



February 25, 2011

CODERE, S.A.
Results for the fourth quarter and year ended
December 31, 2010

Highlights

- 2010 EBITDA was €241.1 million, exceeding the highest part our guidance range of €236-238 million.
- Adjusted for non-recurring items, EBITDA was €249.5 million, an increase of 11.5% compared to €223.8 million in 2009.
- 2010 EBITDA reflects strong growth in our three principal businesses: Argentina, Mexico and Spain AWP.
- Growth in the machine portfolio was concentrated in Argentina and Mexico where the number of machine seats increased by 8% and 11%, to 5,043 and 19,299, respectively compared to 2009.
- At December 31, 2010 we had €90.6 million in cash and €42 million undrawn under the Senior Credit Facility. Coverage and leverage ratios were 3.5x and 3.1x, respectively, compared to 3.4x and 2.9x in 2009.
- Capex in 2010 was €141.3 million, out of which €46.5 million was maintenance and €94.8 million was growth, the latter mostly associated with the purchase of the six casinos in Panama, and the growth of our machine and hall portfolio in Argentina, Mexico and Italy.
- Net income was €29.3 million in 2010, an increase of 53.4% compared to 2009.

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Other highlights

Developments in the Italian business. Following the launch in October, as of December 31, 2010 we had 402 video lottery terminals (“VLTs”) in operation in ten out of our 13 bingo halls in the country. We have continued the roll-out in 2011, so that as of February 18th we had 519 machines installed in twelve of our bingo halls, as well as in one hall operated by a third party. The net win per day of the machines was €247.9 in January 2011. In December 2010 we also closed the acquisition of a majority stake in FG Slot Services, a machine operator which operates approximately 620 AWP machines and is a leading machine operator in the region of Verona. This acquisition responds to the increased attractiveness of the gaming market in Italy as a result of recent regulatory changes, particularly the authorization of VLTs.

Argentine coinless systems update. At December 31, 2010 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 85% of the total machines seats in the Province of Buenos Aires, an increase from 75% in Q4 2009.

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.

	Year ended December 31,			Three months ended December 31,		
	2009	2010	% change	2009	2010	% change
	(€in millions, except percentages)					
Income statement data:	(audited)			(unaudited)		
Operating revenue ¹	967.9	1,126.5	16.4%	246.7	311.0	26.1%
Operating expenses:						
Consumption and other external expenses ¹	71.4	74.8	4.8%	20.4	18.6	(8.8%)
Personnel expenses.....	174.9	204.4	16.9%	44.1	58.3	32.2%
Depreciation	69.7	72.7	4.3%	17.3	21.1	22.0%
Amortization of intangible assets	23.1	27.1	17.3%	6.2	8.8	41.9%
Variation in provisions for trade transactions	3.4	1.0	(70.6%)	0.8	(0.2)	n.a.
Impairment loss	14.0	-	(100.0%)	14.0	-	(100.0%)
Other operating expenses:	490.5	606.2	23.6%	108.4	165.2	52.4%
Gaming and other taxes	305.3	357.5	17.1%	71.0	93.1	31.1%
Machine rentals ²	8.4	11.5	36.9%	0.6	(0.8)	n.a.
Other ²	176.8	237.2	34.2%	36.8	72.9	98.1%
Total operating expenses ¹	847.0	986.2	16.4%	211.2	271.8	28.7%
Gains or losses on asset disposals.....	(4.7)	3.5	n.a.	(2.7)	(2.1)	n.a.
Operating profit	116.2	143.8	23.8%	32.8	37.1	13.1%
Financial items:						
Financial expenses.....	76.2	78.0	2.4%	19.1	20.6	7.9%
Financial revenues	7.7	8.7	13.0%	2.0	2.3	15.0%
Exchange gains (losses), net.....	10.0	1.0	(90.0%)	5.1	0.7	(86.3%)
Profit before tax	57.7	75.5	30.8%	20.8	19.5	(6.2%)
Corporate income tax	36.6	45.4	24.0%	4.7	4.5	(4.3%)
Profit after tax of continuing activities	21.1	30.1	42.7%	16.1	15.0	(6.8%)
Net income (loss) of discontinued operations ³	-	1.3	n.a.	-	1.3	n.a.
Consolidated net income	21.1	31.4	48.8%	16.1	16.3	1.2%
Minority interests	2.0	2.1	5.0%	0.1	1.1	n.a.
Net income (loss).....	19.1	29.3	53.4%	16.0	15.2	(5.0%)
<i>Other financial data:</i>						
EBITDA ⁴	231.1	241.1	4.3%	73.8	68.9	(6.6%)

1. In Q4 2010 we changed the way in which we recognize revenue for the Spain 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. On a comparative basis, and assuming the business is consolidated at 100%, compared to 2009 when it was consolidated at 50%, 2009 consolidated revenue would have been €967.5 million and operating expenses would have been €850.5 million and Q4 2009 consolidated revenue would have been €246.4 million and operating expenses would have been €111.7 million. The impact of this change in the preceding quarters in 2010 results in a decrease in revenues and expenses of €1.1 million, 2.0 million and €3.0 million, respectively in Q1, Q2 and Q3, respectively.

2. These line items for the three and twelve months ended December 31, 2009 differ from those previously reported because we include €0.6 million and €2.1 million, respectively in Machine Rentals which were previously classified under Other.

3. Reflects a partial reversal of the provision of recorded at the time of the sale of the Italian direct AWP operations in Q1 2008, given expenses incurred in relation to the sale were lower than those originally estimated.

4. 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.

Operating Data

	At December 31,		
	2009	2010	% change
Gaming machine seats			
Argentina	4,679	5,043	7.8%
Mexico ³	17,421	19,299	10.8%
Spain AWP	15,587	15,347	(1.5%)
Spain Bingos.....	82	105	28.0%
Italy AWP ⁵	1,688	1,698	0.6%
Italy Bingos AWP ¹	493	882	78.9%
Panama ²	1,620	3,377	108.5%
Colombia	6,556	6,179	(5.8%)
Uruguay	<u>1,604</u>	<u>1,642</u>	2.4%
Total	49,730	53,572	7.7%
Bingo halls			
Argentina	14	14	
Mexico ³	94	96	
Spain	1	1	
Italy	12	13	
Colombia	<u>6</u>	<u>5</u>	
Total.....	127	129	
Betting locations			
Mexico ³	93	97	
Spain	175	461	
Brazil	5	6	
Panama.....	6	6	
Uruguay	<u>6</u>	<u>27</u>	
Total.....	285	597	
Casinos²	7	13	
Horse Race Tracks	3	3	

	Year ended December 31,			Three months ended December 31,		
	2009	2010	% change	2009	2010	% change
Euros						
Average daily net win per machine/seat						
Argentina ⁴	189.8	236.2	24.4%	197.2	243.8	23.6%
Mexico ^{3,4}	47.0	52.9	12.6%	43.5	50.3	15.6%
Spain AWP.....	49.2	49.2	0.0%	50.7	49.1	(3.2%)
Italy AWP ⁵	67.8	74.6	10.0%	75.7	74.2	(2.0%)
Italy Bingo AWP.....	97.0	123.5	27.3%	114.9	128.0	11.4%
Local currency						
Argentina ⁴	989	1,223	23.7%	1,108	1,310	18.2%
Mexico ^{3,4}	883	881	(0.2%)	839	846	0.8%

1. 2010 data includes 402 VLTs located in the bingo halls.

2. 2010 data includes 1,804 machine seats located in the six casinos purchased in August 2010.

3. 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 2009 and previous quarters of 2010 has also been adjusted to reflect this change.

4. Net wins were negatively affected by the hall closures in Argentina and Mexico in Q3 2009 and Q2 2009, respectively due to the H1N1 virus.

5. Does not include Future Games, purchased in December 2010

Results of Operations by Business

	Year ended December 31,			Three months ended December 31,		
	2009	2010	% change	2009	2010	% change
(€in millions, except percentages) (unaudited)						
Operating Revenue:						
Argentina.....	351.9	461.0	31.0%	90.8	124.4	37.0%
Mexico.....	193.1	219.3	13.6%	48.9	60.0	22.7%
Spain AWP.....	176.6	171.8	(2.7%)	44.6	42.0	(5.8%)
Italy ¹	130.7	137.4	5.1%	33.2	40.5	22.0%
Other Operations:						
Spain Bingo.....	22.8	21.9	(3.9%)	5.9	5.7	(3.4%)
Spain Sports Betting ²	3.4	5.3	55.9%	0.9	1.7	88.9%
Internet	-	-	n.a.	-	-	n.a.
Brazil	2.3	2.9	26.1%	0.7	0.7	0.0%
Colombia.....	23.1	27.5	19.0%	6.5	7.1	9.2%
Panama	48.0	62.3	29.8%	10.7	24.1	125.2%
Uruguay.....	14.9	16.9	13.4%	3.7	4.6	24.3%
Corporate Overhead	<u>1.1</u>	<u>0.2</u>	(81.8%)	<u>0.8</u>	<u>0.2</u>	(75.0%)
Total²	967.9	1,126.5	16.4%	246.7	311.0	26.1%

