

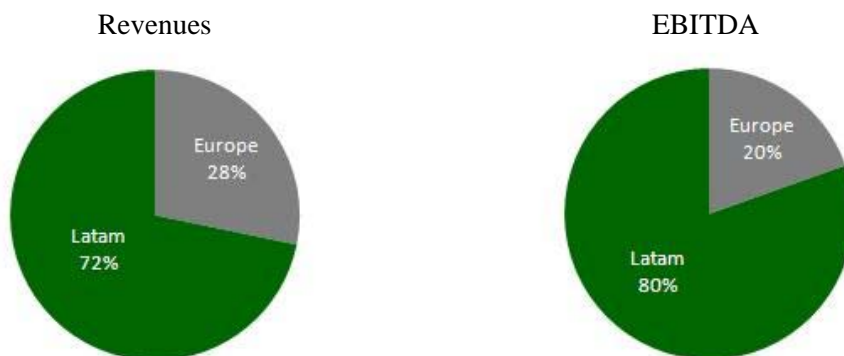
November 15, 2011

CODERE, S.A.
Results for the third quarter and nine months ended
September 30, 2011

Highlights

- Q3 2011 EBITDA was €74.2 million, an increase of 19.9% compared to €61.9 million in Q3 2010, at the high end of our guidance range of €71-74 million.
- Q3 2011 EBITDA reflects strong growth in Argentina and Italy, as well as in Other Operations, partially mitigated by weakness in Spain and in the Mexican Joint Opcos, and the appreciation of the euro against most currencies. At a constant exchange rate, Q3 2011 EBITDA would have been €81.5 million, representing an increase of 29.0% over Q3 2010 (both adjusted for gains or losses on the foreign exchange contracts).
- Growth in the machine portfolio was concentrated in Argentina, Italy and Uruguay. The total number of machine seats increased by 6.6%, to 56,581 in Q3 2011, compared to 53,060 in Q3 2010. The total number of gaming halls and sports betting locations increased from 187 and 504, to 191 and 780, respectively in Q3 2011 compared to Q3 2010.
- At September 30, 2011 we had €141.6 million in cash and €7.0 million undrawn under the Senior Credit Facility. Coverage and leverage ratios were 3.6x and 2.7x, respectively, compared to 3.6x and 2.9x in Q3 2010. As of the date of this release, the €60 million Senior Credit Facility is completely undrawn.
- Capex in Q3 2011 was €6.5 million, of which €5.7 million was maintenance and €0.8 million was growth.
- Net income, which includes a €7.1 million exchange gain, was €21.9 million in Q3 2011, compared to a loss of €6.6 million in Q3 2010.

Geographical distribution ¹



1. For the nine months ended September 30, 2011. Excludes Corporate Overheads

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Other highlights

ICELA option agreement. On August 15, 2011 we entered into an Option Agreement (“the Agreement”) pursuant to which we acquired, for Mx\$35 million (equivalent to approximately €2 million), the option to purchase, subject to certain conditions, an additional 35.8% stake in ICELA from Corporación Interamericana de Entretenimiento, S.A.B. de C.V. (“CIE”). Under the terms of the Agreement, the purchase price for the 35.8% stake is Mx\$2,657 million (equivalent to approximately €145 million as of the date of this release). The Agreement is subject to certain conditions to closing, including clearance from the Mexican competition authority, Comisión Federal de Competencia (“COFECO”). On October 31, 2011, COFECO approved the transaction in accordance with the terms and conditions presented. The remaining conditions to closing, however, have not yet been satisfied. The option is exercisable through June 30, 2012, upon the payment of an additional fee of Mx\$35 million (equivalent to approximately €2 million as of the date of this release), if the option is extended beyond December 16, 2011.

We currently own 49% of ICELA and consolidate our stake under the proportional method for balance sheet and income statement purposes. If the purchase contemplated under the Agreement is consummated, the stake would increase to 84.8% and we would consolidate under the global method. Upon closing, Codere would assume the totality of ICELA’s net debt which is estimated will be Mx\$1,200 million (equivalent to approximately €65 million as of the date of this release). The 49% stake we currently have in ICELA contributed Mx\$658 million, approximately €9 million, of EBITDA to Codere’s consolidated accounts in the twelve months ended September 30, 2011. We expect to fund the acquisition with debt financing.

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.

Effective July 1, 2010, the previous management services agreements with Caliente were terminated and new management services agreements were entered into among Codere and the three licensees subject to the Caliente Agreement (“Joint Opcos”), which operated 35 halls. Prior to the Caliente transaction, our management services agreement was equivalent to 50% of the profit before tax of the halls we managed for Caliente (49 halls at June 30, 2010). The new agreement provided for an annual fee of up to U.S. \$36 million through 2014, as well as 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. In addition, the previous agreement pursuant to which Codere constructed or refurbished halls and sold them to Caliente at cost, and Caliente reimbursed us over five years, was also terminated effective July 1, 2010. Pending closing of the agreement, we continued to provide equipment and other services to the Joint Opcos.

On March 7, 2011, COFECO approved the transactions under the Caliente Agreements in accordance with their terms and conditions and we closed the transaction on March 31, 2011. As a result of the restructuring, we acquired 67.3% of the capital stock of the Joint Opcos, with the remaining 32.7% held by Caliente, and sold to Caliente 32.7% of Promojuegos and Mio Games, retaining a 67.3% stake in those entities. Following the closure of the transaction, we began consolidating 100% of the Joint Opcos (reflecting Caliente’s stake in these entities, as well as in Promojuegos and Mio, as minority interest), effective March 31, 2011 for Balance Sheet purposes and April 1, 2011 for income statement purposes.

Argentine coinless systems update. At September 30, 2011 we had completed the installation of TITO or other coinless systems in the majority of the machines in ten halls (Lomas del Mirador, San Martín, Lanús, Morón, San Justo, San Miguel, Lomas de Zamora, Ramos Mejía, La Plata and Sol) representing 86.2% of the total machines seats in the Province of Buenos Aires, an increase from 84.6% in Q3 2010.

Syndicated loan in Panama. On September 30, 2011 our Panamanian subsidiaries closed a US\$23 million five-year syndicated loan with a consortium of local banks to refinance existing debt and to fund future investment projects.

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.

	Nine months ended September 30,			Three months ended September 30,		
	2010	2011	% change	2010	2011	% change
(€in millions, except percentages)						
Income statement data:						
Operating revenue ¹	815.5	989.3	21.3%	290.0	357.1	23.1%
Operating expenses:						
Consumption and other external expenses ¹	56.2	47.7	(15.1%)	18.1	16.1	(11.0%)
Personnel expenses.....	146.1	190.2	30.2%	51.6	66.8	29.5%
Depreciation	51.6	64.6	25.2%	15.9	23.1	45.3%
Amortization of intangible assets	18.3	20.8	13.7%	6.1	6.7	9.8%
Variation in provisions for trade transactions	1.2	1.4	16.7%	0.5	0.3	(40.0%)
Other operating expenses:	441.0	542.3	23.0%	158.4	200.0	26.3%
Gaming and other taxes.....	264.4	312.0	18.0%	93.0	115.1	23.8%
Machine rentals	12.3	29.4	139.0%	4.3	12.4	n.a.
Other	164.3	200.9	22.3%	61.1	72.5	18.7%
Total operating expenses ¹	714.4	867.0	21.4%	250.6	313.0	24.9%
Gains or losses on asset disposals or acquisitions	5.6	(0.7)	n.a.	(0.5)	0.4	n.a.
Operating profit	106.7	121.6	14.0%	38.9	44.5	14.4%
Financial items:						
Financial expenses.....	57.4	64.7	12.7%	20.2	21.3	5.4%
Financial revenues.....	6.4	6.4	0.0%	2.3	1.8	(21.7%)
Exchange gains (losses), net.....	0.3	6.6	n.a.	(13.4)	7.1	n.a.
Profit before tax	56.0	69.9	24.8%	7.6	32.1	n.a.
Corporate income tax	40.9	49.4	20.8%	14.0	16.7	19.3%
Consolidated net income	15.1	20.5	35.8%	(6.4)	15.4	n.a.
Minority interests	1.0	(6.5)	n.a.	0.2	(6.5)	n.a.
Net income	14.1	27.0	91.5%	(6.6)	21.9	n.a.
<i>Other financial data:</i>						
EBITDA ²	172.2	209.1	21.4%	61.9	74.2	19.9%

1. Beginning in Q4 2010 we changed the way in which we recognize revenue for the Sports Betting business to conform to the same accounting principle used in other businesses. This change affects both revenue and operating expenses (consumption and other external expenses). Beginning in Q4 2010 revenues are recorded net of the site owner's share, and therefore the site owner's share is no longer included in expenses. We have also adjusted data for 2010 to reflect this change, which results in a decrease in revenues and expenses of €3.0 million and €1.0 million compared to the amounts previously reported for nine months and quarter ended September 30, 2010, respectively.

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



Operating Data

	At September 30,		
	2010	2011	% change
Gaming machine seats			
Argentina	5,042	5,164	2.4%
Mexico ¹	18,953	18,874	(0.4%)
Italy ²	2,355	5,930	n.a.
Spain AWP's.....	15,340	15,182	(1.0%)
Panama	3,389	3,328	(1.8%)
Colombia	6,377	6,247	(2.0%)
Uruguay	<u>1,604</u>	<u>1,856</u>	15.7%
Total.....	53,060	56,581	6.6%
Gaming halls³			
Argentina	14	14	
Mexico ¹	95	95	
Italy	12	14	
Spain	1	1	
Panama	12	12	
Colombia	49	50	
Uruguay	<u>4</u>	<u>5</u>	
Total.....	187	191	
Betting locations			
Mexico ¹	96	91	
Spain	287	579	
Panama ⁴	96	81	
Uruguay ⁴	20	23	
Brazil	<u>5</u>	<u>6</u>	
Total.....	504	780	
Horse Race Tracks	3	3	

	Nine months ended September 30,			Three months ended September 30,		
	2010	2011	% change	2010	2011	% change
Euros						
Average daily net win per machine/seat						
Argentina	233.5	263.6	12.9%	247.4	281.2	13.7%
Mexico ¹	53.6	49.8	(7.2%)	54.2	47.0	(13.3%)
Italy AWP's.....	85.4	73.2	(14.3%)	83.6	70.4	(15.8%)
Italy VLTs.....	-	267.0	n.a.	-	243.4	n.a.
Spain AWP's.....	49.3	42.1	(14.5%)	47.3	40.2	(14.9%)
Local currency						
Argentina	1,193	1,522	27.6%	1,261	1,657	31.4%
Mexico ¹	894	833	(6.8%)	898	818	(8.9%)

1. As a result of the Caliente transaction signed on July 16, 2010 data shown for the Caliente part of our Mexican operations corresponds only to the halls included in these new agreements. Data for 2010 has also been adjusted to reflect this change.
2. 2011 data includes 762 VLTs
3. Includes bingo halls with machines, casinos, machine halls at racetracks, and branded stand-alone machine halls.
4. Includes locations at which we provide international simulcast horse racing.

