</sup> .....	2.2	4.1	86.4%
Others <sup>1</sup> .....	11.3	14.7	30.1%
Total operating expenses .....	35.6	46.1	29.5%
Operating profit .....	8.8	8.6	(2.3%)
EBITDA .....	14.0	12.5	(10.7%)

1. These line items for the quarter ended June 30, 2009 differ from those previously reported because we include €2.4 million in Machine Rentals which were previously classified under Other.

*Operating Revenue* includes our participation in the operating companies of ICELA (our joint venture with CIE), and the directly-owned licensees (Promojuegos and Mio Games), as well as revenue from our bingo hall management services agreement with Caliente. We proportionally consolidate our 49% stake in ICELA, and we consolidate 100% of Promojuegos and Mio Games. Our operating revenue under the management services agreement with Caliente is equivalent to 50% of the profit before tax of the bingo halls we manage. Mexico operating revenue also includes sales to Caliente of gaming halls, improvements, and equipment including machines, as well as reimbursement of costs incurred on Caliente's behalf, such as bingo hall managers' salaries and fees paid in connection with the use of machines. It also includes gains and losses from the Mexican peso forward exchange contracts which mature during the period.

Operating revenue increased by €10.3 million, or 23.2%, to €54.7 million in Q2 2010 from €44.4 million in Q2 2009. The increase is principally attributable to: the absence, in Q2 2010, of the revenue decrease registered in Q2 2009 due to the impact of the H1N1 virus in that period, the appreciation of the Mexican peso against the euro, and the increase in the number of machines installed. This increase has been partially offset by lower sales to Caliente, the implementation of anti-tobacco regulation in states other than Distrito Federal since Q3 2009 and the losses on the foreign exchange contracts which matured during the period compared to gains on the contracts which matured in the comparable period in 2009. At a constant exchange rate, and excluding the gains and losses on the foreign exchange contracts which matured during the corresponding period, revenues would have been €50.1 million in Q2 2010, representing an increase of 15.2% compared to Q2 2009. Losses on the contracts which matured during the period were €2.5 million, compared to gains of €0.9 million in Q2 2009.

*Operating expenses* increased by €10.5 million, or 29.5%, to €46.1 million in Q2 2010 from €35.6 million in Q2 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*, which include the cost of building out and equipping the bingo halls sold to Caliente, fees paid in connection with the use of machines, expenses primarily in connection with the roll-out of machines, and personnel costs related to the salaries of bingo hall managers whom we provide for Caliente's bingo halls, and food and beverages cost of sales for ICELA and Promojuegos and Mio Games, increased by €3.9 million, or 39.8%, to €13.7 million in Q2 2010 from €9.8 million in Q2 2009, due primarily to the increase in sales of food and beverages compared to the same period in 2009 (associated in part with the reduced costs in Q2 2009 resulting from the impact of the H1N1 virus) and to the appreciation of the Mexican peso against the euro, partially offset by lower sales to Caliente.
- *Personnel Expenses* increased by €1.7 million, or 39.5% to €6.0 million in Q2 2010 from €4.3 million in Q2 2009 primarily due to the appreciation of the Mexican peso and an increase in the installed capacity in the ICELA and Promojuegos operations.
- *Depreciation*, which includes the investment in halls operated by ICELA, Promojuegos and Mio Games as well as the racetrack and the convention center and the capitalized leases associated with the IGT machines, decreased by €1.5 million, or 31.9% to €3.2 million in Q2 2010 from €4.7 million in Q2 2009. The decrease is principally attributable to the re-estimation of the useful life of some assets in ICELA and was partially offset by the appreciation of the Mexican peso against the euro.
- *Amortization*, which primarily includes the amortization of the licenses for the ICELA halls, increased by €0.2 million, or 40.0% to €0.7 million in Q2 2010 from €0.5 million in Q2 2009, principally attributable to the appreciation of the Mexican peso against the euro.
- *Other Operating Expenses* increased by €6.2 million, or 38.0% to €22.5 million in Q2 2010 from €16.3 million in Q2 2009 principally due to: the absence, in Q2 2010, of the operating costs decreases in Q2 2009 associated with the impact of the H1N1 virus, the appreciation of the Mexican peso, the increase in the number of machines installed in ICELA and Promojuegos, higher gaming taxes and the recording of non-recurring charge of €0.8 million associated with the Caliente transaction.