	Year ended December 31,			Three months ended December 31,		
	2009	2010	% change	2009	2010	% change
(€in millions, except percentages) (unaudited)						
EBITDA:						
Argentina.....	110.1	135.8	23.3%	34.0	37.8	11.2%
Mexico.....	60.5	63.6	5.1%	13.5	19.4	43.7%
Spain AWP.....	44.5	50.3	13.0%	12.0	11.3	(5.8%)
Italy ¹	15.3	14.2	(7.2%)	3.8	5.6	47.4%
Other Operations:						
Spain Bingo.....	0.3	1.1	n.a.	(0.2)	0.3	n.a.
Spain Sports Betting ²	(3.0)	(6.9)	n.a.	(0.5)	(2.0)	n.a.
Internet	-	(2.7)	n.a.	-	(1.4)	n.a.
Brazil	(0.1)	(2.1)	n.a.	(0.3)	(0.2)	n.a.
Colombia.....	4.6	5.4	17.4%	3.0	1.5	(50.0%)
Panama	10.1	4.1	(59.4%)	1.7	2.8	64.7%
Uruguay.....	3.8	3.2	(15.8%)	0.6	1.0	66.7%
Corporate Overhead	<u>(15.0)</u>	<u>(24.9)</u>	n.a.	<u>6.2</u>	<u>(7.2)</u>	n.a.
Total²	231.1	241.1	4.3%	73.8	68.9	(6.6%)

1. Includes Italy AWP and Italy Bingo

2. In Q4 2010 we changed the way in which we recognize revenue for the Spain 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. On a comparative basis, and assuming the business is consolidated at 100%, compared to 2009 when it was consolidated at 50%, 2009 consolidated revenue would have been €967.5 million and operating expenses would have been €850.5 million and Q4 2009 consolidated revenue would have been €246.4 million and operating expenses would have been €111.7 million. The impact of this change in the preceding quarters in 2010 results in a decrease in revenues and expenses of €1.1 million, 2.0 million and €3.0 million, respectively in Q1, Q2 and Q3, respectively.



Constant exchange rates. The tables below show what revenue and EBITDA would have been for the year and three months ended December 31, 2010 at 2009 exchange rates for the comparable periods, adjusted in both periods to eliminate the gains or losses on the foreign exchange contracts.

	Year ended December 31,			Three months ended December 31,		
	2009	2010	% change	2009	2010	% change
(€in millions, except percentages) (unaudited)						
Operating Revenue:						
Argentina	351.4	463.5	31.9%	92.6	120.2	29.8%
Mexico	189.8	198.1	4.4%	48.3	52.7	9.1%
Spain ¹	202.8	199.0	(1.9%)	51.4	49.4	(3.9%)
Italy ²	130.7	137.4	5.1%	33.2	40.5	22.0%
Other Operations ¹ :						
Internet.....	-	-	<i>n.a.</i>	-	-	<i>n.a.</i>
Brazil	2.3	2.4	4.3%	0.7	0.6	(14.3%)
Colombia	23.1	23.0	(0.4%)	6.5	6.1	(6.2%)
Panama	48.0	58.5	21.9%	10.7	22.0	105.6%
Uruguay	14.9	14.4	(3.4%)	3.7	4.2	13.5%
Corporate Overhead.....	<u>1.1</u>	<u>0.2</u>	(81.8%)	<u>0.8</u>	<u>0.2</u>	(75.0%).
Total.....	964.1	1,096.5	13.7%	247.9	295.9	19.4%

	Year ended December 31,			Three months ended December 31,		
	2009	2010	% change	2009	2010	% change
(€in millions, except percentages) (unaudited)						
EBITDA:						
Argentina	109.6	141.0	28.6%	35.8	37.3	4.2%
Mexico	57.2	60.0	4.9%	12.9	17.3	34.1%
Spain ¹	41.8	44.5	6.5%	11.3	9.6	(15.0%)
Italy ²	15.3	14.2	(7.2%)	3.8	5.6	47.4%
Other Operations ¹ :						
Internet.....	-	(2.7)	<i>n.a.</i>	-	(1.4)	<i>n.a.</i>
Brazil	(0.1)	(1.8)	<i>n.a.</i>	(0.3)	(0.2)	<i>n.a.</i>
Colombia	4.6	4.5	(2.2%)	3.0	1.3	(56.7%)
Panama	10.1	4.0	(60.4%)	1.7	2.6	52.9%
Uruguay	3.8	2.7	(28.9%)	0.6	0.9	50.0%
Corporate Overhead	<u>(15.0)</u>	<u>(24.9)</u>	<i>n.a.</i>	<u>6.2</u>	<u>(7.2)</u>	<i>n.a.</i>
Total.....	227.3	241.5	6.2%	75.0	65.8	(12.3%)

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

2. Includes Italy AWP and Italy Bingo

Audited results for the year ended December 31, 2010

Operating Revenue

Operating revenue increased by €158.6 million, or 16.4%, to €1,126.5 million in 2010 from €967.9 million in 2009. The increase was principally attributable to: Argentina (€109.1 million) due to an increase in the net win per machine per day and in the number of machines installed, and the absence of the revenue decrease registered in 2009 due to the impact of the H1N1 virus in Q3 2009, partially offset by the losses on the foreign exchange contracts which matured during the period; Mexico (€26.2 million) due to the appreciation of the Mexican peso against the euro compared to 2009, the absence of the revenue decrease registered in 2009 due to the impact of the H1N1 virus in Q2 2009 and the increase in the machine portfolio, partially offset by the losses on the foreign exchange contracts which matured during the period, and the lower sales to Caliente; Panama (€14.3 million) due to the consolidation of the six casinos acquired (beginning September 1, 2010), the appreciation of the US dollar against the euro compared to 2009, partially compensated by the temporary closure of Casino Colon (June 1, 2009 to September 25, 2010); Italy (€6.7 million) due to the increase in net win per machine per day, the consolidation of the Caserta hall (beginning October 2010), and the roll-out of the VLTs (beginning October 2010), partially offset by a decrease in bingo revenues as a result of an increase in the prize payout (revenues are net of prizes). This increase was partially offset by a decrease in Spain AWP (€4.8 million) due to the decrease in the portfolio installed, and to a lesser extent, to the decrease in the number of machines sold to third parties.

Operating Expenses

Operating expenses increased by €139.2 million, or 16.4%, to €986.2 million in 2010 from €847.0 million in 2009. The increase was principally attributable to: Argentina (€86.1 million) principally due to the increase in gaming taxes associated with the increased commercial activity and the canon tax surcharge associated with the renewals of La Plata, Puerto and San Martin, to higher operating costs related to the increase in the number of machines installed, including personnel, and inflation, and to the appreciation of the Argentine peso against the euro compared to the comparable period in 2009; Mexico (€22.9 million) due to the appreciation of the Mexican peso and the increase in installed capacity in ICELA and Promojuegos, partially compensated by the lower sales to Caliente; Panama (€21.5 million) due primarily to the consolidation of the six casinos acquired, the appreciation of the U.S. dollar against the euro, the increase in gaming tax beginning in Q1 2010 and the €4.0 million non-recurring charges recorded in the period; and Spain Sports Betting (€10.7 million) due primarily to the consolidation of 100% of the business, compared to 50% in 2009 and to the increase in the number of betting locations, including the roll-out in Navarra (beginning in October 2010). The increase was partially offset by the decrease in costs in: Spain AWP (€12.6 million) due to cost reduction initiatives (including the absence of non-recurring charges associated with the restructurings recorded in 2009), a decrease in gaming taxes associated with the decrease in the number of machines installed, and the reduction in the number of machines sold to third parties; Colombia (€1.7 million) due to the absence of a €4.0 million impairment charge recorded in Q4 2009, partially compensated by the appreciation of the Colombian peso against the euro.

Gains or losses on asset disposals or acquisitions

Results on asset disposals or acquisitions increased from a loss of €4.7 million in 2009 to a gain of €3.5 million in 2010 primarily as a result of the consolidation of 100% of the Sports Betting business (€7.5 million) following the purchase of William Hill's 50% stake in January 2010.

Operating Profit

Operating profit increased by €27.6 million, or 23.8%, to €143.8 million in 2010 from €116.2 million in 2009. Operating margin increased to 12.8% in 2010 from 12.0% in 2009.

EBITDA

EBITDA increased by €10.0 million, or 4.3%, to €241.1 million in 2010 from €231.1 million in 2009. The increase in EBITDA was principally attributable to: Argentina (€25.7 million) attributable to the increase in the number of machines and in the daily net win, the absence of the EBITDA decrease registered in 2009 due to the impact of the H1N1 virus, partially mitigated by the increases in gaming tax associated with license renewals and the losses on the foreign exchange contracts which matured in the period, compared to gains in the comparable period in 2009; Spain AWP (€5.8 million) primarily as a result of cost reduction initiatives; and Mexico (€3.1 million) principally attributable to the increase in the number of machines, the increase in the net win per machine per day in ICELA and the absence of the EBITDA decrease registered in 2009 due to the impact of the

H1N1 virus. This increase was partially offset by decreases in: Corporate overhead (€9.9 million) principally attributable to the absence of €10.2 million non-recurring provision reversal in Q4 2009 associated with the Ballesteros litigation, and Panama (€6.0 million) mainly attributable to the closure of Casino Colon (June 1, 2009 to September 25, 2010), the increase in gaming taxes in Q1 2010 and the €4.0 million non-recurring expenses recorded in 2010. EBITDA margin decreased to 21.4% from 23.9% in 2009.