Results of Operations by Business

	Nine months ended September 30,			Three months ended September 30,		
	2010	2011	% change	2010	2011	% change
(€in millions, except percentages) (unaudited)						
Operating Revenue:						
Argentina.....	336.6	402.8	19.7%	123.7	145.4	17.5%
Mexico.....	159.3	204.6	28.4%	56.6	75.1	32.7%
Italy ³	96.9	151.0	55.8%	32.0	59.8	86.9%
Spain ^{1,2}	149.6	128.6	(14.0%)	49.3	42.4	(14.0%)
Other Operations:						
Brazil.....	2.2	2.6	18.2%	0.8	0.8	0.0%
Colombia.....	20.4	21.4	4.9%	7.5	7.4	(1.3%)
Panama.....	38.2	63.8	67.0%	15.8	21.1	33.5%
Uruguay.....	<u>12.3</u>	<u>14.5</u>	17.9%	<u>4.3</u>	<u>5.1</u>	18.6%
Total².....	815.5	989.3	21.3%	290.0	357.1	23.1%

	Nine months ended September 30,			Three months ended September 30,		
	2010	2011	% change	2010	2011	% change
(€in millions, except percentages) (unaudited)						
EBITDA:						
Argentina.....	98.0	121.7	24.2%	36.8	44.9	22.0%
Mexico.....	44.2	43.0	(2.7%)	18.6	13.4	(28.0%)
Italy ³	8.3	29.0	n.a.	1.7	11.1	n.a.
Spain ¹	33.9	15.9	(53.1%)	10.9	5.2	(52.3%)
Other Operations:						
Brazil.....	(1.9)	(0.8)	n.a.	(1.2)	(0.2)	n.a.
Colombia.....	3.9	4.9	25.6%	1.6	1.6	0.0%
Panama.....	1.3	12.9	n.a.	(0.6)	3.6	n.a.
Uruguay.....	2.2	3.0	36.4%	1.0	1.3	30.0%
Corporate Overhead.....	<u>(17.7)</u>	<u>(20.5)</u>	n.a.	<u>(6.9)</u>	<u>(6.7)</u>	n.a.
Total.....	172.2	209.1	21.4%	61.9	74.2	19.9%

1. Includes AWP, Bingo, Sports Betting and Internet. In 2010 Internet, which recorded an EBITDA loss of €1.0 million in the nine months and €0.3 million in the quarter ended September 30, 2010, was reported as a separate category under Other Operations.

2. Beginning in Q4 2010 we changed the way in which we recognize revenue for the Sports Betting business to conform to the same accounting principle used in other businesses. This change affects both revenue and operating expenses (consumption and other external expenses). Beginning in Q4 2010 revenues are recorded net of the site owner's share, and therefore the site owner's share is no longer included in expenses. We have also adjusted data for 2010 to reflect this change, which results in a decrease in revenues and expenses of €3.0 million and €1.0 million compared to the amounts previously reported for the nine months and quarter ended September 30, 2010, respectively.

3. Includes AWP, Bingo and Internet. In 2010 Internet, which recorded an EBITDA was nil in Q3 2010 and €0.3 million in the first nine months 2010, respectively, was reported as a separate category under Other Operations.

Constant exchange rates. The tables below show what revenue and EBITDA would have been for the three months and the nine months ended September 30, 2011 at 2010 exchange rates for the comparable period, adjusted in both periods to eliminate the gains or losses on the foreign exchange contracts.

	Nine months ended September 30,			Three months ended September 30,		
	2010	2011	% change	2010	2011	% change
(€in millions, except percentages) (unaudited)						
Operating Revenue:						
Argentina	341.7	456.5	33.6%	125.0	168.1	34.5%
Mexico	163.1	210.8	29.2%	56.6	77.9	37.6%
Italy ³	96.9	151.0	55.8%	32.0	59.8	86.9%
Spain ^{1,2}	149.6	128.6	(14.0%)	49.3	42.4	(14.0%)
Other Operations:						
Brazil	2.2	2.5	13.6%	0.8	0.8	0.0%
Colombia	20.4	22.0	7.8%	7.5	7.9	5.3%
Panama	38.2	68.6	79.6%	15.8	23.1	46.2%
Uruguay	<u>12.3</u>	<u>14.8</u>	20.3%	<u>4.3</u>	<u>5.1</u>	18.6%
Total²	824.4	1,054.8	27.9%	291.3	385.1	32.2%

	Nine months ended September 30,			Three months ended September 30,		
	2010	2011	% change	2010	2011	% change
(€in millions, except percentages) (unaudited)						
EBITDA:						
Argentina	103.1	139.2	35.0%	38.1	52.1	36.7%
Mexico	48.0	44.8	(6.7%)	18.6	13.2	(29.0%)
Italy ³	8.3	29.0	n.a.	1.7	11.1	n.a.
Spain ¹	33.9	15.9	(53.1%)	10.9	5.2	(52.3%)
Other Operations:						
Brazil	(1.9)	(0.8)	n.a.	(1.2)	(0.2)	n.a.
Colombia	3.9	5.0	28.2%	1.6	1.7	6.2%
Panama	1.3	13.8	n.a.	(0.6)	3.9	n.a.
Uruguay	2.2	3.0	36.4%	1.0	1.2	20.0%
Corporate Overhead	<u>(17.7)</u>	<u>(20.5)</u>	n.a.	<u>(6.9)</u>	<u>(6.7)</u>	n.a.
Total	181.1	229.4	26.7%	63.2	81.5	29.0%

1. Includes AWP, Bingo Sports Betting and Internet. In 2010 Internet, which recorded an EBITDA loss of €1.0 million in the nine months and €0.3 million in the quarter ended September 30, 2010, was reported as a separate category under Other Operations.
2. Beginning in Q4 2010 we changed the way in which we recognize revenue for the Sports Betting business to conform to the same accounting principle used in other businesses. This change affects both revenue and operating expenses (consumption and other external expenses). Beginning in Q4 2010 revenues are recorded net of the site owner's share, and therefore the site owner's share is no longer included in expenses. We have also adjusted data for 2010 to reflect this change, which results in a decrease in revenues and expenses of €3.0 million and €1.0 million compared to the amounts previously reported for the nine months and quarter ended September 30, 2010, respectively.
3. Includes AWP, Bingo and Internet. In 2010 Internet, recorded an EBITDA was nil in Q3 2010 and €0.3 million in the nine months ended September 30, 2010, respectively.

Unaudited results for the nine months ended September 30, 2011

Operating Revenue

Operating revenue increased by €173.8 million, or 21.3%, to €89.3 million in the nine months ended September 30, 2011 from €815.5 million in the comparable period of 2010. The increase was principally attributable to: Argentina (€66.2 million) due to an increase in the net win per machine per day due to strong economic growth and inflation, an increase in the number of machines installed, and lower losses on the foreign exchange contracts which matured in the period compared to the comparable period in 2010, partially offset by the depreciation of the Argentine peso against the euro; Italy (€54.1 million) principally due to the roll-out of the VLTs and the consolidation of the acquisitions made during the last twelve months (Caserta hall, FG Slot Services, Gap Games and Gaming Re); Mexico (€45.3 million) due to the global consolidation of the Joint Opcos (beginning Q2 2011), the increase in the net win per machine per day in ICELA, the increase in the average number of machines installed, and lower losses on the foreign exchange contracts which matured in the period compared to the comparable period in 2010, partially offset by the decrease in the net win per machine per day in the Joint Opcos and the absence of sales to Caliente in the first nine months of 2011; and Panama (€25.6 million) principally attributable to the consolidation of the six casinos acquired and the re-opening of Casino Colon (both beginning in Q3 2010), partially offset by the depreciation of the US dollar against the euro compared to the comparable period in 2010. This increase is partially offset by Spain (€21.0 million) due to the decrease in the net win per AWP per day and the decrease in the number of bingo cards sold due to the total smoking ban implemented January 2, 2011 and the adverse macroeconomic conditions.

Operating Expenses

Operating expenses increased by €152.6 million, or 21.4%, to €67.0 million in the nine months ended September 30, 2011 from €714.4 million in the comparable period of 2010. The increase was principally attributable to: Mexico (€52.6 million) due to the global consolidation of the Joint Opcos (beginning Q2 2011) and to costs associated with the increase in the average installed capacity, partially offset by the absence of sales to Caliente in the nine months ended September 30, 2011; Argentina (€43.4 million) principally due to the increase in gaming taxes related to the increased commercial activity, the higher operating costs due to the increase in the number of machines installed, including personnel, and inflation, partially offset by the depreciation of the Argentine peso against the euro compared to the comparable period in 2010; in Italy (€37.8 million) principally attributable to additional expenses (including gaming taxes) associated with the roll-out of the VLTs, the consolidation of the acquisitions made during the last twelve months (Caserta hall, FG Slot Services, Gap Games and Gaming Re); and Panama (€18.2 million) principally attributable to the consolidation of the six casinos acquired and the re-opening of Casino Colon (both beginning Q3 2010), partially compensated by the depreciation of the US dollar against the euro.

Gains or losses on asset disposals or acquisitions

Gains on asset disposals or acquisitions decreased by €6.3 million from €5.6 million in the nine months ended September 30, 2010 to a loss of €0.7 million in the nine months ended September 30, 2011 primarily attributable to the absence, in 2011, of a non-recurring gain of €7.5 million recorded in 2010 associated with the consolidation of 100% of the Sports Betting business following the purchase of William Hill's stake.

Operating Profit

Operating profit increased by €14.9 million, or 14.0%, to €21.6 million in the nine months ended September 30, 2011 from €106.7 million in the comparable period of 2010. Operating margin decreased to 12.3% in the nine months ended September 30, 2011 from 13.1% in the comparable period of 2010.

EBITDA

EBITDA increased by €36.9 million, or 21.4%, to €209.1 million in the nine months ended September 30, 2011 from €172.2 million in the comparable period of 2010. The increase in EBITDA was principally attributable to: Argentina (€23.7 million) due to the increase in the net win per machine per day and in the number of machines installed and lower losses in the foreign exchange contracts which matured in 2011 compared to 2010, partially compensated by the depreciation of the Argentine peso against the euro; Italy (€20.7 million) due primarily to the roll-out of the VLTs and the consolidation of the acquisitions made during the last



twelve months; and Panama (€1.6 million) due primarily to the consolidation of the six casinos acquired and the reopening of Casino Colon. This increase was partially offset by Spain (€18.0 million) principally as a result of the decrease in the net win per machine per day and the decrease in the number of bingo cards sold due primarily to the implementation of anti-tobacco regulation and the adverse macroeconomic conditions. EBITDA margin was 21.1% in the nine months ended September 30, 2011 the same as in the comparable period in 2010.

Financial Revenues

Financial revenues were €6.4 million in the nine months ended September 30, 2011 the same as in the comparable period of 2010.

Financial Expenses

Financial expenses increased by €7.3 million, or 12.7%, to €4.7 million in the nine months ended September 30, 2011 from €7.4 million in the comparable period of 2010 due to the higher debt balance resulting from the €100 million Senior Notes issued in July 2010, increased amounts drawn under the Senior Credit Facility at higher interest rates (Euribor), debt assumed in the acquisition of the six casinos in Panama (beginning Q3 2010), as well as higher debt levels in the Spanish and Italian businesses, at higher interest rates.

Exchange gains (losses), net

Exchange gains (losses), which principally reflect the impact of changes in exchange rates on balances in foreign currencies, increased by €6.3 million, from €0.3 million in the nine months ended September 30, 2010 to €6.6 million in the nine months ended September 30, 2011.

Corporate Income Tax

Corporate income tax increased by €8.5 million, or 20.8%, to €49.4 million in the nine months ended September 30, 2011 from €40.9 million in the comparable period of 2010. The increase was principally attributable to withholding taxes in Mexico, an increase in profit before tax in Argentina and Italy and the registration of deferred taxes upon having used up NOLs in ICELA, partly offset by the registration of a tax asset of €3.2 million associated with tax incentives and inflation adjustments in Uruguay.