*Operating Profit* decreased by €0.2 million, or 2.3% to €3.6 million in Q2 2010 from €3.8 million in Q2 2009. Operating margin decreased to 15.7% in Q2 2010 from 19.8% in Q2 2009.

*EBITDA* decreased €1.5 million, or 10.7%, to €12.5 million in Q2 2010 from €14.0 million in Q2 2009. At a constant exchange rate (and adjusted to eliminate the gains and losses on the foreign currency contracts) EBITDA would have been €13.2 million in Q2 2010, an increase of 0.8% compared to Q2 2009. EBITDA margin decreased to 22.9% in Q2 2010 from 31.5% in Q2 2009.

## Spain AWP

	Three months ended		
	June 30,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue.....	44.3	43.6	(1.6%)
Operating expenses:			
Consumption and other external expenses.....	2.3	1.9	(17.4%)
Personnel expenses.....	8.8	8.0	(9.1%)
Depreciation .....	3.8	4.0	5.3%
Amortization of intangible assets .....	3.7	3.4	(8.1%)
Variation in provisions for trade transactions.....	0.7	0.7	0.0%
Other operating expenses:	21.8	20.5	(6.0%)
Gaming and other taxes .....	15.6	15.0	(3.8%)
Machine rentals.....	0.1	-	(100.0%)
Others .....	<u>6.1</u>	<u>5.5</u>	(9.8%)
Total operating expenses .....	41.1	38.5	(6.3%)
Gains or losses on asset disposals.....	(0.3)	(0.5)	(66.7%)
Operating profit .....	2.9	4.6	58.6%
EBITDA .....	11.4	13.2	15.8%

*Operating Revenue* decreased by €0.7 million, or 1.6%, to €43.6 million in Q2 2010 from €44.3 million in Q2 2009, as a result of a decrease in the number of machines installed, as well as a decrease in the number of machines sold to third parties. We had 15,280 machines in Spain as of June 30, 2010, compared to 15,569 as of June 30, 2009. In Q2 2010, we entered into new contracts for the placement of 467 machines in bars, restaurants and other establishments. In Q2 2010 contracts related to 423 machines expired or were otherwise terminated. The net win per day per machine was €49.3 in Q2 2010, compared to €48.2 in Q2 2009. We believe that the increase in the net win per machine per day resulted primarily by the continuous renewal and rotation of the machine portfolio and the positive effect from regulatory changes in Madrid, the Basque Region and to a lesser extent Extremadura. This increase has been partially offset by the macroeconomic slowdown in the country.

*Operating Expenses* decreased by €2.6 million, or 6.3%, to €38.5 million in Q2 2010 from €41.1 million in Q2 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses* include payments to certain AWP operators with whom we enter into collaboration agreements, costs related to ancillary services provided to site owners and machines purchased for resale. Consumption and other external expenses decreased by €0.4 million, or 17.4%, to €1.9 million in Q2 2010 from €2.3 million in Q2 2009 principally attributable to the decrease in payments to machine operators and in the costs related to ancillary services.
- *Personnel Expenses* decreased by €0.8 million, or 9.1%, to €8.0 million in Q2 2010 from €8.8 million in Q2 2009. The decrease is principally attributable to the reduction in personnel.
- *Depreciation* increased by €0.2 million, or 5.3%, to €4.0 million in Q2 2010 from €3.8 million in Q2 2009 mainly attributable to the renovation of the machine portfolio.
- *Amortization* decreased by €0.3 million, or 8.1% to €3.4 million in Q2 2010 in from €3.7 million in Q2 2009 as a result of the reduction in exclusivity payments to bar owners associated with the change, in Q1 2009 from up-front payments, to payments conditional on the performance of the machines at the bars.
- *Other Operating Expenses* decreased by €1.3 million, or 6.0%, to €20.5 million in Q2 2010 from €21.8 million in Q2 2009 principally due to a decrease in gaming taxes as a result of the decrease in the number of machines installed and to the cost reduction initiatives.

*Losses on asset disposals* increased by €0.2 million from a loss of €0.3 million in Q2 2009 to a loss of €0.5 million in Q2 2010.

*Operating Profit* increased by €1.7 million, or 58.6%, to €4.6 million in Q2 2010 from €2.9 million in Q2 2009. Operating margin increased to 10.6% in Q2 2010 compared to 6.5% in Q2 2009.