Financial Revenues

Financial revenues in 2010 increased by €1.0 million, or 13.0%, to €8.7 million from €7.7 million in 2009.

Financial Expenses

Financial expenses increased by €1.8 million, or 2.4%, to €78.0 million in 2010 from €76.2 million in 2009. The increase was principally attributable to: the interest accrued on the €100 million Senior Notes issued in July 2010, costs associated with the early cancellation of the Senior Credit Facility; to the absence of €2.5 million in non-recurring, non-cash charge recorded in 2009 in Spain AWP, and financial expenses associated with the debt assumed in the acquisition of the six casinos in Panama (consolidated beginning September 2010). This increase was partially compensated by the lower debt outstanding under the Senior Credit Facility, lower interest paid in Colombia due to the amortization of its debt in May 2010, and lower debt balances in Italy.

Exchange gains (losses), net

Exchange gains (losses), which reflect the impact of changes in exchange rates on balances in foreign currencies, decreased by €9.0 million to a gain of €1.0 million in 2010, from €10.0 million in 2009 due to absence, in 2010, of the volatility of the Argentine and Mexican pesos against the US dollar in 2009, which resulted in significant gains in that year. In 2010 the €3.7 million gains recorded in 1H 2010 which resulted from the appreciation of the US dollar against the euro, were largely offset by the combination of €3.4 million losses recorded in Q3 2010 resulting from the opposite effect, and relatively flat Q4 2010 as a result of the relative stability in the US dollar/euro exchange rate in the quarter.

Corporate Income Tax

Corporate income tax increased by €8.8 million to €45.4 million in 2010 from €36.6 million in 2009. The increase was principally attributable to the increase in profit before tax in Argentina, which resulted in an increase in corporate taxes of €6.6 million, a non-cash, non-recurring cost of €3.9 million related to the restructuring implemented in our Mexican subsidiaries associated with the Caliente transaction, and the absence, in 2010, of the positive effect of the activation of NOLs for €1.2 million in Mexico and Italy recorded in 2009. This increase was partially offset by a reduction of taxes in Mexico (ICELA) and Panama resulting from tax optimization initiatives and the activation of deferred tax assets in Italy, and of NOLs in Spain Sports Betting, Uruguay, Mexico (Promojuegos) and Colombia, totaling €6.4 million.

Minority Interest

Minority interest increased by €0.1 million, or 5.0%, to €2.1 million in 2010 from €2.0 million in 2009. This increase is primarily attributable to minority interest in Spain AWP and Panama, partially offset by minority interest in Sports Betting as a result of the consolidation of 100% of the business, which is currently loss making, in 2010.

Net Income

As a result of the foregoing, net income increased by €10.2 million, or 53.4%, to €29.3 million in 2010 from €19.1 million in 2009.

Argentina

	Year ended December 31,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue.....	351.9	461.0	31.0%
Operating expenses:			
Consumption and other external expenses.....	6.7	10.1	50.7%
Personnel expenses	51.3	68.4	33.3%
Depreciation.....	12.2	14.0	14.8%
Amortization of intangible assets	1.9	2.8	47.4%
Other operating expenses:	183.8	246.7	34.2%
Gaming and other taxes.....	140.9	194.2	37.8%
Machine rentals.....	0.1	0.1	0.0%
Others	<u>42.8</u>	<u>52.4</u>	22.4%
Total operating expenses	255.9	342.0	33.6%
Operating profit	96.0	119.0	24.0%
EBITDA	110.1	135.8	23.3%

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 forward foreign exchange contracts which mature during the period. Operating revenue increased by €109.1 million, or 31.0%, to €461.0 million in 2010 from €351.9 million in 2009, which was principally attributable to the increase in the number of machines (partially as a result of the expansion of the Ramos Mejia Hall which added 172 machine seats), to the absence of the revenue decrease registered in 2009 due to the impact of the H1N1 virus, to the increase in the net win per day primarily as a result of the installation of the TITO and other coinless systems, and to a lesser extent to the appreciation of the Argentine peso against the euro. At a constant exchange rate, and excluding the gains and losses on the foreign exchange contracts which matured during the corresponding periods, revenues would have been €463.5 million in 2010, representing an increase of 31.9% compared to 2009. Losses on the contracts which matured during the period were €6.3 million, compared to gains of €0.5 million in 2009.

Operating expenses increased by €86.1 million, or 33.6%, to €342.0 million in 2010 from €255.9 million in 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*, which principally include food and beverage cost of sales, increased by €3.4 million, or 50.7%, to €10.1 million in 2010 from €6.7 million in 2009, due primarily to an increase in the sale of food and beverages in the halls, as well as the price of goods sold.
- *Personnel Expenses* increased by €7.1 million, or 33.3%, to €68.4 million in 2010 from €51.3 million in 2009, principally due to increases in payroll resulting from inflation as well as personnel increases associated with an increase in the number of machines.
- *Depreciation* increased by €1.8 million, or 14.8%, to 14.0 million in 2010 from €12.2 million in 2009. Due primarily to the increase in the portfolio and to the appreciation of the Argentine peso against the euro.
- *Amortization* increased by €0.9 million, or 47.4%, to €2.8 million in 2010 from €1.9 million in 2009 due primarily to the recording of the San Martin and Puerto license renewals in Q4 2009 and to the appreciation of the Argentine peso against the euro.
- *Other Operating Expenses*, which include gaming and other taxes, marketing expenses, and payments to the non-profit organizations that nominally hold the licenses to operate the halls, increased by €2.9 million, or 34.2%, to €246.7 million in 2010 from €183.8 million in 2009. The increase is principally attributable to an increase in gaming tax related to: the absence of the €4.2 million provision reversal



associated with the La Plata renewal recorded in Q4 2009; the increase in commercial activity as a result of the increase in the number of machines installed and in the daily net win per machine per day; and the canon tax surcharge associated with the renewal of the San Martin and Puerto licenses which we began recording in Q3 2010; as well as a non-recurring provision of €1.0 million recorded in Q1 2010.

Operating Profit increased by €3.0 million, or 24.0% to €19.0 million in 2010 from €6.0 million in 2009. Operating margin decreased to 25.8% in 2010 from 27.3% in 2009.

EBITDA increased by €5.7 million, or 23.3%, to €135.8 million in 2010 from €110.1 million in 2009. The increase is principally attributable to an increase in the commercial activity (higher daily net win and number of machines installed), as well as the absence, in 2010 of the negative impact of H1N1 virus in Q3 2009 (€6.0 million), and by the appreciation of the Argentine peso against the euro, and was partially compensated by the absence of the €4.2 million provision reversal associated with the La Plata renewal recorded in Q4 2009. At a constant exchange rate (and adjusted to eliminate the losses on the foreign currency contracts which matured during the corresponding periods) EBITDA would have been €141.0 million in 2010, representing an increase of 28.7% compared to 2009. EBITDA margin decreased to 29.5% in 2010 from 31.3% in 2009.

Mexico

	Year ended December 31,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	193.1	219.3	13.6%
<i>Of which sales to Caliente</i>	12.7	2.5	(80.5%)
Operating expenses			
Consumption and other external expenses.....	48.8	46.0	(5.7%)
<i>Of which sales to Caliente</i>	15.2	3.0	(80.5%)
Personnel expenses	17.6	24.3	38.1%
Depreciation	16.0	15.7	(1.9%)
Amortization of intangible assets.....	3.2	3.5	9.4%
Variation in provisions for trade transactions	0.2	-	(100.0%)
Other operating expenses	66.2	85.4	29.0%
Gaming and other taxes	10.5	13.3	26.7%
Machine rentals ¹	8.1	11.1	37.0%
Other ¹	<u>47.6</u>	<u>61.0</u>	28.2%
Total operating expenses	152.0	174.9	15.1%
Gains or losses on asset disposals.....	(0.1)	0.3	n.a.
Operating profit	41.0	44.7	9.0%
EBITDA	60.5	63.6	5.1%

1. These line items for 2009 differ from those previously reported because we include €2.1 million in Machine Rentals which were previously classified under Other.

Operating Revenue includes our participation in the operating companies of ICELA (our joint venture with CIE), and the directly-owned licensees (Promojuegos and Mio Games), as well as revenue from our management services agreement with Caliente. We proportionally consolidate our 49% stake in ICELA, and we consolidate 100% of Promojuegos and Mio Games. Through June 30, 2010 our operating revenue under the management services agreement with Caliente is equivalent to 50% of the profit before tax of the halls we manage. Mexico operating revenue also includes sales to Caliente of gaming halls, improvements, and equipment including machines, as well as reimbursement of costs incurred on Caliente's behalf, such as hall managers' salaries and fees paid in connection with the use of machines. Beginning July 1, 2010 (see Other Highlights) the new management services agreement provides for an annual fee of up to U.S. \$36 million, as well as an aggregate monthly fee of U.S. \$1 million, and we terminated the contract pursuant to which we constructed or refurbished halls and sold them to Caliente at cost. Our operating revenue also includes gains and losses from the Mexican peso forward exchange contracts which mature during the period.