Minority Interest

Minority interest was (€6.5) million in the nine months ended September 30, 2011, compared to €1.0 million in the comparable period of 2010. This decrease is principally attributable to losses in the Joint Opcos associated with the decrease in commercial activity as well as the devaluation of the Mexican peso, as certain obligations, including the credit facility granted by Codere, are denominated in U.S. dollars.

Net Income

As a result of the foregoing, net income increased by €12.9 million, or 91.5%, to €7.0 million in the nine months ended September 30, 2011 from €14.1 million in the comparable period in 2010. Excluding the €6.6 million exchange gain, net income would have been €0.4 million.

Argentina

	Nine months ended September 30,		
	2010	2011	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	336.6	402.8	19.7%
Operating expenses:			
Consumption and other external expenses.....	7.3	9.1	24.7%
Personnel expenses	48.2	60.2	24.9%
Depreciation.....	9.7	10.6	9.3%
Amortization of intangible assets	2.1	2.1	0.0%
Other operating expenses:	183.1	211.8	15.7%
Gaming and other taxes.....	145.0	168.7	16.3%
Machine rentals.....	0.2	1.1	n.a.
Others	<u>37.9</u>	<u>42.0</u>	10.8%
Total operating expenses	250.4	293.8	17.3%
Operating profit	86.2	109.0	26.5%
EBITDA	98.0	121.7	24.2%

Operating Revenue in Argentina principally comprises revenue collected from slot machines located in our halls after prize payouts and from sales of bingo cards after prize payouts. It also reflects gains or losses from Argentine peso and U.S. dollar forward foreign exchange contracts which mature during the period. Operating revenue increased by €66.2 million, or 19.7%, to €402.8 million in the nine months ended September 30, 2011 from €336.6 million in 2010 which was principally attributable to the increase in the net win per machine per day as a result of the strong economic growth and inflation, an increase in the number of machines installed and lower losses on the foreign exchange currency contracts compared to the comparable period in 2010, partially offset by the depreciation of the Argentine peso against the euro. Losses on the foreign exchange contracts which matured during the period were €1.5 million, compared to losses of €5.1 million in 2010. At a constant exchange rate, and excluding the gains and losses on the foreign exchange contracts which matured during the corresponding periods, revenues would have been €456.5 million in the nine months ended September 30, 2011, representing an increase of 33.6% compared to comparable period in 2010.

Operating expenses increased by €43.4 million, or 17.3%, to €293.8 million in the nine months ended September 30, 2011 from €250.4 million in comparable period in 2010. 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 €1.8 million, or 24.7%, to €9.1 million in the nine months ended September 30, 2011 from €7.3 million in the comparable period of 2010, due primarily to an increase in the sale of food and beverages in the nine months ended September 30, 2011 compared with 2010, as well as to 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 €12.0 million, or 24.9%, to €60.2 million in the nine months ended September 30, 2011 from €48.2 million in the nine months ended September 30, 2010, principally due to increases in payroll resulting from inflation as well as personnel increases associated with an increase in the number of machines, partially offset by the depreciation of the Argentine peso against the euro.
- *Depreciation* increased by €0.9 million, or 9.3%, to €10.6 million in the nine months ended September 30, 2011 from €9.7 million in the nine months ended September 30, 2010 as a result of the increase in the portfolio, partially offset by the depreciation of the Argentine peso against the euro.
- *Amortization* was €2.1 million in the nine months ended September 30, 2011, the same as in the comparable period in 2010.
- *Other Operating Expenses*, which include gaming and other taxes, payments to the non-profit organizations that nominally hold the licenses to operate the gaming halls, marketing expenses, lease

payments and others, increased by €28.7 million, or 15.7%, to €111.8 million in the nine months ended September 30, 2011 from €83.1 million in the nine months ended September 30, 2010. The increase is principally attributable to an increase in costs resulting from the increase in commercial activity as a result of the increase in the number of machines installed and in the net win per day; the canon tax surcharge associated with the renewal of the San Martin and Puerto licenses, which we began recording in August 2010; partially offset by the absence, in 2011, of €1.0 million non-recurring provision recorded in 2010 and the depreciation of the Argentine peso against the euro.

Operating Profit increased by €2.8 million, or 26.5% to €109.0 million in the nine months ended September 30, 2011 from €86.2 million in the comparable period of 2010. Operating margin increased to 27.1% in the nine months ended September 30, 2011 from 25.6% in the comparable period of 2010.

EBITDA increased by €3.7 million, or 24.2%, to €21.7 million in the nine months ended September 30, 2011 from €8.0 million in the comparable period of 2010. The increase is principally attributable to the increase in the net win per machine per day and in the number of machines installed, the decrease in the losses associated with the foreign currency contracts which matured in the nine months ended September 30, 2011 compared to 2010, partially offset by the depreciation of the Argentine peso against the euro. At a constant exchange rate (and adjusted to eliminate gains and losses on the foreign currency contracts which matured during the corresponding periods) EBITDA would have been €139.2 million in the nine months ended September 30, 2011, representing an increase of 35.0% compared to 2010. EBITDA margin increased to 30.2% in the nine months ended September 30, 2011 from 29.1% in the comparable period of 2010.

Mexico

	Nine months ended September 30,		
	2010	2011	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	159.3	204.6	28.4%
<i>Of which sales to Caliente</i>	2.5	0.0	(100.0%)
Operating expenses			
Consumption and other external expenses.....	35.2	24.0	(31.8%)
<i>Of which sales to Caliente</i>	3.0	0.0	(100.0%)
Personnel expenses	17.3	32.7	89.0%
Depreciation	12.0	18.5	54.2%
Amortization of intangible assets.....	2.5	2.1	(16.0%)
Other operating expenses	62.6	104.9	67.6%
Gaming and other taxes	10.5	13.9	32.4%
Machine rentals	12.0	28.1	134.2%
Others	<u>40.1</u>	<u>62.9</u>	56.9%
Total operating expenses	129.6	182.2	40.6%
Gains or losses on asset disposals or acquisitions	-	(0.1)	n.a.
Operating profit	29.7	22.3	(24.9%)
EBITDA	44.2	43.0	(2.7%)

Operating Revenue includes our 49% stake in the operating companies of ICELA (our joint venture with CIE, which we consolidate proportionally), the directly-owned licensees (Promojuegos and Mio Games, which we consolidate globally), as well as revenue from our agreements with Caliente. Through June 30, 2010, our operating revenue under the management services agreement with Caliente was equivalent to 50% of the profit before tax of the halls we managed. Mexico operating revenue also included sales to Caliente of gaming halls, improvements, and equipment including machines, as well as reimbursement of costs incurred on Caliente's behalf, such as hall managers' salaries and fees paid in connection with the use of machines. Beginning July 1, 2010 the new management services agreement provided for an annual fee of up to U.S. \$36 million, as well as an aggregate monthly fee of U.S. \$1.0 million (through December 31, 2010) and certain costs incurred on Caliente's behalf, and we terminated the contract pursuant to which we constructed or refurbished halls and sold them to

Caliente at cost. Beginning April 1, 2011, we began consolidating globally the operations acquired from Caliente, the Joint Opcos (*see Other Highlights*). Our operating revenue also includes gains and losses from the Mexican peso forward exchange contracts which mature during the period.

Operating revenue increased by €45.3 million, or 28.4%, to €204.6 million in the nine months ended September 30, 2011 from €159.3 million in the comparable period of 2010. The increase is principally attributable to: the global consolidation of the operations purchased from Caliente (vs. management services agreement), beginning April 1, 2011, the increase in the net win per machine per day in ICELA, and the increase in the average number of machines installed, and lower losses on the foreign exchange contracts which matured during the period. This increase has been partially offset by the decrease in the net win per slot per day in the Joint Opcos and the absence of sales to Caliente following the termination of that agreement effective June 30, 2010. The fire set at a competitor's hall in Monterrey in the last week of August also negatively affected the operations through reduced attendance at the halls in the week immediately following the event, as well as through the closure of certain halls following widespread government inspections. Losses on the contracts which matured during the period were €1.0 million, compared to losses of €3.8 million in the nine months ended September 30, 2010. At a constant exchange rate, and excluding gains and losses on the foreign exchange contracts which matured during the corresponding periods, revenues would have been €10.8 million in the nine months ended September 30, 2011, representing an increase of 29.2% compared to the comparable period of 2010.

Operating expenses increased by €2.6 million, or 40.6% to €82.2 million in the nine months ended September 30, 2011 from €129.6 million in the comparable period of 2010. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses* include primarily food and beverages cost of sales for ICELA, Promojuegos, Mio and the Joint Opcos (the latter beginning Q2 2011). Through March 31, 2011 it includes 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 hall managers whom we provide for Caliente's halls, and through June 30, 2010 it also included the cost of building out and equipping the halls sold to Caliente. Consumption and Other External Expenses decreased by €1.2 million, or 31.8%, to €4.0 million in the nine months ended September 30, 2011 from €5.2 million in the comparable period of 2010, due primarily to absence of the aforementioned expenses resulting from the Caliente Agreements.
- *Personnel Expenses* increased by €15.4 million or 89.0% to €32.7 million in the nine months ended September 30, 2011 from €17.3 million in the comparable period of 2010 primarily due to the consolidation of the Joint Opcos (beginning Q2 2011) and an increase in the average installed capacity.
- *Depreciation*, which includes the investment in halls operated by ICELA, Promojuegos, Mio and the Joint Opcos (the latter beginning April 1, 2011), as well as the racetrack and the convention center and the capitalized leases associated with the IGT machines (in ICELA), increased by €6.5 million, or 54.2% to €18.5 million in the nine months ended September 30, 2011 from €12.0 million in the comparable period of 2010 primarily due to the consolidation of the Joint Opcos (beginning Q2 2011) and an increase in the average installed capacity.
- *Amortization*, which primarily includes the amortization of the licenses for the ICELA halls, decreased by €0.4 million or 16.0% to €2.1 million in the nine months ended September 30, 2011 from €2.5 million in the comparable period of 2010.
- *Other Operating Expenses*, which include gaming and other taxes, marketing expenses, lease payments and others, increased by €2.3 million, or 67.6%, to €4.9 million in the nine months ended September 30, 2011 from €2.6 million in the comparable period of 2010 principally due to the consolidation of the Joint Opcos (beginning Q2 2011) and to a lesser extent to the increase in the average installed capacity partially offset by the absence, in the nine months ended September 30, 2011, of a €1.2 million non-recurring charge recorded in 2010.

Operating Profit decreased by €1.4 million, or 24.9% to €2.3 million in the nine months ended September 30, 2011 from €9.7 million in the comparable period of 2010. Operating margin decreased to 10.9% in the nine months ended September 30, 2011 from 18.6% in 2010.

EBITDA decreased €1.2 million, or 2.7%, to €43.0 million in the nine months ended September 30, 2011 from €44.2 million in the comparable period in 2010 primarily due to the decrease in the profitability of the Joint Opco resulting from the consolidation of expenses associated with these operations, aggravated by the decrease in the net win per machine per day, compared to the management services agreement in place in the comparable period in 2010, which was a fixed fee since July 1, 2010. This decrease is partially offset by the absence, in the nine months ended September 30, 2011, of a €1.2 million non-recurring charge recorded in the comparable period in 2010 and by lower losses on the foreign exchange contracts. At a constant exchange rate (and adjusted to eliminate gains and losses on the foreign currency contracts which matured during the corresponding periods) EBITDA would have been €44.8 million in the nine months ended September 30, 2011, a decrease of 6.7% compared to the comparable period of 2010. EBITDA margin decreased to 21.0% in the nine months ended September 30, 2011 from 27.7% in the comparable period of 2010.