*EBITDA* increased by €1.8 million, or 15.8%, to €3.2 million in Q2 2010 from €1.4 million in Q2 2009. EBITDA margin increased to 30.3% in Q2 2010 from 25.7% in Q2 2009.

### Italy

	Three months ended		
	June 30,		
	2009	2010	% change
(€in millions, except percentages) (unaudited)			
Operating revenue.....	32.1	31.9	(0.6%)
Operating expenses:			
Consumption and other external expenses.....	0.4	0.5	25.0%
Personnel expenses.....	6.1	6.9	13.1%
Depreciation .....	2.0	1.9	(5.0%)
Amortization of intangible assets .....	0.2	0.3	50.0%
Variation in provisions for trade transactions.....	-	(0.7)	n.a.
Other operating expenses:	24.2	21.8	(9.9%)
Gaming and other taxes .....	17.9	15.6	(12.8%)
Others .....	6.3	6.2	(1.6%)
Total operating expenses .....	32.9	30.7	(6.7%)
Gains or losses on asset disposals.....	(0.2)	(0.1)	n.a.
Operating profit .....	(1.0)	1.1	n.a.
EBITDA .....	1.4	2.7	92.9%

*Operating Revenue* in Italy comprises revenue from our bingo operation, which includes revenues from sales of bingo cards after prize payouts, amounts collected from machines after prize payouts and food and beverage sales, as well as revenues from our AWP machine operation, which includes the connection fee for machines connected to the network as well as the amounts collected from machines after prize payouts, and excluding the site owner's share. Operating revenue decreased by €0.2 million, or 0.6%, to €31.9 million in Q2 2010 from €32.1 million in Q2 2009, due to a decrease in bingo revenues as a result of an increase in the prize payout (from 58% to 70%) following the regulatory change introduced in November 2009, partially offset by an increase in the number of bingo cards sold due to the increase in the prize payout as well as an increase in the net win per machine per day principally attributable to the renewal in the portfolio following a regulatory change allowing for the introduction of a new type of machine (Comma 6a).

*Operating Expenses* decreased by €2.2 million, or 6.7%, to €30.7 million in Q2 2010 from €32.9 million in Q2 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses* which principally includes food and beverage cost of sales. Consumption and other external expenses increased by €0.1 million, or 25.0%, to €0.5 million in Q2 2010 from €0.4 million in Q2 2009.
- *Personnel Expenses* increased by €0.8 million, or 13.1%, to €6.9 million in Q2 2010 from €6.1 million in Q2 2009. The increase is principally attributable to an increase in personnel associated with an increase in the number of bingo cards sold as well as the preparation for the roll-out of the VLTs expected in Q4 2010.
- *Depreciation* decreased by €0.1 million, or 5.0% to €1.9 million in Q2 2010 in from €2.0 million in Q2 2009.

- *Amortization* increased by €0.1 million, or 50.0% to €0.3 million in Q2 2010 in from €0.2 million in Q2 2009.
- *Variation in provisions for trade transactions* decreased by €0.7 million to (€0.7) million in Q2 2010 from nil in Q2 2009. This decrease is due to the reversal of €0.8 million in provisions for amounts due from AWP operators and the AAMS, which have been, or are expected to be recovered in the near future.
- *Other Operating Expenses* decreased by €2.4 million, or 9.9%, to €1.8 million in Q2 2010 from €4.2 million in Q2 2009 principally due to a decrease in gaming taxes in bingo, partially offset by increased taxes as a result of the increase in the net win per day per machine in the Bingo and AWP businesses.

*Losses on asset disposals* decreased by €0.1 million, or 50.0%, from a loss of €0.2 million in Q2 2009 to a loss of €0.1 million in Q2 2010.

*Operating Profit* increased by €2.1 million to €1.1 million in Q2 2010 from a loss of €1.0 million in Q2 2009. Operating margin was 3.4% in Q2 2010.

*EBITDA* increased by €1.3 million, or 92.9%, to €2.7 million in Q2 2010 from €1.4 million in Q2 2009. EBITDA margin increased to 8.5% in Q2 2010 from 4.4% in Q2 2009.

### Other Operations

Other Operations includes the results of our operations in Panama, Uruguay, Colombia, Brazil, Spain Bingo, Spain Sports Betting and Internet, but excludes Corporate Overhead.