Operating revenue increased by €6.2 million, or 13.6%, to €19.3 million in 2010 from €13.1 million in 2009. The increase is principally attributable to: the appreciation of the Mexican peso against the euro, the increase in the number of machines installed in ICELA and Promojuegos and in the net win in ICELA, and the absence of the revenue decrease registered in 2009 due to the impact of the H1N1 virus in Q2 2009. This increase has been partially offset by lower sales to Caliente, to the implementation of anti-tobacco regulation in states other than Distrito Federal since Q3 2009 and the losses on the foreign exchange contracts which matured during the period compared to gains on the contracts which matured in 2009. 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 €19.1 million in 2010, representing an increase of 4.4% compared to 2009. Losses on the contracts which matured during the period were €1.1 million, compared to gains of €3.3 million in 2009.

Operating expenses increased by €2.9 million, or 15.1%, to €17.9 million in 2010 from €15.0 million in 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*, which include the cost of building out and equipping the halls sold to Caliente (through June 30, 2010), 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 food and beverages cost of sales for ICELA, Promojuegos and Mio Games, decreased by €2.8 million, or 5.7%, to €46.0 million in 2010 from €48.8 million in 2009, due primarily to the lower sales to Caliente and was partially offset by the increase in sales of food and beverages compared to 2009 (associated in part with the reduced costs in 2009 resulting from the impact of the H1N1 virus in Q2 2009) and to the appreciation of the Mexican peso against the euro.
- *Personnel Expenses* increased by €6.7 million, or 38.1% to €24.3 million in 2010 from €17.6 million in 2009 primarily due to the increase in the installed capacity in ICELA and to the appreciation of the Mexican peso against the euro.
- *Depreciation*, which includes the investment in halls operated by ICELA, Promojuegos and Mio Games, as well as the racetrack and the convention center and the capitalized leases associated with the IGT machines (in ICELA), decreased by €0.3 million, or 1.9% to €15.7 million in 2010 from €16.0 million in 2009. The decrease is principally attributable to the re-estimation of the useful life of some assets in ICELA and was partially offset by the appreciation of the Mexican peso against the euro.
- *Amortization*, which primarily includes the amortization of the licenses for the ICELA halls, increased by €0.3 million, or 9.4%, to €3.5 million in 2010 from €3.2 million in 2009 due primarily to the appreciation of the Mexican peso against the euro.
- *Other Operating Expenses* increased by €19.2 million, or 29.0% to €85.4 million in 2010 from €66.2 million in 2009 principally due to: the appreciation of the Mexican peso, the increase in the number of machines installed in ICELA and Promojuegos, the increase in gaming taxes, the decreased operating costs in 2009 associated with the impact of the H1N1 virus, and the recording of non-recurring charge of €1.2 million associated with the Caliente transaction in Q2 and Q3 2010. These increases were partially offset by the non-recurring reversal of a fiscal contingency in ICELA (€0.9 million) and of a provision (€1.2 million) in Q4 2010.

Gains or losses on asset disposals In 2010 we registered a gain of €0.3 million from a loss of €0.1 million in 2009.

Operating Profit increased by €3.7 million, or 9.0% to €44.7 million in 2010 from €41.0 million in 2009. Operating margin decreased to 20.4% in 2010 from 21.2% in 2009.

EBITDA increased €3.1 million, or 5.1%, to €63.6 million in 2010 from €60.5 million in 2009 primarily due to the appreciation of the Mexican Peso against the euro, the lower sales to Caliente, the increase in the net win per machine per day in ICELA and by the absence, in 2010, of the negative impact of the H1N1 virus in 2009 (€3.5 million). This increase was partially offset by losses on the foreign exchange contracts which matured during the period compared to gains in 2009, the increase in gaming taxes and the implementation of anti-tobacco regulation in states other than Distrito Federal since Q3 2009. At a constant exchange rate (and adjusted to

eliminate the gains and losses on the foreign currency contracts) EBITDA would have been €60.0 million in 2010, an increase of 4.9% compared to 2009. EBITDA margin decreased to 29.0% in 2010 from 31.3% in 2009.

Spain AWP

	Year ended December 31,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	176.6	171.8	(2.7%)
Operating expenses:			
Consumption and other external expenses.....	9.5	6.7	(29.5%)
Personnel expenses.....	37.6	33.1	(12.0%)
Depreciation	15.9	15.2	(4.4%)
Amortization of intangible assets	14.4	13.7	(4.9%)
Variation in provisions for trade transactions.....	2.6	2.0	(23.1%)
Other operating expenses:	85.0	81.7	(3.9%)
Gaming and other taxes	61.3	59.6	(2.8%)
Machine rentals.....	0.1	0.1	0.0%
Others	23.6	22.0	(6.8%)
Total operating expenses	165.0	152.4	(7.6%)
Gains or losses on asset disposals.....	(2.5)	(2.2)	n.a.
Operating profit	9.1	17.2	89.0%
EBITDA	44.5	50.3	13.0%

Operating Revenue decreased by €4.8 million, or 2.7%, to €171.8 million in 2010 from €176.6 million in 2009, as a result of a decrease in the number of machines installed, as well as a decrease in the number of machines sold to third parties. We had 15,347 machines in Spain as of December 31, 2010, compared to 15,587 as of December 31, 2009. In 2010, we entered into new contracts for the placement of 1,593 machines in bars, restaurants and other establishments. In 2010 contracts related to 1,451 machines expired or were otherwise terminated. The net win per day per machine was €9.2 in 2010, the same as in 2009. We believe that the maintenance of the net win per machine per day resulted from the continuous renewal and rotation of the machine portfolio and the positive effect from regulatory changes in Madrid and the Basque Region which compensated the adverse macroeconomic conditions.

Operating Expenses decreased by €12.6 million, or 7.6%, to €152.4 million in 2010 from €165.0 million in 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses* include payments to certain AWP operators with whom we enter into collaboration agreements, costs related to ancillary services provided to site owners and machines purchased for resale. Consumption and other external expenses decreased by €2.8 million, or 29.5%, to €6.7 million in 2010 from €9.5 million in 2009 principally attributable to the decrease in payments to machine operators and in the costs related to ancillary services.
- *Personnel Expenses* decreased by €4.5 million, or 12.0%, to €33.1 million in 2010 from €37.6 million in 2009. The decrease is principally attributable to a reduction in personnel in 2010 compared to 2009 and by lower restructuring expenses recorded in 2010 (€0.3 million) compared to 2009 (€2.3 million).
- *Depreciation* decreased by €0.7 million, or 4.4%, to €15.2 million in 2010 from €15.9 million in 2009. This decrease is attributable to the lower number of machines installed.
- *Amortization* decreased by €0.7 million, or 4.9% to €13.7 million in 2010 from €14.4 million in 2009 as a result of the reduction in exclusivity payments to bar owners associated with the change, in Q1 2009 from up-front payments, to payments conditional on the performance of the machines at the bars.

- *Other Operating Expenses* decreased by €3.3 million, or 3.9%, to €1.7 million in 2010 from €5.0 million in 2009 principally due to: a decrease in gaming taxes as a result of the decrease in the number of machines installed, a provision reversal of €0.5 million in Q1 2010 associated with gaming taxes for previous periods, and cost reduction initiatives.

Losses on asset disposals decreased by €0.3 million from a loss of €2.5 million in 2009 to a loss of €2.2 million in 2010.

Operating Profit increased by €8.1 million, or 89.0%, to €17.2 million in 2010 from €9.1 million in 2009. Operating margin increased to 10.0% in 2010 compared to 5.2% in 2009.

EBITDA increased by €5.8 million, or 13.0%, to €0.3 million in 2010 from €44.5 million in 2009 principally due to cost reduction initiatives implemented in recent years. EBITDA margin increased to 29.3% in 2010 from 25.2% in 2009.

Italy

	Year ended December 31,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	130.7	137.4	5.1%
Operating expenses:			
Consumption and other external expenses.....	1.7	2.3	35.3%
Personnel expenses.....	24.0	28.0	16.7%
Depreciation	8.2	7.9	(3.7%)
Amortization of intangible assets	0.8	1.2	50.0%
Variation in provisions for trade transactions.....	0.1	(1.1)	n.a.
Other operating expenses:	89.7	92.9	3.6%
Gaming and other taxes	70.5	65.0	(7.8%)
Others	<u>19.2</u>	<u>27.9</u>	45.3%
Total operating expenses	124.5	131.2	5.4%
Gains or losses on asset disposals.....	(0.6)	(0.2)	n.a.
Operating profit	5.6	6.0	7.1%
EBITDA	15.3	14.2	(7.2%)

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 bingo 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 our machine operation, which includes amounts collected from AWP machines placed in non-specialized locations (i.e. bars) after prize payouts, and excluding the site owner's share, as well as revenues after prize payouts for VLTs placed in dedicated gaming halls. Operating revenue increased by €6.7 million, or 5.1%, to €137.4 million in 2010 from €130.7 million in 2009, due to an increase in the daily net win per machine per day (following the introduction of a new type of machine, Comma 6a), as well as the beginning of the deployment of VLTs and the incorporation the Caserta Hall, acquired in Q4 2010. This increase was partially offset by the bingo business where the increase in the number of cards sold due to the more attractiveness of the game was compensated by a decrease in bingo revenues resulting from the increase in the prize payout (from 58% to 70%) following the regulatory change introduced in November 2009, as revenues are reported net of prizes.