Italy

	Nine months ended September 30,		
	2010	2011	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	96.9	151.0	55.8%
Operating expenses:			
Consumption and other external expenses.....	1.6	2.1	31.3%
Personnel expenses.....	20.2	26.1	29.2%
Depreciation	5.6	7.5	33.9%
Amortization of intangible assets	0.8	2.3	n.a.
Variation in provisions for trade transactions.....	(1.0)	-	n.a.
Other operating expenses:	66.8	93.8	40.4%
Gaming and other taxes	46.6	67.2	44.2%
Others	<u>20.2</u>	<u>26.6</u>	31.7%
Total operating expenses	94.0	131.8	40.2%
Gains or losses on asset disposals or acquisitions	(0.2)	(0.1)	n.a.
Operating profit	2.7	19.1	n.a.
EBITDA ¹	8.3	29.0	n.a.

1. In the first nine months of 2010, Internet, which recorded an EBITDA loss of €0.3 million in that period, was reported as a separate category under Other Operations.

Operating Revenue in Italy comprises revenue from our network operation, resulting from the interconnection fees for the AWP machines connected to the network, as well as from the participation in revenues after prizes and taxes from the totality of the VLTs connected to the network; from our gaming hall operations, which includes revenues from sales of bingo cards, amounts collected from AWP machines placed in the halls and the participation corresponding to the retail location for VLTs placed in the halls (after prize payouts in all three cases), as well as revenues from food and beverage sales; and revenues from machines operated at third party locations, which includes amounts collected from AWP machines placed in non-specialized locations (i.e. bars) and from VLTs placed in gaming halls, in both cases after prize payouts, and excluding the site owner's share. It also includes revenues from our start-up Internet operations.

Operating revenue increased by €54.1 million, or 55.8%, to €151.0 million in the nine months ended September 30, 2011 from €96.9 million in the comparable period of 2010, due to: the roll-out of the VLTs, the consolidation of the Caserta hall (acquired in Q4 2010) and machine operators acquired in the last year: FG Slot Services (Q1 2011), Gap Games (Q2 2011), and Gaming Re (Q3 2011), partially offset by a decrease in the net win per AWP per day.

Operating Expenses increased by €37.8 million, or 40.2%, to €131.8 million in the nine months ended September 30, 2011 from €94.0 million in the comparable period of 2010. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses* which principally includes food and beverage cost of sales in the gaming halls. Consumption and other external expenses increased by €0.5 million, or 31.3%, to €2.1 million in the nine months ended September 30, 2011 from €1.6 million in the comparable period of 2010 mainly attributable to increased food and beverage sales, partly due to the consolidation of the Caserta hall.
- *Personnel Expenses* increased by €5.9 million, or 29.2%, to €26.1 million in the nine months ended September 30, 2011 from €20.2 million in the comparable period of 2010. The increase is principally attributable to an increase in personnel associated with the acquisition of the Caserta hall and of the AWP machine operators, as well as the roll-out of the VLTs.
- *Depreciation* increased by €1.9 million, or 33.9% to €7.5 million in the nine months ended September 30, 2011 from €5.6 million in the comparable period of 2010 principally attributable to the consolidation of the Caserta hall and the AWP machines operators, as well as refurbishments of the gaming halls associated with the roll-out of the VLTs.
- *Amortization* increased by €1.5 million to €2.3 million in the nine months ended September 30, 2011 from €0.8 million in the comparable period of 2010 principally associated with the amortization of the VLT rights and the recording, in Q2 2011 of a non-recurring amortization regularization totalling €0.6 million.
- *Variation in provisions for trade transactions* was nil in the nine months ended September 30, 2011 compared to (€1.0) million in the comparable period of 2010.
- *Other Operating Expenses*, which include gaming and other taxes, marketing expenses, lease payments, and others increased by €7.0 million, or 40.4%, to €33.8 million in the nine months ended September 30, 2011 from €26.8 million in the comparable period of 2010 principally attributable to the increase in operating expenses, including gaming taxes, primarily associated with the roll-out of the VLTs and the consolidation of the Caserta hall and the AWP machine operators, and to a lesser extent, to the Internet start-up. This increase is partially offset by a €1.0 million non-recurring tax reversal recorded in Q2 2011 resulting from the recalculation of the 2010 PREU (gaming tax) by the Italian regulator.

Gains or losses on asset disposals or acquisitions was a loss of €0.1 million in the nine months ended September 30, 2011, compared to a loss of €0.2 million in the comparable period in 2010.

Operating Profit increased by €16.4 million to €19.1 million in the nine months ended September 30, 2011 from €2.7 million in the comparable period of 2010. Operating margin increased to 12.6% in the nine months ended September 30, 2011 from 2.8% in the comparable period of 2010.

EBITDA increased by €20.7 million to €29.0 million in the nine months ended September 30, 2011 from €8.3 million in the comparable period of 2010 principally attributable to the installation of VLTs, and the consolidation of the Caserta hall and the AWP machine operators. EBITDA margin increased to 19.2% in the nine months ended September 30, 2011 from 8.6% in the comparable period of 2010.

Spain

	Nine months ended September 30,		
	2010	2011	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue ¹	149.6	128.6	(14.0%)
Operating expenses:			
Consumption and other external expenses ¹	6.3	6.0	(4.8%)
Personnel expenses	30.6	32.4	5.9%
Depreciation	13.7	15.0	9.5%
Amortization of intangible assets	11.0	10.1	(8.2%)
Variation in provisions for trade transactions.....	2.1	1.9	(9.5%)
Other operating expenses:	78.8	74.3	(5.7%)
Gaming and other taxes	54.7	51.7	(5.5%)
Machine rentals.....	0.2	0.2	0.0%
Others	<u>23.9</u>	<u>22.4</u>	(6.3%)
Total operating expenses ¹	142.5	139.7	(2.0%)
Gains or losses on asset disposals or acquisitions	5.6	(0.6)	n.a.
Operating profit	12.7	(11.7)	n.a.
EBITDA ²	33.9	15.9	(53.1%)

1. Beginning in Q4 2010 we changed the way in which we recognize revenue for the Sports Betting business to conform to the same accounting principle used in other businesses. This change affects both revenue and operating expenses (consumption and other external expenses). Beginning in Q4 2010 revenues are recorded net of the site owner's share, and therefore the site owner's share is no longer included in expenses. We have also adjusted data for 2010 to reflect this change, which results in a decrease in revenues and expenses of €3.0 million compared to the amounts previously reported for that period.
2. In the first nine months of 2010, Internet, which recorded an EBITDA loss of €1.0 million in that period, was reported as a separate category under Other Operations

Operating Revenue in Spain comprises revenues obtained from AWP machines and from sports betting services, including self-service terminals, which we operate at third party locations (i.e. bars, gaming halls) after prize payouts, and excluding the site owner's share, as well as ancillary services provided to site owners. They also include revenue obtained in our gaming halls from bingo cards sales, sports bets, AWP machines (after prize payouts in all cases), as well as from food and beverage sales at these halls.

In the nine months ended September 30, 2011 revenues decreased by €1.0 million, or 14.0%, to €128.6 million from €149.6 million in the comparable period in 2010, as a result of a decrease in the net win per machine per day due to the implementation of a total smoking ban (since January 2, 2011), the adverse macroeconomic conditions, and the dilution of the positive effect caused by regulatory changes which came into effect in Madrid and Extremadura in 2H 2009 and in the Basque Region in 1Q 2010. Operating revenue in the bingo hall also decreased as a result of the smoking ban, the adverse macroeconomic conditions and the increase in the bingo prize payout (from 65% to 71%) introduced in January 1, 2011. The decrease was partially offset by the increase of revenue from sports bets as a result of product improvements and the increase in the number of locations, mainly in the Basque Region and Navarra.

Operating Expenses decreased by €2.8 million, or 2.0%, to €139.7 million in the nine months ended September 30, 2011 from €142.5 million in the comparable period of 2010. 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 other costs, including food and beverage, incurred at our gaming halls and sports betting locations. Consumption and other external expenses decreased by €0.3 million, or 4.8%, to €6.0 million in the nine months ended September 30, 2011 from €6.3 million in the comparable period in 2010 principally attributable to the decrease in payments to machine operators.
- *Personnel Expenses* increased by €1.8 million, or 5.9%, to €32.4 million in the nine months ended September 30, 2011 from €30.6 million in the comparable period of 2010. The increase is principally attributable to an increase in payroll principally due to inflation and to increase in personal caused by

the growth of the sports betting business. The nine months ended September 30, 2011 includes €0.9 million non-recurring restructuring charges compared to €0.3 million recorded in the comparable period in 2010 for a similar concept.

- *Depreciation* increased by €1.3 million, or 9.5%, to €5.0 million in the nine months ended September 30, 2011 from €3.7 million in the comparable period of 2010 principally attributable to the increase in the number of self-service sports betting terminals.
- *Amortization* decreased by €0.9 million, or 8.2%, to €0.1 million in the nine months ended September 30, 2011 from €1.0 million in the comparable period of 2010 as a result of the reduction in exclusivity payments to bar owners, as these are conditional to the performance of the machines.
- *Variation in provisions for trade transactions* decreased by €0.2 million, or 9.5%, to €1.9 million in the nine months ended September 30, 2011 from €2.1 million in the comparable period of 2010.
- *Other Operating Expenses*, which include gaming and other taxes, marketing expenses, lease payments, expenses related to the Internet project and others, decreased by €4.5 million, or 5.7%, to €74.3 million in the nine months ended September 30, 2011 from €78.8 million in the comparable period in 2010 principally attributable to: the decrease in gaming taxes as a result of the reduction in the bingo gaming tax beginning January 1, 2011, the decrease in the number of bingo cards sold as a result of the smoking ban and the adverse macroeconomic conditions, cost reduction initiatives; partly offset by the absence, in the nine months ended September 30, 2011 of a non-recurring provision reversal of €0.5 million recorded in Q1 2010.

Gains or losses on asset disposals or acquisitions was a loss of €0.6 million in the nine months ended September 30, 2011, compared to a gain of €5.6 million in the comparable period in 2010 principally attributable to the absence, in the nine months ended September 30, 2011, of a non-recurring gain of €7.5 million recorded in the comparable period of 2010 associated with the consolidation of the Sports Betting operations following the purchase of William Hill's stake.

Operating Profit decreased by €4.4 million to a loss of €1.7 million in the nine months ended September 30, 2011 from a gain of €2.7 million in the comparable period of 2010.

EBITDA decreased by €8.0 million, or 53.1%, to €5.9 million in the nine months ended September 30, 2011 from €33.9 million in the comparable period of 2010 principally attributable to the reduction in the net win as a result of the smoking ban and the adverse macroeconomic conditions. EBITDA margin decreased to 12.4% in the nine months ended September 30, 2011, compared to 22.7% in the nine months ended September 30, 2010.

Other Operations

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

Operating revenue increased by €9.2 million, or 39.9%, to €102.3 million in the nine months ended September 30, 2011 from €73.1 million in the nine months ended September 30, 2010. This was principally attributable to the increase in: Panama (€25.6 million) principally due to the consolidation of the six casinos acquired and the re-opening of the Casino Colon (both in Q3 2010), partially offset by the devaluation of the U.S. dollar against the euro compared to the comparable period in 2010; Uruguay (€2.2 million) due to the increase in the number of machines installed (including the opening of the fifth gaming hall in Q3 2011) and in the net win per machine per day, partially offset by the depreciation of the Uruguayan peso against the euro; and Colombia (€1.0 million) due to the increase in the net win per machine per day, partially offset by the depreciation of the Colombian peso against the euro.