*Operating revenue* increased by €2.4 million, or 8.5%, to €30.5 million in Q2 2010 from €28.1 million in Q2 2009. This was principally attributable to the increase in: Colombia (€1.7 million) due to the appreciation of the Colombian peso against the euro and to the increase in the net win per machine per day, partially offset by a decrease in the number of machines installed, Spain Sports Betting (€1.6 million) associated with the consolidation of 100% of the business since January 2010 and with the progressive build-out of betting locations in Madrid and in the Basque Region,; and Uruguay (€0.4 million) due to the appreciation of the Uruguayan peso against the euro. This increase was partially offset by the decrease in: Panama (€1.4 million) due to the temporary closure of Casino Colon (in operation December 2008 - June 2009) and to a decrease in commercial activity at certain of our casinos due in part to construction works which are hampering access to these halls; and Spain Bingo (€0.1 million) due to a decrease in the number of bingo cards sold.

*Operating Expenses* increased by €5.6 million, or 18.5%, to €35.9 million in Q2 2010 from €30.3 million in Q2 2009. This increase is mainly attributable to: Spain Sports Betting (€2.7 million) associated with the 100% consolidation of the business since January 2010 and by the increase in the number of sports betting locations; Uruguay (€0.9 million) due to the appreciation of the Uruguayan peso against the euro and costs associated with the Carrasco project; Internet (€0.8 million) due to the resources dedicated to the project development; and Panama (€0.7 million) due to the appreciation of the US dollar against the euro, the increase in the gaming tax in Q1 2010, and to non-recurring expenses of €0.3 million associated with the Thunderbird transaction, which more than offset the decrease in operating costs associated to the temporary closure of Casino Colon. This increase is partially offset by the decrease in costs in Spain Bingo (€0.1 million).

*Gains or losses on asset disposals or acquisitions* resulted in a loss of €5.0 million in Q2 2010 compared to a gain of €0.1 million in Q2 2009 primarily as a result of the €4.6 million adjustment recorded on the gain resulting from the consolidation of 100% of the Sports Betting business following the purchase of William Hill's 50% stake in January 2010 (see *Other Highlights*).

*Operating profit or loss* decreased by €8.3 million to a loss of €10.4 million in Q2 2010 from a loss €2.1 million in Q2 2009.

*EBITDA* decreased by €2.9 million, to breakeven in Q2 2010 from a gain of €2.9 million in Q2 2009.



## Cash Flow

	Six months ended June 30,		Three months ended June 30	
	2009	2010	2009	2010
	(unaudited) (€in millions)			
<b>Cash flow from continuing operations:</b>				
Operating profit .....	54.0	67.9	24.1	26.8
Expenses that do not represent cash movements				
Depreciation and amortization .....	48.2	47.9	24.2	23.6
Other operating expenses .....	15.8	11.7	6.1	5.0
Income that does not represent cash movements.....	(1.3)	(8.0)	(0.3)	4.4
Changes in working capital .....	(2.0)	(14.0)	(2.8)	(8.7)
Corporate income tax .....	(24.3)	(19.0)	(14.6)	(11.5)
<b>Net cash from operating activities</b>	<b>90.4</b>	<b>86.5</b>	<b>36.7</b>	<b>39.6</b>
Capital expenditures <sup>1</sup> .....	(33.2)	(43.5)	(15.9)	(23.5)
Long-term loans and receivables <sup>2</sup> .....	3.1	10.5	2.3	6.9
Investments <sup>3</sup> .....	(0.6)	-	-	-
<b>Net cash used in investing activities</b>	<b>(30.7)</b>	<b>(33.0)</b>	<b>(13.6)</b>	<b>(16.6)</b>
Net change in financial debt <sup>4</sup> .....	(27.2)	5.5	(7.0)	5.7
Net change in other bank loans .....	5.1	(17.5)	4.1	(12.8)
Dividends (net) .....	(1.3)	(1.8)	(0.9)	(1.3)
Net change in other debt and contingent payments <sup>5</sup> .....	(18.6)	(12.4)	0.5	(3.2)
Net investment in treasury shares.....	(0.4)	(0.5)	(0.1)	(0.5)
Interest income .....	1.5	0.7	0.5	0.4
Interest expense .....	(33.6)	(34.3)	(29.7)	(30.8)
Net cash effect of exchange rate changes.....	1.3	5.5	1.3	4.2
<b>Net cash from financing activities</b>	<b>(73.2)</b>	<b>(54.8)</b>	<b>(31.3)</b>	<b>(38.3)</b>
<b>Effects of exchange rate fluctuations<sup>6</sup></b>	<b>(2.1)</b>	<b>9.4</b>	<b>(1.8)</b>	<b>6.5</b>
<b>Net change in cash position.....</b>	<b>(15.6)</b>	<b>8.1</b>	<b>(10.0)</b>	<b>(8.8)</b>
<b>Reconciliation</b>				
Cash at beginning of period.....	83.3	90.2	77.7	107.1
Cash at end of period.....	67.7	98.3	67.7	98.3
Change in cash position.....	(15.6)	8.1	(10.0)	(8.8)