Operating Expenses increased by €6.7 million, or 5.4%, to €31.2 million in 2010 from €24.5 million in 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses* which principally includes food and beverage cost of sales in our bingo halls. Consumption and other external expenses increased by €0.6 million, or 35.3%, to €2.3 million in 2010 from €1.7 million in 2009 mainly attributable to increased food and beverage sales.
- *Personnel Expenses* increased by €4.0 million, or 16.7%, to €8.0 million in 2010 from €4.0 million in 2009. The increase is principally attributable to an increase in personnel associated with an increase in the number of bingo cards sold as well as the roll-out of the VLTs.
- *Depreciation* decreased by €0.3 million, or 3.7% to €7.9 million in 2010 in from €8.2 million in 2009 principally attributable to the increase in the useful life of certain components of the network and the machines, the latter associated with the renewal of the portfolio associated with the change to Comma 6a.
- *Amortization* increased by €0.4 million, or 50.0%, to €1.2 million in 2010 in from €0.8 million in 2009. The increase is mainly derived from the amortization of software applications related to the deployment of the VLTs, and the amortization of the VLTs licenses which we began operating in 2010.
- *Variation in provisions for trade transactions*, resulted in a cost decrease of €1.2 million, as a result of the difference between a reversal of provisions for trade transactions of €1.1 million recorded in 2010 (principally attributable to €1.3 million in provisions related to amounts due from AWP operators to the network and the AAMS, which have been, or are expected to be recovered in the near future); compared to a €0.1 million provision recorded in 2009.
- *Other Operating Expenses* increased by €3.2 million, or 3.6%, to €92.9 million in 2010 from €89.7 million in 2009 principally due to the absence, in 2010, of a €6.0 million provision reversal in Codere Network recorded in Q3 2009, the increase in costs associated to the deployment of VLTs, and the increase in gaming taxes due to the increase in the net win per machine per day; partially offset by lower gaming taxes in bingo as a result of the regulatory change in November 2009.

Losses on asset disposals decreased by €0.4 million from a loss of €0.6 million in 2009 to a loss of €0.2 million in 2010.

Operating Profit increased by €0.4 million to €6.0 million in 2010 from €5.6 million in 2009. Operating margin increased to 4.4% in 2010 from 4.3% in 2009.

EBITDA decreased by €1.1 million, or 7.2%, to €14.2 million in 2010 from €15.3 million in 2009 principally due to the absence, in 2010, of a €6.0 million provision reversal in Codere Network recorded in Q3 2009, partially offset by the increase in amounts wagered in bingo, the decrease in the gaming tax in bingo, and the increase in the net win per machine per day, and the launch of the VLTs. EBITDA margin decreased to 10.3% in 2010 from 11.7% in 2009.

Other Operations

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

Operating revenue increased by €22.3 million, or 19.5%, to €36.8 million in 2010 from €14.5 million in 2009 principally attributable to the increase in: Panama (€14.3 million) due primarily to the consolidation of the six casinos acquired (consolidated beginning September 1, 2010), and to the appreciation of the US dollar against the Euro, partially mitigated by the temporary closure of Casino Colon (from June 1, 2009 to September 25, 2010); Colombia (€1.4 million) due to the appreciation of the Colombian peso against the euro; Uruguay (€2.0 million) mainly due to the appreciation of the Uruguayan peso against the euro as well as the increase of the daily net win per machines and the number of machines installed; and Spain Sports Betting (€1.9 million) associated with progressive build-out of the operations, including the launch in Navarra (October 2010) and the consolidation of 100% of the business since January 2010. This increase was partially offset by the decrease in Spain Bingo (€0.9 million) due to a decrease in the number of bingo cards sold related to the adverse macroeconomic situation.

Operating Expenses increased by €7.2 million, or 20.8%, to €58.2 million in 2010 from €31.0 million in 2009 mainly attributable to: Panama (€1.5 million) due to: the consolidation of the six casinos acquired, the appreciation of the US dollar against the euro, the increase in gaming tax since Q1 2010 and the €1 million non-recurring expenses associated with the casino acquisition, the re-opening of Casino Colon, among others; Spain Sports Betting (€10.7 million) associated with the 100% consolidation of the business since January 2010, the increase in the number of sports betting locations and the recording in Q4 2010 of a €2.8 million charge associated with the accelerated amortization of certain assets; Uruguay (€3.0 million) due to the appreciation of the Uruguayan peso against the euro and costs associated with the Carrasco project; and Internet (€2.7 million) due to the resources dedicated to the project development. This increase is partially offset by the decrease in costs in Colombia (€1.7 million) due to the absence of the impairment recorded in Q4 2009 (€4.0 million) partially offset by the appreciation of the Colombian peso against the euro, and in Spain Bingo (€1.6 million) principally as a result of the decrease in personnel expenses and by the difference between the non-recurrent restructuring charges of €0.9 million recorded in 2009 compared to €0.2 million registered in 2010.

Gains or losses on asset disposals or acquisitions resulted in a gain of €5.5 million in 2010 compared to a loss of €1.5 million in 2009, primarily as a result of the adjustment in the Sports Betting business (€7.5 million) as a result of the consolidation of 100% of the Sports Betting business following the purchase of William Hill's 50% stake in January 2010. This gain is partially offset by losses on assets disposals in the same business unit (€1.0 million).

Operating profit or loss increased by €2.0 million to a loss of €6.0 million in 2010 from a loss €8.0 million in 2009.

EBITDA decreased by €3.6 million, or 86.6%, to €2.1 million 2010 from €5.7 million in 2009.

Unaudited results for the quarter ended December 31, 2010

Operating Revenue

Operating revenue increased by €4.3 million, or 26.1%, to €11.0 million in Q4 2010 from €46.7 million in Q4 2009. The increase was principally attributable to: Argentina (€3.6 million) due to an increase in the net win per machine per day and in the number of machines installed, and the appreciation of the Argentine peso against the euro compared to the comparable period in 2009; Panama (€1.4 million) principally attributable to the consolidation of the six casinos acquired (consolidated beginning September 1, 2010), the re-opening of Casino Colon (closed June 1, 2009 to September 25, 2010) and the appreciation of the U.S. dollar against the euro compared to the comparable period in 2009; Mexico (€1.1 million) due to the appreciation of the Mexican peso against the euro compared to the comparable period in 2009, the increase in the net win per machine per day in ICELA and in the number of machines installed in ICELA and Promojuegos, partially offset by lower sales to Caliente and losses on the foreign exchange contracts maturing during Q4 2010 compared to gains recorded in Q4 2009; and Italy (€7.3 million) due to the increase in the net win per machine per day in AWP's located in the bingo halls, the roll-out of the VLTs (beginning October 2010) and the consolidation of the Caserta hall (beginning October 2010). This increase is partially offset by Spain AWP (€2.6 million) due to the decrease in the net win per machine per day and in the number of machines installed.

Operating Expenses

Operating expenses increased by €0.6 million, or 28.7%, to €71.8 million in Q4 2010 from €11.2 million in Q4 2009. The increase was principally attributable to: Argentina (€1.6 million) principally due to: the increase in gaming taxes related to the increased commercial activity and the canon tax surcharge associated with the renewal of the Puerto, San Martin and La Plata licenses (in Q4 2009 we recorded a non-recurring provision reversal associated with the renewal of the latter), the higher operating costs due to the increase in the number of machines installed, including personnel, and inflation; Panama (€3.8 million) principally attributable to the consolidation of the six casinos, the appreciation of the U.S. dollar against the euro, the increase in gaming tax since Q1 2010, and the recording of a €1.4 million non-recurring provision; in Corporate Overhead (€12.7 million) principally due to the absence of the €10.2 million non-recurring income recorded in Q4 2009 and €0.9 million non-recurring expenses associated with restructuring charges and provisions recorded in Q4 2010; in Italy (€5.8 million) principally attributable to the roll-out of the VLTs and the consolidation of the Caserta hall (beginning October 2010); and Spain Sports Betting (€5.7 million) due primarily to the consolidation of 100% of the business, compared to 50% in the comparable period in 2009 and to the increase in the number of sports betting locations. This increase is partially offset by Colombia (€12.9 million) primarily attributable to the absence of a €14.0 million impairment charge recorded in Q4 2009 partially compensated by the appreciation of the Colombian peso against the euro compared to the comparable period in 2009 and the absence of a €2.6 million provision reversal recorded in Q4 2009, and Spain AWP (€3.2 million) driven by cost reduction initiatives as well as a decrease in gaming taxes due to the decrease in the number of machines installed.

Gains or losses on asset disposals or acquisitions

Losses on asset disposals or acquisitions decreased by €0.6 million from €2.7 million in Q4 2009 to €2.1 million in Q4 2010.

Operating Profit

Operating profit increased by €4.3 million, or 13.1%, to €37.1 million in Q4 2010 from €32.8 million in Q4 2009. Operating margin decreased to 11.9% in Q4 2010 from 13.3% in Q4 2009.