Operating Expenses increased by €9.2 million, or 24.5%, to €77.5 million in the nine months ended September 30, 2011 from €78.3 million in the comparable period of 2010. This increase is mainly attributable to Panama (€8.2 million) due to the consolidation of the six casinos, the re-opening of Casino Colon and a non-recurring charge of €0.9 million associated with corporate social responsibility projects, partially offset by the depreciation of the U.S. dollar against the euro compared to the comparable period in 2010 and by the absence, in the nine months ended September 30, 2011, of €2.6 million in non-recurring charges registered in the comparable period in 2010 associated with the purchase of the six casinos and the reopening of Casino Colón, and to Uruguay (€1.8 million) due to costs associated with the Casino Carrasco project, partially offset by the depreciation of the Uruguayan peso against the euro.

Operating profit increased by €10.0 million, to a gain of €4.8 million in the nine months ended September 30, 2011 from a loss of €5.2 million in the comparable period of 2010.

EBITDA increased by €4.5 million, to €20.0 million in the nine months ended September 30, 2011 from €5.5 million in the comparable period of 2010 principally attributable to: Panama (€1.6 million) primarily associated with the consolidation of the six casinos acquired and the re-opening of Casino Colon and the lower non-recurring charges registered in the nine months ended 2011 compared to the comparable period in 2010; Colombia (€1.0 million) primarily as a result of the increase in the net win per machine per day, partially offset by the depreciation of the Colombian peso against the euro compared to the comparable period in 2010 and the decrease in the number of machines installed; and Uruguay (€0.8 million) due to the increase in the number of machines installed, partially offset by the depreciation of the Uruguayan peso against the euro. EBITDA margin increased to 19.6% in the nine months ended September 30, 2011 from 7.5% in the comparable period of 2010.

Unaudited results for the quarter ended September 30, 2011

Operating Revenue

Operating revenue increased by €7.1 million, or 23.1%, to €57.1 million in Q3 2011 from €90.0 million in Q3 2010. The increase was principally attributable to: Italy (€7.8 million) principally due to the roll-out of the VLTs and the consolidation of the acquisitions made in the last twelve months (Caserta hall, FG Slot Services, Gap Games and Gaming Re); Argentina (€1.7 million) due to an increase in the net win per machine per day due to strong economic growth and inflation, an increase in the number of machines installed, and to lower losses on the foreign exchange contracts which matured in the period compared to the comparable period in Q3 2010, partially offset by the depreciation of the Argentine peso against the euro compared to the comparable period in 2010; Mexico (€18.5 million) due principally to the global consolidation of the Joint Opcos (beginning Q2 2011), the increase in the average number of machines installed in ICELA and to the gain on the foreign exchange contracts which matured in the period compared to the comparable period in 1H 2010, partially offset by the decrease in the net win per machine per day in the Joint Opcos and the depreciation of the Mexican peso against the euro compared to the comparable period in 2011; and Panama (€5.3 million) principally attributable to the consolidation of the six casinos acquired and the re-opening of Casino Colon (both in Q3 2010), partially offset by the depreciation of the U.S. dollar against the euro compared to the comparable period in Q3 2010. This increase is partially offset by Spain (€6.9 million) due to the decrease in the net win per AWP per day and the decrease in the number of bingo cards sold due to the total smoking ban implemented January 2, 2011 and the adverse macroeconomic conditions.

Operating Expenses

Operating expenses increased by €2.4 million, or 24.9%, to €13.0 million in Q3 2011 from €50.6 million in Q3 2010. The increase was principally attributable to: Mexico (€5.5 million) due to the global consolidation of the Joint Opcos (beginning Q2 2011) and to costs associated with the increase in the average installed capacity in ICELA, partially offset by the absence, in Q3 2011, of non-recurring costs associated to the Caliente transaction (€0.4 million) recorded in Q3 2010 and the depreciation of the Mexican peso against the euro; Italy (€20.5 million) principally attributable to the roll-out of the VLTs and the consolidation of the acquisitions made in the last twelve months (Caserta hall, FG Slot Services, Gap Games and Gaming Re); Argentina (€13.6 million) principally due to the increase in gaming taxes related to the increased commercial activity, the higher operating costs due to the increase in the number of machines installed, including personnel, and inflation. This increase is partially offset by the depreciation of the Argentina peso against the euro, and Panama (€2.3 million) principally attributable to the consolidation of the six casinos and the re-opening of Casino Colon (both in Q3 2010), partially offset by the depreciation of the U.S. dollar against the euro.

Gains or losses on asset disposals or acquisitions

Gains or losses on asset disposals or acquisitions was a gain of €0.4 million in Q3 2011 compared to a loss of €0.5 million in Q3 2010.

Operating Profit

Operating profit increased by €5.6 million, or 14.4%, to €44.5 million in Q3 2011 from €38.9 million in Q3 2010. Operating margin decreased to 12.5% in Q3 2011 from 13.4% in Q3 2010.

EBITDA

EBITDA increased by €12.3 million, or 19.9%, to €74.2 million in Q3 2011 from €61.9 million in Q3 2010. The increase in EBITDA was principally attributable to: Italy (€9.4 million) due primarily to the roll-out of the VLTs and the consolidation of the acquisitions made in the last twelve months (Caserta hall, FG Slot Services, Gap Games and Gaming Re); Argentina (€8.1 million) due to the increase in the number of machines installed and in the net win per machine per day and lower losses in the foreign exchange contracts which matured in Q3 2011 compared to Q3 2010, partially offset by the depreciation of the Argentine peso against the euro compared to the comparable period in 2010; and Panama (€4.2 million) due primarily to the acquisition of the six casinos and the re-opening of Casino Colon, partially offset by the depreciation of the U.S. dollar against the euro compared to the comparable period in 2010. This increase was partially offset by Spain (€5.7 million) principally as a result of the decrease in the net win per AWP per day and the decrease in the number of bingo cards sold due to the total smoking ban and the adverse macroeconomic conditions; and Mexico (€5.2 million) due to the decrease in the profitability of the Joint Opcos resulting from the consolidation of the expenses associated with

these operations, aggravated by the decrease in the net win per day in the period, compared to the management services agreement in place in the comparable period in 2010 which had a fixed fee since July 1, 2010. EBITDA margin was 20.8% in Q3 2011, compared to 21.3% in Q3 2010.

Financial Revenues

Financial revenues decreased by €0.5 million, or 21.7%, to €1.8 million in Q3 2011 from €2.3 million in Q3 2010 principally attributable to the reduction in the interest generated on the financing given to the Joint Opcos following the consolidation of those operations beginning Q2 2011, following Cofeco approval.

Financial Expenses

Financial expenses increased by €1.1 million, or 5.4%, to €1.3 million in Q3 2011 from €0.2 million in Q3 2010 due to the higher debt balance resulting from the €100 million Senior Notes issued in July 2010, increased amounts drawn under the Senior Credit Facility at higher interest rates (Euribor) as well as higher debt levels in the Italian businesses, at higher interest rates compared to the comparable period of 2010.

Exchange gains (losses), net

Exchange gains (losses), which principally reflect the impact of changes in exchange rates on balances in foreign currencies, increased by €20.5 million, from a loss of €13.4 million in Q3 2010 to a gain of €7.1 million in Q3 2011.

Corporate Income Tax

Corporate income tax increased by €2.7 million, or 19.3%, to €6.7 million in Q3 2011 from €4.0 million in Q3 2010. The increase was principally attributable to the increase in profit before tax in Argentina and Italy, partially offset by the registration of a tax asset of €2.0 million associated with tax incentives and inflation adjustments in Uruguay.

Minority Interest

Minority interest was (€6.5) million in Q3 2011, compared to €0.2 million in Q3 2010. This decrease is primarily attributable to losses in the Joint Opcos associated with the decrease in commercial activity as well as the devaluation of the Mexican peso, as certain obligations, including the credit facility granted by Codere, are denominated in U.S. dollars.

Net Income

As a result of the foregoing, net income increased by €28.5 million to €21.9 million in Q3 2011 from a loss of €6.6 million in Q3 2010. Excluding the €7.1 million exchange gain, net income would have been €14.8 million.

Argentina

	Three months ended September 30,		
	2010	2011	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	123.7	145.4	17.5%
Operating expenses:			
Consumption and other external expenses.....	2.9	3.2	10.3%
Personnel expenses	17.5	21.8	24.6%
Depreciation.....	3.4	3.4	0.0%
Amortization of intangible assets	0.7	0.7	0.0%
Other operating expenses:	66.5	75.5	13.5%
Gaming and other taxes.....	52.5	60.6	15.4%
Machine rentals.....	0.2	0.2	0.0%
Others	<u>13.8</u>	<u>14.7</u>	6.5%
Total operating expenses	91.0	104.6	14.9%
Operating profit	32.7	40.8	24.8%
EBITDA	36.8	44.9	22.0%

Operating Revenue in Argentina principally comprises revenue collected from slot machines located in our halls after prize payouts and from sales of bingo cards after prize payouts. It also reflects gains or losses from Argentine peso and U.S. dollar forward foreign exchange contracts which mature during the period. Operating revenue increased by €1.7 million, or 17.5%, to €145.4 million in Q3 2011 from €123.7 million in Q3 2010 which was principally attributable to the increase in the net win per machine per day as a result of strong macroeconomic growth and inflation, the increase in the number of machines installed and lower losses on the foreign exchange currency contracts compared to the comparable period in 2010, partially offset by the depreciation of the Argentine peso against the euro. Losses on the foreign exchange contracts which matured during the period were nil, compared to losses of €1.3 million in Q3 2010. At a constant exchange rate, and excluding gains and losses on the foreign exchange contracts which matured during the corresponding periods, revenues would have been €168.1 million in Q3 2011, representing an increase of 34.5% compared to Q3 2010.

Operating expenses increased by €13.6 million, or 14.9%, to €104.6 million in Q3 2011 from €91.0 million in Q3 2010. 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 €0.3 million, or 10.3%, to €3.2 million in Q3 2011 from €2.9 million in Q3 2010, due primarily to an increase in the sale of food and beverages in Q3 2011 compared with Q3 2010, as well as to 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 €4.3 million, or 24.6%, to €21.8 million in Q3 2011 from €17.5 million in Q3 2010, principally due to increases in payroll resulting from inflation, as well as personnel increases associated with an increase in the number of machines, partially offset by the depreciation of the Argentine peso against the euro.
- *Depreciation* was €3.4 million in Q3 2011 the same as in Q3 2010.
- *Amortization* was €0.7 million in Q3 2011 the same as in Q3 2010.
- *Other Operating Expenses*, which include gaming and other taxes, payments to the non-profit organizations that nominally hold the licenses to operate the gaming halls, marketing expenses, lease payments, and others, increased by €9.0 million, or 13.5%, to €75.5 million in Q3 2011 from €66.5 million in Q3 2010. The increase is principally attributable to an increase in costs resulting from the increase in commercial activity as a result of the increase in the number of machines installed and in the net win per day and the canon tax surcharge associated with the renewal of the San Martin and Puerto

licenses, which we began recording in August 2010; partially offset by the depreciation of the Argentine peso against the euro.

Operating Profit increased by €8.1 million, or 24.8% to €40.8 million in Q3 2011 from €32.7 million in Q3 2010. Operating margin increased to 28.1% in Q3 2011 from 26.4% in Q3 2010.

EBITDA increased by €8.1 million, or 22.0%, to €44.9 million in Q3 2011 from €36.8 million in Q3 2010. The increase is principally attributable to the increase in the net win per day and in the number of machines installed and to the decrease in the losses associated with the foreign currency contracts which matured in Q3 2011 compared to Q3 2010, partially offset by the depreciation of the Argentine peso against the euro. At a constant exchange rate (and adjusted to eliminate the gains and losses on the foreign currency contracts which matured during the corresponding periods) EBITDA would have been €52.1 million in Q3 2011, representing an increase of 36.7% compared to Q3 2010. EBITDA margin increased to 30.9% in Q3 2011 from 29.7% in Q3 2010.