- Capital expenditures primarily consist of investments to maintain or improve the quality of our facilities, to build out and equip bingo halls in connection with our ICELA JV, to purchase new gaming machines and to make exclusivity payments to site owners in connection with contracts to install our machines in their establishments.
- Long-term loans and receivables include amounts related to building out and equipping bingo halls that are sold to Caliente, which pays for such bingo halls over a five-year period. Loans to site owners and other loans are also included.
- Investments include expenditures relating to acquisitions.
- Net change in financial debt includes our Senior Credit Facility, and 50% of Notes issued by Hipica Rioplatense Uruguay (HRU), our JV in Uruguay.
- Net change in other debt and contingent payments reflects movements in temporary financial investments such as vendor financing, contingent payments and the payment of deferred gaming taxes.
- Includes the effect of exchange rate fluctuations in the conversion of balances to euros (these amounts were previously reported under *Changes in working capital*).

### ***Cash flow for the six months ended June 30, 2010***

Net cash from operating activities for the 1H 2010 was €6.5 million, a decrease of 4.3% from €0.4 million for the same period the prior year.

Net cash used in financing activities was €4.8 million, the principal drivers of which were as follows:

- Negative variation in other debt and contingent payments of €12.4 million, which consists of a net decrease in vendor financing of €5.2 million, a decrease in liabilities associated with the deferral of gaming taxes in Spain (€1.3 million), an increase in financial assets of €3.0 million, and costs incurred in the renewal of the Senior Facilities Agreement (€2.9 million). The €5.2 million net decrease in vendor financing consists of a positive variation of €1.9 million principally reflecting investments in machines in Italy Bingo and Spain AWP, and the financing of hall expansions and refurbishments in Mexico and Argentina; and a negative variation of €7.1 million principally reflecting the payment of the deferred portion of the minority acquisition in Argentina (€2.5 million), a deferred payment of the ICELA acquisition (€3.4 million) and the payment of capital expenditures in Mexico, Panama and Spain AWP.
- A net increase of €5.5 million in financial debt resulting from the increase in drawings under the Senior Credit Facility (€6.0 million), net of the amortization of the HRU bond (€0.5 million).
- A net decrease in other bank loans of €7.5 million, due primarily to amortization of debt in Colombia, Mexico, Spain AWP and Italy Bingo.
- €0.5 million invested in treasury shares, as part of the liquidity contract.
- Dividends paid to minorities of €1.8 million, financial expenses of €4.3 million, financial income of €0.7 million and a net positive variation of €5.5 million related to changes in exchange rates (€1.6 million in positive variations and €6.1 million in negative variations).

We used cash for capital expenditures for intangible and fixed assets (€43.5 million), received a net of €10.5 million in long term loans and receivables consisting of: €7.8 million received from Caliente (repayments of €9.7 million, net of receivables generated of €1.9 million), €2.6 million received for long-term loans provided to Spain AWP site owners (repayments of €5.5 million, net of €2.9 million in loans), and €0.1 million received from long-term loans provided to Italy AWP site owners (€5.2 million in loans, net of repayments of €5.3 million).

Variations in foreign exchange rates (in the conversion of the cash balances) resulted in a positive impact of €0.4 million.

During the six months ended June 30, 2010 we had a net increase in cash of €8.1 million.

### ***Cash flow for the quarter ended June 30, 2010***

Net cash from operating activities for the Q2 2010 was €9.6 million, an increase of 7.9% from €6.7 million for the same period the prior year.