EBITDA

EBITDA decreased by €4.9 million, or 6.6%, to €8.9 million in Q4 2010 from €13.8 million in Q4 2009. The decrease in EBITDA was principally attributable to: Corporate Overhead (€13.4 million) principally due to the absence of the €10.2 million non-recurring income recorded in Q4 2009 and €0.9 million non-recurring expenses associated with restructuring charges and provisions recorded in Q4 2010; Colombia (€1.5 million) due to the absence of a €2.6 million provision reversal recorded in Q4 2009, partially offset by the improvement in the net wins per machine per day as a result of the rationalization of the machine portfolio, and the appreciation of the Colombian peso against the euro; Spain Sports Betting (€1.5 million) due primarily to the consolidation of 100% of the business, compared to 50% in the comparable period in 2010; and Internet (€1.4 million) associated with the launch of the operation (November 2010). This decrease was partially offset by increases in Mexico

(€5.9 million) due primarily to the increase in the number of machines installed and in the net win per machine per day in ICELA, the lower sales to Caliente, non-recurring provision reversals amounting to €2.1 million recorded in Q4 2010, and the appreciation of the Mexican peso against the euro, partially offset by losses on the foreign exchange contracts maturing during the period; and Argentina (€3.8 million) due to the increase in the net win per machine per day and in the number of machines installed, and the appreciation of the Argentine peso against the euro, partially offset by the absence of the €6.2 million reversal associated with the La Plata license renewal recorded in Q4 2009. EBITDA margin decreased to 22.2% in Q4 2010 from 29.9% in Q4 2009.

Financial Revenues

Financial revenues increased by €0.3 million, or 15.0%, to €2.3 million in Q4 2010 from €2.0 million in Q4 2009.

Financial Expenses

Financial expenses increased by €1.5 million, or 7.9%, to €20.6 million in Q4 2010 from €19.1 million in Q4 2009. The increase was principally attributable to interest accrued on the €100 million Senior Notes issued in July 2010 and financial expenses associated with the debt assumed in the acquisition of the six casinos in Panama (consolidated beginning September 2010), partially compensated by the lower debt outstanding under the Senior Credit Facility and a lower interest paid in Colombia due to the amortization of its debt in May 2010, and lower debt balances in Italy.

Exchange gains (losses), net

Exchange gains (losses), which reflect the impact of changes in exchange rates on balances in foreign currencies, decreased by €4.4 million, from a gain of €5.1 million in Q4 2009 to €0.7 million in Q4 2010 primarily as a result of the absence, in Q4 2010, of gains registered in Q4 2009 as a result of significant balances held in US dollars in that period.

Corporate Income Tax

Corporate income tax decreased by €0.2 million, to €4.5 million in Q4 2010 from €4.7 million in Q4 2009. The decrease was principally attributable to a reduction of taxes in Mexico (ICELA) and Panama resulting from tax optimization initiatives and the activation of deferred tax assets in Italy, and of NOLs in Spain Sports Betting, Uruguay, Mexico (Promojuegos) and Colombia, totaling €6.4 million. This decrease was partially offset by the increase in profit before tax in Argentina, which resulted in an increase in corporate taxes of €0.8 million and the absence, in Q4 2010, of the positive effect of the activation of NOLs for €1.2 million in Mexico and Italy recorded in 2009.

Minority Interest

Minority interest increased by €1.0 million to €1.1 million in Q4 2010 from €0.1 million in Q4 2009. This increase is primarily attributable to minority interest in Spain AWP and Panama, following the purchase of the six casinos.

Net Income

As a result of the foregoing, net income decreased by €0.8 million to €15.2 million in Q4 2010 from €16.0 million in Q4 2009.

Argentina

	Three months ended December 31,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	90.8	124.4	37.0%
Operating expenses:			
Consumption and other external expenses.....	1.7	2.8	64.7%
Personnel expenses	12.7	20.2	59.1%
Depreciation.....	2.6	4.3	65.4%
Amortization of intangible assets	0.6	0.7	16.7%
Other operating expenses:	42.4	63.6	50.0%
Gaming and other taxes.....	31.3	49.2	57.2%
Machine rentals.....	-	(0.1)	n.a.
Others	<u>11.1</u>	<u>14.5</u>	30.6%
Total operating expenses	60.0	91.6	52.7%
Operating profit	30.8	32.8	6.5%
EBITDA	34.0	37.8	11.2%

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 forward foreign exchange contracts which mature during the period. Operating revenue increased by €33.6 million, or 37.0%, to €124.4 million in Q4 2010 from €90.8 million in Q4 2009 which was principally attributable to the increase in the number of machines installed (principally as a result of the expansion of the Ramos Mejia Hall, which added 172 machine seats) and in the net win per machine per day as a result of the installation of the TITO and other coinless systems; and the appreciation of the Argentine peso against the euro. At a constant exchange rate, and excluding the gains and losses on the foreign exchange contracts which matured during the corresponding periods, revenues would have been €120.2 million in Q4 2010, representing an increase of 29.8% compared to Q4 2009. Losses on the contracts which matured during the period were €1.2 million, compared to losses of €1.8 million in Q4 2009.

Operating expenses increased by €31.6 million, or 52.7%, to €91.6 million in Q4 2010 from €60.0 million in Q4 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*, which principally include food and beverage cost of sales, increased by €1.1 million, or 64.7%, to €2.8 million in Q4 2010 from €1.7 million in Q4 2009, due primarily to an increase in the sale of food and beverages in Q4 2010 compared with Q4 2009, as well as to the price of goods sold, which were affected by inflation, and to the appreciation of the Argentine peso against the euro.
- *Personnel Expenses* increased by €7.5 million, or 59.1%, to €20.2 million in Q4 2010 from €12.7 million in Q4 2009, principally due to increases in payroll resulting from inflation as well as personnel increases associated with an increase in the number of machines, and to the appreciation of the Argentine peso against the euro.
- *Depreciation* increased by €1.7 million, or 65.4%, to €4.3 million in Q4 2010 from €2.6 million in Q4 2009 as a result of the increase in the portfolio as well as to the appreciation of the Argentine peso against the euro.
- *Amortization* increased by €0.1 million, or 16.7%, to €0.7 million in Q4 2010 from €0.6 million in Q4 2009.
- *Other Operating Expenses*, which include gaming and other taxes, marketing expenses, and payments to the non-profit organizations that nominally hold the licenses to operate the bingo halls, increased by



€1.2 million, or 50.0%, to €3.6 million in Q4 2010 from €2.4 million in Q4 2009. The increase is principally attributable to an increase in gaming tax resulting from: the absence of the €6.2 million provision reversal associated with the La Plata license renewal recorded in Q4 2009; 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; and, to a lesser extent, from the appreciation of the Argentine peso against the euro.

Operating Profit increased by €2.0 million, or 6.5% to €2.8 million in Q4 2010 from €0.8 million in Q4 2009. Operating margin decreased to 26.4% in Q4 2010 from 33.9% in Q4 2009.

EBITDA increased by €3.8 million, or 11.2%, to €7.8 million in Q4 2010 from €4.0 million in Q4 2009. The increase is principally attributable to the increase in the number of machines installed and in the net win per machine per day, as well as the appreciation of the Argentine peso against the euro, partially offset by the absence of the €6.2 million provision reversal associated with the La Plata license renewal recorded in Q4 2009. At a constant exchange rate (and adjusted to eliminate the losses on the foreign currency contracts which matured during the corresponding periods) EBITDA would have been €7.3 million in Q4 2010, representing an increase of 4.2% compared to Q4 2009. EBITDA margin decreased to 30.4% in Q4 2010 from 37.4% in Q4 2009.

Mexico

	Three months ended December 31,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	48.9	60.0	22.7%
<i>Of which sales to Caliente</i>	5.3	-	(100.0%)
Operating expenses			
Consumption and other external expenses.....	14.0	10.8	(22.9%)
<i>Of which sales to Caliente</i>	6.3	-	(100.0%)
Personnel expenses	4.6	7.0	52.2%
Depreciation	2.9	3.7	27.6%
Amortization of intangible assets.....	1.1	1.0	(9.1%)
Variation in provisions for trade transactions	0.2	-	(100.0%)
Other operating expenses	16.8	22.8	35.7%
Gaming and other taxes	1.8	2.8	55.6%
Machine rentals ¹	1.2	(0.9)	n.a.
Others ¹	<u>13.8</u>	<u>20.9</u>	51.4%
Total operating expenses	39.6	45.3	14.4%
Gains or losses on asset disposals.....	-	0.3	n.a.
Operating profit	9.3	15.0	61.3%
EBITDA	13.5	19.4	43.7%

1. These line items for the quarter ended December 31, 2009 differ from those previously reported because we include €0.6 million in Machine Rentals which were previously classified under Other.

Operating Revenue includes our participation in the operating companies of ICELA (our joint venture with CIE), and the directly-owned licensees (Promojuegos and Mio Games), as well as revenue from our management services agreement with Caliente. We proportionally consolidate our 49% stake in ICELA, and we consolidate 100% of Promojuegos and Mio Games. 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 (*see Other Relevant Information*) the new management services agreement provides for an annual fee of up to U.S. \$36 million, as well as an aggregate monthly fee of U.S. \$1.0 million, and we terminated the contract pursuant to which we constructed or

refurbished halls and sold them to Caliente at cost. Our operating revenue also includes gains and losses from the Mexican peso forward exchange contracts which mature during the period.