Mexico

	Three months ended September 30,		
	2010	2011	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	56.6	75.1	32.7%
Operating expenses			
Consumption and other external expenses	10.1	7.7	(23.8%)
Personnel expenses	6.3	12.5	98.4%
Depreciation.....	4.4	6.6	50.0%
Amortization of intangible assets.....	1.0	0.6	(40.0%)
Other operating expenses:	21.6	41.5	92.1%
Gaming and other taxes.....	3.7	4.9	32.4%
Machine rentals	4.2	12.1	n.a.
Others	<u>13.7</u>	<u>24.5</u>	78.8%
Total operating expenses	43.4	68.9	58.8%
Operating profit	13.2	6.2	(53.0%)
EBITDA	18.6	13.4	(28.0%)

Operating Revenue includes our 49% stake in the operating companies of ICELA (our joint venture with CIE, which we consolidate proportionally), and the directly-owned licensees (Promojuegos and Mio Games, which we consolidate globally), as well as revenue from our agreements with Caliente. Beginning July 1, 2010 the new management services agreement provided for an annual fee of up to U.S. \$36 million, as well as an aggregate monthly fee of U.S. \$1.0 million (the latter through December 31, 2010) and certain costs incurred on Caliente's behalf, and we terminated the contract pursuant to which we constructed or refurbished halls and sold them to Caliente at cost. Beginning April 1, 2011, we began consolidating globally the operations acquired from Caliente, the Joint Opcos. Our operating revenue also includes gains and losses from the Mexican peso forward exchange contracts which mature during the period.

Operating revenue increased by €18.5 million, or 32.7%, to €75.1 million in Q3 2011 from €56.6 million in Q3 2010. The increase is principally attributable to: the consolidation of the Joint Opcos, the increase in the average number of machines installed in ICELA and the gain on the foreign currency contracts which matured in Q3 2011 compared to the comparable period in 2010. This increase has been partially offset by the depreciation of the Mexican Peso against the euro and by the decrease in the net win per machine per day in the Joint Opcos. The fire set at a competitor's hall in Monterrey in the last week in August also negatively affected the operations through reduced attendance at the halls in the week immediately following the event, as well as through the closure of certain halls following widespread government inspections. Gains on the contracts which matured during the period were €0.8 million, compared to nil in Q3 2010. At a constant exchange rate, and excluding the gains and losses on the foreign exchange contracts which matured during the corresponding periods, revenues would have been €77.9 million in Q3 2011, representing a decrease of 37.6% compared to Q3 2010.

Operating expenses increased by €25.5 million, or 58.8% to €68.9 million in Q3 2011 from €43.4 million in Q3 2010. The key changes in operating expenses were as follows:

Consumption and Other External Expenses, includes food and beverages cost of sales for ICELA, Promojuegos, Mio Games and the Joint Opcos (beginning Q2 2011 in the case of the latter). In Q3 2010 it included 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 hall managers whom we provided for Caliente's halls. Consumption and Other External Expenses decreased by €2.4 million, or 23.8%, to €7.7 million in Q3 2011 from €10.1 million in Q3 2010, due primarily to the absence of the aforementioned expenses resulting from the Caliente Agreements and to the depreciation of the Mexican peso against the euro.

- *Personnel Expenses* increased by €6.2 million or 98.4% to €12.5 million in Q3 2011 from €6.3 million in Q3 2010 primarily due to the consolidation of the Joint Opcos and to the increase in the average installed capacity in ICELA. This increase has been partially offset by the depreciation of the Mexican Peso against the euro.
- *Depreciation*, which includes the investment in halls and machines in ICELA, Promojuegos, Mio and the Joint Opcos (the latter beginning Q2 2011), as well as the racetrack and the convention center and the capitalized leases associated with the IGT machines (in ICELA), increased by €2.2 million, or 50.0% to €6.6 million in Q3 2011 from €4.4 million in Q3 2010. The increase is principally attributable to consolidation of the Joint Opcos and the increase in the average number of machines installed in ICELA, partially offset by the depreciation of the Mexican peso against the euro.
- *Amortization*, which primarily includes the amortization of the licenses for the ICELA halls, decreased by €0.4 million, or 40.0% to €0.6 million in Q3 2011 from €1.0 million in Q3 2010.
- *Other Operating Expenses*, which include gaming and other taxes, marketing expenses, lease payments, and others, increased by €9.9 million, or 92.1% to €11.5 million in Q3 2011 from €1.6 million in Q3 2010 principally due to the consolidation of the Joint Opcos, and to a lesser extent to the increase in the average number of machines installed in ICELA. This increase was partially offset by the depreciation of the Mexican peso as well as a non-recurring expense associated with the Caliente transaction (€0.4 million) recorded in Q3 2010.

Operating Profit decreased by €7.0 million, or 53.0% to €6.2 million in Q3 2011 from €13.2 million in Q3 2010. Operating margin decreased to 8.3% in Q3 2011 from 23.3% in Q3 2010.

EBITDA decreased €5.2 million, or 28.0%, to €3.4 million in Q3 2011 from €8.6 million in Q3 2010 primarily due to: the decrease in the profitability of the Joint Opcos resulting from the consolidation of expenses associated with these operations, aggravated by a decrease in the net win per machine per day, compared to the management services agreement in place in the comparable period in 2010, which was a fixed fee since July 1, 2010, the consequences of the incident in Monterrey and the depreciation of the Mexican peso against the Euro. At a constant exchange rate (and adjusted to eliminate the gains and losses on the foreign currency contracts which matured during the corresponding periods) EBITDA would have been €3.2 million in Q3 2011, a decrease of 29.0% compared to Q3 2010. EBITDA margin decreased to 17.8% in Q3 2011 from 32.9% in Q3 2010.

Italy

	Three months ended		
	September 30,		
	2010	2011	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	32.0	59.8	86.9%
Operating expenses:			
Consumption and other external expenses.....	0.6	0.7	16.7%
Personnel expenses.....	6.6	9.1	37.9%
Depreciation	1.7	2.9	70.6%
Amortization of intangible assets	0.2	0.7	n.a.
Variation in provisions for trade transactions.....	(0.4)	-	n.a.
Other operating expenses:	23.1	38.9	68.4%
Gaming and other taxes	15.7	28.7	82.8%
Others	<u>7.4</u>	<u>10.2</u>	37.8%
Total operating expenses	31.8	52.3	64.5%
Gains or losses on asset disposals or acquisitions	(0.1)	(0.1)	-
Operating profit	0.1	7.4	n.a.
EBITDA ¹	1.7	11.1	n.a.

1. In Q3 2010, Internet, which recorded an EBITDA of nil in that period, was reported as a separate category under Other Operations.

Operating Revenue in Italy comprises revenue from our network operation, resulting from the interconnection fees for the AWP machines connected to the network, as well as from the participation in revenues after prizes and taxes from the totality of the VLTs connected to the network; from our gaming hall operations, which includes revenues from sales of bingo cards, amounts collected from AWP machines placed in the halls and the participation corresponding to the retail location for VLTs placed in the halls (after prize payouts in all three cases), as well as revenues from food and beverage sales; and revenues from machines operated at third party locations, which includes amounts collected from AWP machines placed in non-specialized locations (i.e. bars) and from VLTs placed in gaming halls, in both cases after prize payouts, and excluding the site owner's share. It also includes revenues from our start-up Internet operations.

Operating revenue increased by €7.8 million, or 86.9%, to €59.8 million in Q3 2011 from €32.0 million in Q3 2010, due to: the roll-out of the VLTs, the consolidation of the Caserta hall (acquired in Q4 2010) and the AWP machine operators acquired during the last twelve months: FG Slot Services (Q1 2011), Gap Games (Q2 2011) and Gaming Re (Q3 2011), partially offset by a decrease in the net win per AWP per day.

Operating Expenses increased by €20.5 million, or 64.5%, to €52.3 million in Q3 2011 from €31.8 million in Q3 2010. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*, which principally includes food and beverage cost of sales in the gaming halls, increased by €0.1 million, or 16.7%, to €0.7 million in Q3 2011 from €0.6 million in Q3 2010, mainly attributable to increased food and beverage sales, including the consolidation of the Caserta Hall.
- *Personnel Expenses* increased by €2.5 million, or 37.9%, to €9.1 million in Q3 2011 from €6.6 million in Q3 2010. The increase is principally attributable to an increase in personnel associated with the acquisition of the Caserta hall and of the AWP machine operators, as well as the roll-out of the VLTs.
- *Depreciation* increased by €1.2 million, or 70.6% to €2.9 million in Q3 2011 from €1.7 million in Q3 2010 principally attributable to the consolidation of the Caserta hall and the AWP machine operators, as well as refurbishments of the gaming halls associated with the roll-out of the VLTs.
- *Amortization* increased by €0.5 million to €0.7 million in Q3 2011 from €0.2 million in Q3 2010 principally associated with the amortization of the VLT rights.
- *Variation in provisions for trade transactions* increased by €0.4 million to nil in Q3 2011, from a loss of €0.4 million in Q3 2010.

- *Other Operating Expenses*, which include gaming and other taxes, marketing expenses, lease payments, and others, increased by €15.8 million, or 68.4%, to €38.9 million in Q3 2011 from €23.1 million in Q3 2010 principally attributable to the increase in operating expenses, including gaming taxes, primarily associated with the roll-out of the VLTs and the consolidation of the Caserta hall and the AWP machine operators, and to a lesser extent, to the Internet start-up. This increase is partially offset by a €0.6 million non-recurring reversal recorded in Q3 2010 resulting from cancellation of a lease agreement of one of the halls.

Gains or losses on asset disposals or acquisitions was a loss of €0.1 million in Q3 2011, the same as in Q3 2010.

Operating Profit increased by €7.3 million to €7.4 million in Q3 2011 from €0.1 million in Q3 2010. Operating margin increased to 12.4% in Q3 2011 from 0.3% in Q3 2010.

EBITDA increased by €9.4 million to €1.1 million in Q3 2011 from €1.7 million in Q3 2010 principally attributable to the roll-out of the VLTs, and the consolidation of the Caserta hall and the AWP machine operators acquired in the last twelve months. EBITDA margin increased to 18.6% in Q3 2011 from 5.3% in Q3 2010.

Spain

	Three months ended		
	September 30,		
	2010	2011	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue ¹	49.3	42.4	(14.0%)
Operating expenses:			
Consumption and other external expenses ¹	2.2	2.2	0.0%
Personnel expenses.....	10.2	10.7	4.9%
Depreciation	4.4	5.6	27.3%
Amortization of intangible assets	3.6	3.2	(11.1%)
Variation in provisions for trade transactions.....	0.8	0.8	0.0%
Other operating expenses:	26.0	24.3	(6.5%)
Gaming and other taxes	18.1	17.1	(5.5%)
Machine rentals.....	0.1	0.1	0.0%
Others	<u>7.8</u>	<u>7.1</u>	(9.0%)
Total operating expenses ¹	47.2	46.8	(0.8%)
Gains or losses on asset disposals or acquisitions	(0.5)	0.4	n.a.
Operating profit	1.6	(4.0)	n.a.
EBITDA ²	10.9	5.2	(52.3%)

1. Beginning in Q4 2010 we changed the way in which we recognize revenue for the Sports Betting business to conform to the same accounting principle used in other businesses. This change affects both revenue and operating expenses (consumption and other external expenses). Beginning in Q4 2010 revenues are recorded net of the site owner's share, and therefore the site owner's share is no longer included in expenses. We have also adjusted data for Q3 2010 to reflect this change, which results in a decrease in revenues and expenses of €1.0 million compared to the amounts previously reported for that period.
2. In Q3 2010, Internet, which recorded an EBITDA loss of €0.3 million in that period, was reported as a separate category under Other Operations.