Net cash used in financing activities was €8.3 million, the principal drivers of which were as follows:

- Negative variation in other debt and contingent payments of €3.2 million, which consists of a net decrease in vendor financing of €0.3 million, a decrease in liabilities associated with the deferral of gaming taxes in Spain (€0.1 million), a decrease in financial assets of €0.1 million and the costs incurred in the renewal of the Senior Facilities Agreement (€2.9 million). The €0.3 million net decrease in vendor financing consists of a positive variation of €7.6 million principally reflecting primarily investments in machines in Italy Bingo and Spain AWP, and the financing of halls expansion and refurbishments in Mexico and Argentina; and a negative variation of €7.9 million principally reflecting the payment of the deferred payment of the ICELA acquisition (€3.4 million) and the payment of capital expenditures in Mexico and Spain AWP.
- A net increase of €5.7 million in financial debt resulting from the increase in drawings under the Senior Credit Facility (€6.0 million) net of the amortization of the HRU bond (€0.3 million).
- A net decrease in other bank loans of €2.8 million, due primarily to amortization of debt in Colombia, Mexico, Spain AWP and Italy Bingo.
- €0.5 million invested in treasury shares, as part of the liquidity contract.

- Dividends paid to minorities of €1.3 million, financial expenses of €30.8 million, financial income of €0.4 million and a net positive variation of €4.2 million related to changes in exchange rates (€5.6 million in positive variations and €1.4 million in negative variations).

We used cash for capital expenditures for intangible and fixed assets (€23.5 million), received a net of €6.9 million in long term loans and receivables consisting of: €5.3 million received from Caliente (repayments of €5.8 million, net of receivables generated of €0.5 million), €1.4 million received for long-term loans provided to Spain AWP site owners (repayments of €2.8 million, net of €1.4 million in loans), and €0.2 million received from long-term loans provided to Italy AWP site owners (€2.7 million in loans, net of repayments of €2.9 million).

Variations in foreign exchange rates (in the conversion of the cash balances) resulted in a positive impact of €6.5 million.

During the quarter ended June 30, 2010 we had a net increase in cash of €8.8 million.

### *Investment activities*

	Six months ended June 30,		Three months ended June 30,	
	2009	2010	2009	2010
	(unaudited)			
	(€in millions)			
Argentina.....	4.4	11.1	1.6	6.9
Mexico.....	5.9	1.1	3.3	(0.7)
Spain AWP.....	11.1	11.2	3.8	5.2
Italy .....	5.3	4.3	2.7	2.1
Holding Company .....	0.5	0.3	0.4	0.1
Other .....	<u>3.5</u>	<u>5.0</u>	<u>1.8</u>	<u>3.0</u>
<b>Total .....</b>	<b>30.7</b>	<b>33.0</b>	<b>13.6</b>	<b>16.6</b>
Maintenance .....	22.8	18.2	9.6	11.5
Growth.....	<u>7.9</u>	<u>14.8</u>	<u>4.0</u>	<u>5.1</u>
<b>Total .....</b>	<b>30.7</b>	<b>33.0</b>	<b>13.6</b>	<b>16.6</b>

## Balance Sheet

The table below provides condensed consolidated balance sheet information.

	At December 31, 2009	At June 30, 2010
	(audited)	(unaudited)
	(€in millions)	
<b>Fixed and other non-current assets</b> .....	<b>922.6</b>	<b>1,004.4</b>
Fixed assets, net.....	622.3	683.0
Intangible assets, net.....	201.3	219.0
Tangible fixed assets.....	353.3	398.5
Long-term financial assets.....	67.7	65.5
Goodwill on consolidation.....	263.2	281.7
Other deferred assets.....	0.1	0.1
Deferred taxes.....	37.0	39.6
<b>Current assets</b> .....	<b>276.4</b>	<b>319.9</b>
Inventories.....	9.5	8.8
Accounts receivable, Net.....	145.6	181.9
Short-term financial investments.....	25.9	28.4
Cash.....	90.2	98.3
Other assets.....	5.2	2.5
<b>Total assets</b> .....	<b>1,199.0</b>	<b>1,324.3</b>
<b>Shareholders' equity</b> .....	<b>41.9</b>	<b>128.7</b>
Share capital.....	11.0	11.0
Additional paid-in capital.....	231.3	231.3
Other.....	(219.5)	(134.3)
Net income (loss) for the period.....	19.1	20.7
<b>Minority interests</b> .....	<b>19.6</b>	<b>20.0</b>
<b>Non-current liabilities</b> .....	<b>875.6</b>	<b>873.3</b>
Deferred income.....	0.7	0.7
Provisions.....	31.2	34.9
Long-term debt and other long-term liabilities.....	843.7	837.7
Payable to credit entities.....	68.5	64.9
Deferred tax liabilities.....	32.7	36.9
Bonds LT.....	657.8	658.0
Other payables.....	84.7	77.9
<b>Current liabilities</b> .....	<b>261.9</b>	<b>302.3</b>
Trade accounts payable.....	88.2	86.6
Bonds ST.....	3.6	3.8
Payable to credit entities.....	20.3	24.9
Other non trade payables.....	145.9	182.7
Accrual accounts and others.....	3.9	4.3
<b>Total shareholders' equity and liabilities</b> .....	<b>1,199.0</b>	<b>1,324.3</b>