Operating revenue increased by €1.1 million, or 22.7%, to €60.0 million in Q4 2010 from €48.9 million in Q4 2009. The increase is principally attributable to: the appreciation of the Mexican peso against the euro, the increase in the net win per machine per day in ICELA, and the increase in the number of machines installed in ICELA and Promojuegos. This increase has been partially offset by the decrease in the sales to Caliente following the termination of that agreement effective June 30, 2010, and the losses on the foreign exchange contracts which matured during the period compared to gains on the contracts which matured in the comparable period in 2009. At a constant exchange rate, and excluding the gains and losses on the foreign exchange contracts which matured during the corresponding periods, revenues would have been €52.7 million in Q4 2010, representing an increase of 9.1% compared to Q4 2009. Losses on the contracts which matured during the period were €0.3 million, compared to gains of €0.6 million in Q4 2009.

Operating expenses increased by €5.7 million, or 14.4%, to €45.3 million in Q4 2010 from €39.6 million in Q4 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*, which include the cost of building out and equipping the halls sold to Caliente (until June 30, 2010), 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 food and beverages cost of sales for ICELA and Promojuegos and Mio Games, decreased by €3.2 million, or 22.9%, to €0.8 million in Q4 2010 from €4.0 million in Q4 2009, due primarily to the decrease in the sales to Caliente following the termination of that agreement effective June 30, 2010. This decrease was partially offset by appreciation of the Mexican peso against the euro.
- *Personnel Expenses* increased by €2.4 million or 52.2% to €7.0 million in Q4 2010 from €4.6 million in Q4 2009 primarily due to the appreciation of the Mexican peso and an increase in the installed capacity in the ICELA operations.
- *Depreciation*, which includes the investment in halls operated by ICELA, Promojuegos and Mio Games as well as the racetrack and the convention center and the capitalized leases associated with the IGT machines (in ICELA), increased by €0.8 million, or 27.6% to €3.7 million in Q4 2010 from €2.9 million in Q4 2009. The increase is principally attributable to the increase in the number of machines installed in ICELA and Promojuegos and the appreciation of the Mexican peso against the euro.
- *Amortization*, which primarily includes the amortization of the licenses for the ICELA halls, decreased by €0.1 million, or 9.1% to €1.0 million in Q4 2010 from €1.1 million in Q4 2009.
- *Other Operating Expenses* increased by €6.0 million, or 35.7% to €2.8 million in Q4 2010 from €16.8 million in Q4 2009 principally due to: the appreciation of the Mexican peso, the increase in the number of machines installed in ICELA and Promojuegos, higher gaming taxes, partially offset by the non-recurring reversal of a fiscal contingency (€0.9 million) and of another provision (€1.2 million).

Operating Profit increased by €5.7 million, or 61.3% to €15.0 million in Q4 2010 from €9.3 million in Q4 2009. Operating margin increased to 25.0% in Q4 2010 from 19.0% in Q4 2009.

EBITDA increased €5.9 million, or 43.7%, to €19.4 million in Q4 2010 from €13.5 million in Q4 2009 primarily due to: the increase in the number of machines installed and in the net win per machine per day in ICELA; as the lower sales to Caliente; the appreciation of the Mexican peso; and the provision reversals in ICELA. The increase was partially offset by the losses on the foreign exchange contracts which matured during the period. 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 €17.3 million in Q4 2010, an increase of 34.1% compared to Q4 2009. EBITDA margin increased to 32.3% in Q4 2010 from 27.6% in Q4 2009.

Spain AWP

	Three months ended		
	December 31,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	44.6	42.0	(5.8%)
Operating expenses:			
Consumption and other external expenses.....	2.9	1.5	(48.3%)
Personnel expenses.....	9.0	8.4	(6.7%)
Depreciation	4.4	3.7	(15.9%)
Amortization of intangible assets	3.5	3.5	0.0%
Variation in provisions for trade transactions.....	0.5	(0.1)	n.a.
Other operating expenses:	20.7	20.8	0.5%
Gaming and other taxes	15.2	15.1	(0.7%)
Machine rentals.....	(0.6)	-	n.a.
Others	<u>6.1</u>	<u>5.7</u>	(6.6%)
Total operating expenses	41.0	37.8	(7.8%)
Gains or losses on asset disposals.....	(1.4)	(1.0)	n.a.
Operating profit	2.2	3.2	45.5%
EBITDA	12.0	11.3	(5.8%)

Operating Revenue decreased by €2.6 million, or 5.8%, to €42.0 million in Q4 2010 from €44.6 million in Q4 2009. We had 15,347 machines in Spain as of December 31, 2010, compared to 15,587 as of December 30, 2009. In Q4 2010, we entered into new contracts for the placement of 389 machines in bars, restaurants and other establishments. In Q4 2010 contracts related to 372 machines expired or were otherwise terminated. The net win per machine per day was €9.1 in Q4 2010, compared to €0.7 in Q4 2009. The decrease in net win per machine is principally attributable to the dilution of the positive effect caused by the regulatory changes which came into effect in 2H 2009 in Madrid and Extremadura, and to the adverse macroeconomic conditions, partially offset by the continuous renewal and rotation of the machine portfolio and the positive effect of regulatory changes in the Basque Region.

Operating Expenses decreased by €3.2 million, or 7.8%, to €37.8 million in Q4 2010 from €41.0 million in Q4 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses* include payments to certain AWP operators with whom we enter into collaboration agreements, costs related to ancillary services provided to site owners and machines purchased for resale. Consumption and other external expenses decreased by €1.4 million, or 48.3%, to €1.5 million in Q4 2010 from €2.9 million in Q4 2009 principally attributable to the decrease in payments to machine operators and in the costs related to ancillary services.
- *Personnel Expenses* decreased by €0.6 million, or 6.7%, to €8.4 million in Q4 2010 from €9.0 million in Q4 2009. The decrease is principally attributable to the reduction in personnel and the absence, in Q4 2010, of €0.5 million in non-recurring restructuring costs recorded in Q4 2009.
- *Depreciation* decreased by €0.7 million, or 15.9%, to €3.7 million in Q4 2010 from €4.4 million in Q4 2009 principally attributable to the decrease in the number of machine installed compared to the comparable period in Q4 2009.
- *Amortization* was €3.5 million in Q4 2010, the same as in Q4 2009
- *Variation in provisions for trade transactions* was (€0.1) million in Q4 2010, compared to €0.5 million in Q4 2009.
- *Other Operating Expenses* increased by €0.1 million, or 0.5%, to €20.8 million in Q4 2010 from €20.7 million in Q4 2009.

Losses on asset disposals was €1.0 million in Q4 2010, compared to €1.4 million in Q4 2009.

Operating Profit increased by €1.0 million, or 45.5%, to €3.2 million in Q4 2010 from €2.2 million in Q4 2009. Operating margin increased to 7.6% in Q4 2010 compared to 4.9% in Q4 2009.

EBITDA decreased by €0.7 million, or 5.8%, to €1.3 million in Q4 2010 from €2.0 million in Q4 2009. EBITDA margin was 26.9% in Q4 2010, the same as in Q4 2009.

Italy

	Three months ended		
	December 31,		
	2009	2010	% change
	(€in millions, except percentages) (unaudited)		
Operating revenue	33.2	40.5	22.0%
Operating expenses:			
Consumption and other external expenses.....	0.5	0.7	40.0%
Personnel expenses.....	6.1	7.8	27.9%
Depreciation	2.0	2.3	15.0%
Amortization of intangible assets	0.3	0.4	33.3%
Variation in provisions for trade transactions.....	-	(0.1)	n.a.
Other operating expenses:	22.8	26.4	15.8%
Gaming and other taxes	17.1	18.4	7.6%
Others	5.7	8.0	40.4%
Total operating expenses	31.7	37.5	18.3%
Gains or losses on asset disposals.....	(0.3)	-	n.a.
Operating profit	1.2	3.0	150.0%
EBITDA	3.8	5.6	47.4%

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 bingo 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 our machine operation, which includes amounts collected from AWP machines placed in non-specialized locations (i.e. bars) after prize payouts, and excluding the site owner's share, as well as revenues after prize payouts for VLTs placed in dedicated gaming halls. Operating revenue increased by €7.3 million, or 22.0%, to €40.5 million in Q4 2010 from €33.2 million in Q4 2009, due to: an increase in the net win per machine per day of the AWP machines in our bingo halls, the roll-out of the VLTs, the consolidation of the Caserta hall (beginning October 2010), partly compensated by a decrease in bingo revenues resulting from the increase in the bingo prize payout (from 58% to 70%) following the regulatory change introduced in November 2009, as revenues are reported net of prizes.

Operating Expenses increased by €5.8 million, or 18.3%, to €37.5 million in Q4 2010 from €31.7 million in Q4 2009. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses* which principally includes food and beverage cost of sales in the bingo operations. Consumption and other external expenses increased by €0.2 million, or 40.0%, to €0.7 million in Q4 2010 from €0.5 million in Q4 2009 mainly attributable to increased food and beverage sales.
- *Personnel Expenses* increased by €1.7 million, or 27.9%, to €7.8 million in Q4 2010 from €6.1 million in Q4 2009. The increase is principally attributable to an increase in personnel associated with an increase in the number of bingo cards sold and the acquisition of the Caserta hall, as well as the roll-out of the VLTs, which we began deploying in October 2010.