Operating Revenue in Spain comprises revenues obtained from AWP machines and from sports betting services, including self-service terminals, which we operate at third party locations (i.e. bars, gaming halls) after prize payouts, and excluding the site owner's share, as well as ancillary services provided to site owners. They also include revenue obtained in our gaming halls from bingo cards sales, sports bets, AWP machines (after prize payouts in all cases), as well as from food and beverage sales at these halls.

In Q3 2011 revenue decreased by €6.9 million, or 14.0%, to €42.4 million from €49.3 million in Q3 2010, as a result of a decrease in the net win per machine per day due to the implementation of a total smoking ban (since January 2, 2011), the adverse macroeconomic conditions and the dilution of the positive effect caused by regulatory changes which came into effect in Madrid and Extremadura in 2H 2009, and in the Basque Region in March 2010. Operating revenue in the bingo hall also decreased as a result of the smoking ban, the adverse macroeconomic conditions and the increase in the bingo prize payout (from 65% to 71%) introduced in January

1, 2011. The decrease was partially offset by the increase of revenue from sports bets as a result of product improvements and the increase in the number of locations mainly in the Basque Region and Navarra.

Operating Expenses decreased by €0.4 million, or 0.8%, to €46.8 million in Q3 2011 from €47.2 million in Q3 2010. 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 other costs, including food and beverage, incurred at our gaming halls and sports betting locations. Consumption and other external expenses were €2.2 million in Q3 2011 the same as in Q3 2010.
- *Personnel Expenses* increased by €0.5 million, or 4.9%, to €10.7 million in Q3 2011 from €10.2 million in Q3 2010. The increase is principally attributable to an increase in payroll resulting from the growth of the sports betting business, a €0.4 million non-recurring restructuring charge incurred in Q3 2011 and inflation.
- *Depreciation* increased by €1.2 million, or 27.3%, to €5.6 million in Q3 2011 from €4.4 million in Q3 2010. The increase is mainly attributable to the increase in the number of self service terminals installed.
- *Amortization* decreased by €0.4 million, or 11.1%, to €3.2 million in Q3 2011 from €3.6 million in Q3 2010, due to the decrease in exclusivity payments to bar owners, as these are conditional on the performance of the machines.
- *Variation in provisions for trade transactions* was €0.8 million in Q3 2011 the same as in Q3 2010.
- *Other Operating Expenses*, which include gaming and other taxes, marketing expenses, lease payments, expenses related to the Internet project and others, decreased by €1.7 million, or 6.5%, to €4.3 million in Q3 2011 from €6.0 million in Q3 2010 principally attributable to a decrease in gaming taxes as a result of the reduction in the bingo gaming tax beginning January 1, 2011, to the decrease in the number of bingo cards sold as a result of the smoking ban and the adverse macroeconomic conditions, to cost reduction initiatives, and to the decrease in the number of machines installed.

Gains or losses on asset disposals or acquisitions increased by €0.9 million to a gain of €0.4 million in Q3 2011, compared to a loss of €0.5 million in Q3 2010.

Operating Profit decreased by €5.6 million to a loss of €4.0 million in Q3 2011 from a gain of €1.6 million in Q3 2010.

EBITDA decreased by €5.7 million, or 52.3%, to €5.2 million in Q3 2011 from €10.9 million in Q3 2010, mainly as a result of a decrease in the net win per machine per day due to the implementation of the total smoking ban and the adverse macroeconomic conditions. EBITDA margin decreased to 12.3% in Q3 2011, compared to 22.1% in Q3 2010.

Other Operations

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

Operating revenue increased by €6.0 million, or 21.1%, to €34.4 million in Q3 2011 from €28.4 million in Q3 2010. This was principally attributable to the increase in Panama (€5.3 million) principally due to the acquisition of the six casinos and the re-opening of Casino Colon (both in Q3 2010), partially offset by the depreciation of the U.S. dollar against the euro and Uruguay (€0.8 million) due to the increase in the number of machines installed and partially compensated by the depreciation of the Uruguayan peso against the euro compared to the comparable period in 2010.

Operating Expenses increased by €3.6 million, or 12.1%, to €33.3 million in Q3 2011 from €29.7 million in Q3 2010. This increase is mainly attributable to Panama (€2.3 million) due to the consolidation of the six casinos and the re-opening of Casino Colon, partially offset by lower non-recurring cost recorded in Q3 2011 (€0.9 million in corporate social responsibility projects) compared to Q3 2010 (€1.6 million associated with the purchase of the casinos and €0.7 million related to the reopening of Casino Colon), and the depreciation of the U.S. dollar against the euro; Colombia (€1.7 million), and Uruguay (€0.7 million) due to the increase in costs associated with the Casino Carrasco project, partially offset by the depreciation of the Uruguayan peso against the euro.

Operating profit increased by €2.4 million, to a gain of €1.1 million in Q3 2011 from a loss of €1.3 million in Q3 2010.

EBITDA increased by €5.5 million, to €6.3 million in Q3 2011 from €0.8 million in Q3 2010 principally attributable to: Panama (€4.2 million) principally due to the consolidation of the six casinos acquired, the re-opening of Casino Colon and the lower non-recurring costs recorded in Q3 2011 compared to the comparable period in 2010, partially offset by the depreciation of the U.S. dollar and Brazil (€1.0 million) due to the absence, in Q3 2011, of a €1.0 million non recurrent provision recorded in Q3 2010. EBITDA margin increased to 18.3% in Q3 2011 from 2.8% in Q3 2010.

Cash Flow

	Nine months ended September 30,		Three months ended September 30,	
	2010	2011	2010	2011
	(unaudited)			
	(€in millions)			
Cash flow from continuing operations:				
Operating profit	106.8	121.6	38.9	44.5
Expenses that do not represent cash movements				
Depreciation and amortization	69.9	85.4	22.0	29.8
Other operating expenses	17.0	10.7	5.3	3.6
Income that does not represent cash movements.....	(8.1)	(0.7)	(0.1)	(0.3)
Changes in working capital	(17.3)	(15.1)	(3.3)	(5.0)
Corporate income tax	(29.4)	(37.8)	(10.4)	(13.0)
Net cash from operating activities	138.9	164.1	52.4	59.6
Capital expenditures ^{1,2}	(72.8)	(70.2)	(29.3)	(24.5)
Long-term loans and receivables ^{1,3}	11.1	1.7	0.6	0.4
Investments ^{1,4}	(30.8)	(7.2)	(30.8)	(2.4)
Net cash used in investing activities	(92.5)	(75.7)	(59.5)	(26.5)
High Yield	100.0	-	100.0	-
High Yield Issue Premium & Accrued Interest ⁵	(5.0)	-	(5.0)	-
Net change in financial debt ⁶	(2.8)	0.3	(8.3)	(21.7)
Net change in other bank loans	(27.1)	14.6	(9.6)	7.5
Dividends (net)	(2.0)	(1.7)	(0.2)	(0.5)
Net change in other debt and contingent payments ⁷	(51.5)	(5.1)	(39.1)	0.9
Net investment in treasury shares.....	(0.2)	(0.7)	0.3	(0.1)
Interest income	1.9	3.3	1.2	0.7
Interest expense	(37.3)	(43.4)	(3.0)	(4.1)
Net cash effect of exchange rate changes.....	4.7	(0.6)	(0.8)	(1.1)
Net cash from financing activities	(19.3)	(33.3)	35.5	(18.4)
Effects of exchange rate fluctuations⁸	3.9	(4.1)	(5.5)	0.6
Net change in cash position.....	31.0	51.0	22.9	15.3
Reconciliation				
Cash at beginning of period.....	90.2	90.6	98.3	126.3
Cash at end of period.....	121.2	141.6	121.2	141.6
Change in cash position.....	31.0	51.0	22.9	15.3

1. Reflects accrued amounts, including any related contingent payments. Financing or deferments of these investments are recorded under *Net change in other debt and contingent payments*
2. Capital expenditures primarily consist of investments to maintain or improve the quality of our facilities, to build out and equip our premises, to purchase new gaming machines and to make exclusivity payments to site owners in connection with contracts to install our machines in their establishments.
3. Includes, until June 30, 2010, amounts related to building out and equipping halls sold to Caliente, which before the Caliente Agreement paid for such halls over a five-year period. Loans to site owners and other loans are also included.
4. Includes expenditures relating to acquisitions. The figure for the nine months ended September 30, 2011 excludes the cash at Gap Games at the time of the purchase (€1 million) which, in Q2 2011 was reported as a reduction in the amount of the investment, but is now reported under *Net change in other debt and contingent payments in the Cash Flow*.
5. Includes the discount and the accrued interest since June 15, 2010 corresponding to the 8.25% bond issued in July 2010.
6. Includes our Senior Credit Facility, 50% of Notes issued by Hipica Rioplatense Uruguay (HRU), our JV in Uruguay
7. Reflects movements in temporary financial investments such as vendor financing, contingent payments related to investments, the payment of deferred gaming taxes, expenses related to the 8.25% bond issued in July 2010 and the Senior Credit Facility renewed in June 2010 and, beginning in 2011, the cash at the entities acquired, at the time of the purchase.
8. Includes the effect of exchange rate fluctuations in the conversion of balances to euros.

Cash flow for the nine months ended September 30, 2011

Net cash from operating activities for the nine months ended September 30, 2011 was €64.1 million, an increase of 18.1% from €38.9 million for the comparable period the prior year.

Net cash used in financing activities was €3.3 million, the principal drivers of which were as follows:

- A net increase in changes in financial debt of €0.3 million resulting from amounts drawn under the Senior Credit Facility (€5.0 million), partially offset by the amortization of the HRU bond (€4.7 million).
- Negative variation in other debt and contingent payments of €5.1 million, which consists of a net decrease in vendor financing of €1.2 million, a decrease in liabilities associated with the deferral of gaming taxes in Spain (€5.5 million), and a decrease in financial assets of €7.2 million and the positive impact of cash balances held by the Italian companies acquired in the period (€4.4 million). The €1.2 million net decrease in vendor financing consists of a positive variation of €3.2 million principally reflecting investments in machines in Argentina, Mexico, Spain, Uruguay and Panama, and the acquisition of AWP operators in Italy (Gap Games); and a negative variation of €24.4 million principally reflecting the payment of the deferred portion of the minority acquisition in Argentina (€5.4 million) and the payment of capital expenditures in Mexico, Italy and Spain.
- A net increase in other bank loans of €4.6 million, due primarily to an increase in debt in Uruguay, Panama, Italy and Spain, partially offset by amortizations, primarily in Mexico.
- €0.7 million invested in treasury shares, as part of the liquidity contract.
- Dividends paid to minorities of €1.7 million, financial expenses paid of €43.4 million, financial income of €3.3 million and a net negative variation of €0.6 million related to changes in exchange rates (€7.3 million in negative variations and €6.6 million in positive variations).

We used cash for capital expenditures for intangible and fixed assets (€70.2 million), received a net of €1.7 million in long term loans and receivables consisting of: €1.6 million received for long-term loans provided to Spain site owners (repayments of €4.6 million, net of €3.0 million in loans) and €0.1 million received for long-term loans provided to Italy site owners (repayments of €7.2 million, net of loans of €7.1 million). We used €5.2 million for the acquisition of AWP operators in Italy (Gap games and Gaming Re) and €2.0 million for the ICELA option.