### Comments on the June 30, 2010 balance sheet

In the six months ended June 30, 2010 total assets increased by €125.3 million. This increase is attributable to the 16.1% and 11.6% appreciation of the Mexican and Argentine peso against the euro, respectively between December 31, 2009 and June 30, 2010. This appreciation also significantly impacted shareholders' equity.

Fixed assets, net of €47.9 million in accumulated depreciation and amortization, increased by €60.7 million principally as a result of the aforementioned appreciation of fixed assets and the consolidation of 100% of Spain Sports Betting following the acquisition of William Hill's 50% stake in January 2010, partially offset by the increase in amortization of fixed assets in 1H 2010 primarily as a result of the appreciation of the Mexican and Argentine pesos against the euro.

Goodwill on consolidation increased by €18.5 million primarily as a result of the appreciation of the Argentine and Mexican pesos and the provisional valuation at fair value of the Spain Sports Betting business following the acquisition of William Hill's 50% stake in January 2010.

Financial debt, which consists of the long and short term portions of *Payables to credit entities* and *Bonds*, increased by €1.4 million compared to December 2009, principally as a result of the appreciation of the Mexican peso against the euro and due to higher drawings under the Senior Credit Facility (€6.0 million), partially offset by amortization of financial debt in Colombia (€8.6 million) and amortizations in Mexico (€4.7 million), Italy (€1.5 million) and Spain AWP (€1.2 million).

Other long term payables decreased by €6.8 million principally as a result of the reclassification, from long term to short term, of amounts due for deferred gaming taxes at December 31, 2009. Other short term non trade payables increased by €6.8 million principally as a result of the increase in deferred gaming taxes compared to the amount registered on December 31, 2009, by the reclassification from long term to short term above mentioned and by the appreciation of the Argentine peso against the euro.

Long term provisions increased by €3.7 million primarily as a result of the increase of provisions recorded in Argentina (€1.0 million) and the appreciation of the Argentine peso against the euro.

Cash increased by €8.1 million.

### Capitalization

	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010
		(unaudited) (€in millions)		
Cash.....	84.6	90.2	107.1	98.3
Principal and interest of HRU bonds.....	1.2	1.3	1.5	1.5
Interest on 8.25% bonds .....	<u>15.9</u>	<u>2.3</u>	<u>15.9</u>	<u>2.3</u>
Bonds ST .....	17.1	3.6	17.4	3.8
Bank loans .....	12.7	19.3	20.2	19.7
Senior Credit Facility <sup>1</sup> .....	<u>23.9</u>	<u>1.0</u>	<u>1.3</u>	<u>5.2</u>
Payable to credit entities ST.....	<u>36.6</u>	<u>20.3</u>	<u>21.5</u>	<u>24.9</u>
Short term debt.....	53.7	23.9	38.9	28.7
8.25% bonds.....	653.3	653.6	653.8	654.0
HRU bonds .....	<u>4.0</u>	<u>4.2</u>	<u>4.3</u>	<u>4.0</u>
Bonds LT.....	657.3	657.8	658.1	658.0
Payable to credit entities LT.....	<u>42.7</u>	<u>68.5</u>	<u>72.0</u>	<u>64.9</u>
Long term debt.....	700.0	726.3	730.1	722.9
Total debt .....	753.7	750.2	769.0	751.6
Shareholders' equity.....	<u>16.3</u>	<u>41.9</u>	<u>93.0</u>	<u>128.7</u>
Total capitalization.....	770.0	792.1	862.0	880.3