Variations in foreign exchange rates (in the conversion of the cash balances) resulted in a negative impact of €4.1 million.

During the the nine months ended September 30, 2011 we had a net increase in cash and cash equivalents of €1.0 million.

Cash flow for the quarter ended September 30, 2011

Net cash from operating activities for Q3 2011 was €9.6 million, an increase of 13.7% from €2.4 million for the comparable period of the prior year.

Net cash used in financing activities was €8.4 million, the principal drivers of which were as follows:

- A net decrease in changes in financial debt of €21.7 million resulting from amortizations under the Senior Credit Facility.
- Positive variation in other debt and contingent payments of €0.9 million, which consists of a net decrease in vendor financing of €1.6 million, an increase in liabilities associated with the deferral of gaming taxes in Spain (€0.3 million), an increase in financial assets of €1.2 million and the positive impact of cash balances held by the Italian companies acquired in the period (€3.4 million). The €1.6 million net decrease in vendor financing consists of a positive variation of €7.5 million principally reflecting capital expenditures and investments in machines in Argentina, Mexico, Spain and Uruguay; and a negative variation of €9.1 million principally reflecting the payment of the deferred portion of the minority acquisition in Argentina (€2.7 million) and the payment of capital expenditures in Italy and Spain.
- A net increase in other bank loans of €7.5 million, due primarily to an increase in debt in Uruguay and Panama, partially offset by amortizations in Mexico and Italy.

- €0.1 million invested in treasury shares, as part of the liquidity contract.
- Dividends paid to minorities of €0.5 million, financial expenses paid of €4.1 million, financial income of €0.7 million and a net negative variation of €1.1 million related to changes in exchange rates (€3.5 million in negative variations and €2.4 million in positive variations).

We used cash for capital expenditures for intangible and fixed assets (€24.5 million), received a net of €0.4 million in long term loans and receivables consisting of: €0.5 million received for long-term loans provided to Spain site owners (repayments of €1.3 million, net of €0.8 million in loans) and €0.1 million used for long-term loans provided to Italy site owners (loans of €2.2 million, net of repayments of €2.1million). We used €0.4 million for the acquisition of an AWP operator in Italy (Gaming Re) and €2.0 million for the ICELA option.

Variations in foreign exchange rates (in the conversion of the cash balances) resulted in a positive impact of €0.6 million.

During the quarter ended September 30, 2011 we had a net increase in cash and cash equivalents of €15.3 million

Investment activities

	Nine months ended September 30,		Three months ended September 30,	
	2010	2011	2010	2011
	(unaudited)			
	(€in millions)			
Argentina.....	21.0	17.1	9.9	3.9
Mexico.....	10.1	15.1	9.0	11.1
Italy ²	6.0	9.5	1.7	1.2
Spain ¹	13.2	16.6	2.0	5.4
Holding Company	0.2	0.8	(0.1)	0.2
Other	42.0	16.6	37.0	4.7
Total	92.5	75.7	59.5	26.5
Maintenance	36.3	47.4	18.1	15.7
Growth.....	56.2	28.3	41.4	10.8
Total	92.5	75.7	59.5	26.5

1. Includes AWP, bingo and sports betting

2. Includes AWP, bingo and Internet. The figure for the nine months ended September 30, 2011 excludes the cash at Gap Games at the time of the purchase (€1 million) which, in Q2 2011 was reported as a reduction in the amount of the investment, but is now reported under *Net change in other debt and contingent payments* in the Cash Flow.

Balance Sheet

The table below provides condensed consolidated balance sheet information.

	At December 31, 2010	At September 30, 2011
	(audited)	(unaudited)
	(€in millions)	
Fixed and other non-current assets	1,205.0	1,175.0
Fixed assets, net.....	873.6	733.3
Intangible assets, net.....	244.8	218.6
Tangible fixed assets.....	411.2	462.5
Long-term financial assets.....	217.6	52.2
Goodwill on consolidation ¹	293.9	394.4
Other deferred assets.....	0.3	0.1
Deferred taxes.....	37.2	47.2
Current assets	223.6	298.4
Inventories.....	9.8	10.5
Accounts receivable, Net.....	95.8	119.1
Short-term financial investments.....	25.0	21.9
Cash.....	90.6	141.6
Other assets.....	2.4	5.3
Total assets	1,428.6	1,473.4
Shareholders' equity	106.4	97.8
Share capital.....	11.0	11.0
Additional paid-in capital.....	231.3	231.3
Other.....	(165.2)	(171.5)
Net income (loss) for the period.....	29.3	27.0
Minority interests ¹	31.0	36.3
Non-current liabilities	964.7	957.4
Deferred income.....	0.6	0.5
Provisions.....	30.3	45.0
Long-term debt and other long-term liabilities.....	933.8	911.9
Payable to credit entities.....	61.0	62.9
Deferred tax liabilities.....	42.7	41.3
Bonds LT.....	747.7	747.0
Other payables.....	82.4	60.7
Current liabilities	326.5	381.9
Trade accounts payable.....	92.0	108.2
Bonds ST.....	4.1	18.3
Payable to credit entities.....	37.2	50.7
Other non trade payables.....	188.8	202.1
Accrual accounts and others.....	4.4	2.6
Total shareholders' equity and liabilities	1,428.6	1,473.4

1. December 31, 2010 Goodwill and Minority Interest have been modified to reflect the participation in the net assets of the minority shareholders in the Panama casinos acquired in September 2010.

Comments on the September 30, 2011 balance sheet

In the nine months ended September 30, 2011 total assets increased by €44.8 million. This increase is principally attributable to the consolidation of the Joint Opcos on March 31, 2011, partially offset by the appreciation of the euro against the Argentine and Mexican pesos, 7.4% and 9.9%, respectively, between December 31, 2010 and September 30, 2011. This appreciation also resulted in a decrease in shareholders' equity.

Intangible and Tangible fixed assets, net of €85.4 million in accumulated depreciation and amortization, increased by €25.1 million primarily as a result of the consolidation of the Joint Opcos.

Long-term financial assets decreased principally due to the consolidation of the Joint Opcos. Prior to the consolidation (when the transaction was signed, but the Joint Opcos were not yet owned by Codere) amounts drawn under the credit facility granted to the Joint Opcos, as well as the total amounts due from Caliente subject to the transaction, were recorded as long-term financial assets. Following the consolidation, the credit facility and a portion of the amounts due from Caliente became intercompany loans, and are therefore not reflected in the consolidated balance sheet. The remaining amounts due have been recorded under assets and provisional goodwill, as applicable.

Goodwill on consolidation increased by €100.5 million primarily by the provisional goodwill registered in relation to the acquisition of the Joint Opcos. The amount recorded as goodwill will be reclassified as different assets in Q4 2011.

Financial debt, which consists of the long and short term portions of Payables to credit entities and Bonds, increased by €28.9 million compared to December 2010, principally as a result of interest accrued on the 8.25% Senior Notes (€15.7 million), higher debt outstanding under the Senior Credit Facility (€5.3 million) and by the increase in local debt in Uruguay (€5.6 million), Italy (€3.2 million) and Panama (€4.2 million) partially offset by the amortization of debt in Mexico (€5.3 million).

Other long term payables decreased by €21.7 million principally as a result of the reclassification, from long term to short term, of amounts due for deferred gaming taxes at December 31, 2010.

Non-current provisions increased by €14.7 million principally as a result of the consolidation of the Joint Opcos.

Short term trade payables increased by €16.2 million principally as a result of the consolidation of the Joint Opcos.

Capitalization

	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011
		(unaudited)		
		(€in millions)		
Cash.....	90.6	107.1	126.3	141.6
Principal and interest of HRU bonds.....	1.5	0.0	0.0	0.0
Interest on 8.25% bonds	<u>2.6</u>	<u>18.3</u>	<u>2.6</u>	<u>18.3</u>
Bonds ST	4.1	18.3	2.6	18.3
Bank loans	23.2	26.1	34.3	30.4
Senior Credit Facility ¹	<u>14.0</u>	<u>20.4</u>	<u>41.6</u>	<u>20.3</u>
Payable to credit entities ST.....	<u>37.2</u>	<u>46.5</u>	<u>75.9</u>	<u>50.7</u>
Short term debt.....	41.3	64.8	78.5	69.0
8.25% bonds.....	744.4	745.3	746.1	747.0
HRU bonds	<u>3.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Bonds LT.....	747.7	745.3	746.1	747.0
Payable to credit entities LT.....	<u>61.0</u>	<u>57.5</u>	<u>54.7</u>	<u>62.9</u>
Long term debt.....	808.7	802.8	800.8	809.9
Total debt	850.0	867.6	879.3	878.9
Shareholders' equity.....	<u>106.4</u>	<u>86.2</u>	<u>88.4</u>	<u>97.8</u>
Total capitalization.....	956.4	953.8	967.7	976.7

1. Net of expenses of €4.0 million, €3.6 million, €3.2 million and €2.7 million in Q4 2010 and Q1, Q2 and Q3 2011, respectively. It includes the accrued interest.

Other financial data

	Twelve months ended,			
	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011
		(unaudited)		
		(€in millions)		
EBITDA.....	241.1	254.1	265.7	278.0
Net interest expense	69.3	72.2	75.0	76.6
Total net debt.....	759.4	760.5	753.0	737.3
Total net debt to EBITDA.....	3.1x	3.0x	2.8x	2.7x
EBITDA to Net interest expense.....	3.5x	3.5x	3.5x	3.6x

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 nine months and quarter ended September 30, 2010 and 2011:

	December 31, 2010	September 30, 2011	% change			
Euro/Argentine peso	5.27	5.66	7.4%			
Euro/Mexican peso	16.54	18.17	9.9%			
Euro/US dollar	1.34	1.35	0.7%			
	Three months ended September 30,			Nine months ended September 30,		
	2010	2011	% change	2010	2011	% change
Euro/Argentine peso	5.10	5.89	15.5%	5.12	5.76	12.5%
Euro/Mexican peso	16.56	17.41	5.1%	16.71	16.97	1.6%
Euro/US dollar	1.29	1.41	9.3%	1.31	1.41	7.6%

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>
4Q 2011	-	28.0	-	-	21.2
1Q 2012	-	28.0	-	-	-
2Q 2012	-	30.0	-	-	-
3Q 2012	=	<u>30.0</u>	=	=	=
Total	-	116.0	-	-	21.2

The realized losses on the Argentine peso and U.S. dollar foreign exchange contracts which matured during Q3 2011 was nil, which when added to the losses of €0.7 million and €0.8 million in Q1 and Q2 2011 respectively, resulted in a loss of €1.5 million in the nine months ended September 30, 2011. The realized gains on the Mexican peso foreign exchange forward contract which matured during Q3 2011 amounted to €0.8 million which when added to the losses of €1.2 million and €0.6 million in Q1 and Q2 2011 respectively, resulted in a loss of €1.0 million in the nine months ended September 30, 2011. The realized gains and losses are recorded as other operating revenues in our Argentine and Mexico business.

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 September 30, 2011 we received approval to defer €14.6 million and are awaiting the final resolution from the authorities for an additional €30.8 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 September 30, 2011 Restricted Group Members' revenues, EBITDA, and net result were €349.7 million, €72.3 million and €20.2 million, respectively. As of September 30, 2011, Restricted Group Members' shareholders' equity and assets were €1.3 million and €1,435.8 million, respectively.



About Codere:

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

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

Investor Relations

+34 91 354 28 19
inversor@codere.com
www.codere.com

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