1. Net of expenses of €1.2 million, €1.0 million, €0.7 million and €2.8 million in Q3 and Q4 2009 and Q1 and Q2 2010, respectively, which were previously reflected under *Bank Loans*

### Other financial data<sup>1</sup>

	Twelve months ended,			
	September 30, 2009	December 31, 2009	March 31, 2009	June 30, 2010
	(unaudited) (€ in millions)			
EBITDA .....	213.1	231.1	230.1	236.4
Net interest expense .....	69.4	68.5	67.2	66.6
Total net debt.....	669.1	660.0	661.9	653.3
Total net debt to EBITDA.....	3.1x	2.9x	2.9x	2.8x
EBITDA to Net interest expense.....	3.1x	3.4x	3.4x	3.5x

1. All figures have been adjusted to reflect the EBITDA definition which excludes the impact of gains or losses on asset disposals.

### Other relevant information

*Foreign exchange.* The following tables show the exchange rates we used to prepare the balance sheet data described in this release, as well as the average exchange rates for the six months and quarter ended June 30, 2009 and 2010:

	December 31, 2009	June 30, 2010	% change			
Euro/Argentine peso	5.45	4.82	(11.6%)			
Euro/Mexican peso	18.79	15.76	(16.1%)			
Euro/US dollar	1.44	1.23	(14.6%)			
	Three months ended June 30,			Six months ended June 30,		
	2009	2010	% change	2009	2010	% change
Euro/Argentine peso	5.10	4.96	(2.7%)	4.88	5.13	5.1%
Euro/Mexican peso	18.25	15.99	(12.4%)	18.50	16.79	(9.2%)
Euro/US dollar	1.37	1.27	(7.3%)	1.34	1.32	(1.5%)

*Foreign exchange hedges.* As of the date of this release we have in place the following contracts:

(in millions)

	<u>€ARS</u>	<u>US\$/ARS</u>	<u>€/MXN</u>	<u>US\$/MXN</u>	<u>€US\$</u>
Q3 2010	-	25.0	-	15.0	-
Q4 2010	-	25.0	-	17.0	-
Q1 2011	-	25.0	=	20.0	-
Q2 2011	-	25.0	=	=	-
Total	-	100.0	-	52.0	-

The realized losses on the Argentine peso foreign exchange contracts which matured during 2Q 2010 amounted to €0.9 million, which when added to the losses of €2.9 million in Q1 2010, resulted in a loss of €3.8 million in 1H 2010. The realized losses on the Mexican peso foreign exchange forward contract which matured during 2Q 2010 amounted to €2.5 million, which when added to the losses of €1.3 million in Q1 2010, resulted in a loss of €3.8 million in 1H 2010. The realized gains and losses are recorded as other operating revenues in our Argentine and Mexico business. Unrealized gains and losses on outstanding forward contracts are recognized as a hedging reserve in consolidated shareholders' equity.



*Gaming Tax Deferrals.* In Spain, gaming taxes accrue annually and, in most of the *Comunidades Autonomas*, or regions, is paid in quarterly instalments. Certain regions, however, allow for deferrals in the payments. We have applied for deferrals with the tax authorities of several regions in which we operate. As of June 30, 2010 we received approval to defer €14.6 million and are awaiting the final resolution from the authorities for an additional €1.8 million. The approved deferrals are reflected in the Cash Flow statement under Financing Activities and the amounts pending approval are reflected in the cash flow under Operating Activities. All amounts have been reflected under Gaming and other taxes in the Income Statement for the applicable quarters.

*Restricted group members.* For the three months ended June 30, 2010 Restricted Group Members' revenues, EBITDA, and net income were €266.6 million, €54.5 million and €4.2 million, respectively. As of June 30, 2010, Restricted Group Members' shareholders' equity and assets were €125.4 million and €1,290.0 million, respectively.

About Codere:

Codere is a leading gaming company engaged in the management of slot machines, bingo halls, casinos, racetracks and sports betting locations in Spain, Latin America and Italy.

Codere, S.A.  
Avda. de Bruselas, 26  
28108 Alcobendas (Madrid), Spain

#### **Investor Relations**

+34 91 354 28 19  
[inversor@codere.com](mailto:inversor@codere.com)  
[www.codere.com](http://www.codere.com)

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