- *Depreciation* increased by €0.3 million, or 15.0% to €2.3 million in Q4 2010 from €2.0 million in Q4 2009 principally attributable to the consolidation of the Caserta hall, as well refurbishments of the bingo halls associated with the roll-out of the VLTs.
- *Amortization* increased by €0.1 million, or 33.3% to €0.4 million in Q4 2010 from €0.3 million in Q4 2009 principally associated with the amortization of the VLT rights.
- *Variation in provisions for trade transactions* decreased by €0.1 million to (€0.1) million.
- *Other Operating Expenses* increased by €3.6 million, or 15.8%, to €6.4 million in Q4 2010 from €2.8 million in Q4 2009 principally attributable to the increase in operating expenses primarily associated with: the roll-out of the VLTs, the increase in gaming tax due to the increase in the net win per machine per day in the AWP machines located in the bingo halls as to the introduction of the VLTs, and the consolidation of the Caserta hall; which compensate the decrease in bingo gaming tax in effect since November 2009.

Losses on asset disposals were nil, in Q4 2010 compared to €0.3 million in Q4 2009.

Operating Profit increased by €1.8 million, or 150%, to €3.0 million in Q4 2010 from €1.2 million in Q4 2009. Operating margin increased to 7.4% in Q4 2010 from 3.6% in Q4 2009.

EBITDA increased by €1.8 million, or 47.4%, to €5.6 million in Q4 2010 from €3.8 million in Q4 2009 principally attributable to the increase in the net win per day of AWP machines in the bingo halls, the installation of VLTs, the regulatory change in bingo since November 2009 and the consolidation of the Caserta hall. EBITDA margin increased to 13.8% in Q4 2010 from 11.4% in Q4 2009.

Other Operations

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

Operating revenue increased by €5.5 million, or 54.6%, to €43.9 million in Q4 2010 from €28.4 million in Q4 2009. This was principally attributable to the increase in: Panama (€3.4 million) principally due to the consolidation of the six casinos acquired (consolidated beginning September 1, 2010), the re-opening of the Casino Colon (end of September 2010) and to the appreciation on the US dollar against the euro compared to the comparable period in 2009; Spain Sports Betting (€0.8 million) associated with the consolidation of 100% of the business since January 2010 and with the progressive build-out of betting locations, including the launch in Navarra (October 2010); Uruguay (€0.9 million) due to the appreciation of the Uruguayan peso against the euro compared to the comparable period in 2009 and the increase in the number of machines installed; Colombia (€0.6 million) due to the appreciation of the Colombian peso against the euro compared to the comparable period in 2009 and to the increase in the net win per machine per day, partially offset by a decrease in the number of machines installed. This increase was partially offset by the decrease in: Spain Bingo (€0.2 million) due to a decrease in the number of bingo cards sold due primarily to adverse macroeconomic conditions.

Operating Expenses increased by €8.0 million, or 18.3%, to €51.7 million in Q4 2010 from €43.7 million in Q4 2009. This increase is mainly attributable to: Panama (€3.8 million) due to the consolidation of the six casinos acquired, the re-opening of Casino Colon, the appreciation on the US dollar against the euro compared to the comparable period in 2009, the increase in gaming tax in Q1 2010, and the recording of a non-recurring provision of €1.4 million in Q4 2010; Spain Sports Betting (€5.7 million) associated with the 100% consolidation of the business since January 2010, the increase in the number of sports betting locations and the recording of a €2.8 million charge associated with the accelerated amortization of certain assets in Q4 2010; Internet (€1.4 million) related to the launch of the business in Italy (November 2010); Uruguay (€0.7 million) due to the appreciation of the Uruguayan peso against the euro and costs associated with the Casino Carrasco project. This increase is partially offset by the decrease in costs in Colombia (€2.9 million) due to the absence of the €4.0 million impairment charge recorded in Q4 2009 and Spain Bingo (€0.6 million) mainly attributable to the absence of a €0.6 million non-recurring restructuring charge recorded in Q4 2009, partly compensated by a €0.2 million charge for the same concept recorded in Q4 2010.

Gains or losses on asset disposals or acquisitions resulted in a loss of €1.3 million in Q4 2010 compared to a loss of €1.0 million in Q4 2009, principally attributable to €1.0 million in asset disposals recorded in Spain Sports Betting.

Operating loss decreased by €7.1 million, to €9.2 million in Q4 2010 from a €6.3 million in Q4 2009.

EBITDA decreased by €2.3 million, to €2.0 million in Q4 2010 from €4.3 million in Q4 2009.



Cash Flow

	Year ended December 31,		Three months ended December 31,	
	2009	2010	2009	2010
	(audited)		(unaudited)	
	(€in millions)			
Cash flow from continuing operations:				
Operating profit.....	116.2	143.8	32.9	37.0
Expenses that do not represent cash movements				
Depreciation and amortization	92.8	99.8	23.4	29.9
Impairment.....	14.0	-	14.0	-
Other operating expenses	17.6	21.7	1.7	4.7
Income that does not represent cash movements.....	(1.8)	(9.6)	(0.3)	(1.5)
Changes in working capital	(21.2)	(16.9)	(11.7)	0.4
Corporate income tax	(44.8)	(39.4)	(10.2)	(10.0)
Net cash from operating activities	172.8	199.4	49.8	60.5
Capital expenditures ¹	(101.6)	(109.0)	(53.1)	(36.2)
Long-term loans and receivables ²	16.0	11.2	9.3	0.1
Investments ³	(0.8)	(43.5)	(0.2)	(12.7)
Net cash used in investing activities	(86.4)	(141.3)	(44.0)	(48.8)
Issuance of 8.25% bond	-	100.0	-	-
Net change in financial debt ⁴	(47.7)	9.9	(24.1)	17.7
Net change in other bank loans	33.8	(26.5)	32.4	0.6
Dividends (net)	(1.5)	(2.3)	(0.1)	(0.3)
Net change in other debt and contingent payments ⁵	5.9	(80.8)	19.8	(29.3)
Net investment in treasury shares.....	0.0	(0.1)	0.2	0.1
Interest income	1.8	3.1	0.1	1.2
Interest expense	(68.4)	(70.9)	(30.6)	(33.6)
Net cash effect of exchange rate changes.....	(1.5)	4.7	(0.4)	0.0
Net cash from financing activities	(77.6)	(62.9)	(2.7)	(43.6)
Effects of exchange rate fluctuations⁶	(1.9)	5.2	2.5	1.3
Net change in cash position.....	6.9	0.4	5.6	(30.6)
Reconciliation				
Cash at beginning of period.....	83.3	90.2	84.6	121.2
Cash at end of period.....	90.2	90.6	90.2	90.6
Change in cash position.....	6.9	0.4	5.6	(30.6)

1. 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.

2. Long-term loans and receivables include, until June 30, 2010, amounts related to building out and equipping halls that are sold to Caliente, which before the Caliente Agreement signed in July 2010, paid for such halls over a five-year period. Loans to site owners and other loans are also included.

3. Investments include expenditures relating to acquisitions.

4. Net change in financial debt includes our Senior Credit Facility, 50% of Notes issued by Hipica Rioplatense Uruguay (HRU), our JV in Uruguay and the discount, and the accrued interest since June 15, 2010 corresponding to the 8.25% bond issued in July 2010.

5. Net change in other debt and contingent payments reflects movements in temporary financial investments such as vendor financing, contingent payments, the payment of deferred gaming taxes and expenses related to the 8.25% bond issued in July 2010 and the Senior Credit Facility renewed in June 2010.

6. Includes the effect of exchange rate fluctuations in the conversion of balances to euros (these amounts were previously reported under Changes in working capital).

Cash flow for the year ended December 31, 2010

Net cash from operating activities for the year ended December 31, 2010 was €99.4 million, an increase of 15.4% from €72.8 million for the same period the prior year.

Net cash used in financing activities was €2.9 million, the principal drivers of which were as follows:

- Positive variation by funds obtained with the €100.0 million bond issue.
- A net increase in changes in financial debt of €9.9 million resulting from draw downs under the Senior Credit Facility (€6.0 million) and interest accrued on the bond since June 15, 2010 (€1.0 million) offset by amortizations of the HRU bond (€1.1 million) and the discount of the bond issue (€6.0 million)
- Negative variation in other debt and contingent payments of €80.8 million, which consists of a net decrease in vendor financing of €6.8 million, an increase in financial assets of €58.1 million (which includes the €1.4 million credit granted to the Joint Opcos following the Caliente transaction), and costs incurred in the renewal of the Senior Facilities Agreement (€4.9 million) and in the bond issue (€5.2 million), partially compensated by an increase in liabilities associated with the deferral of gaming taxes in Spain (€4.2 million). The €6.8 million net decrease in vendor financing consists of a positive variation of €20.4 million principally reflecting investments in machines in Spain AWP (€4.2 million), Italy Bingo (€5.8 million), Panama (€1.5 million), and the financing of hall expansions and refurbishments in Mexico (€5.5 million); and a negative variation of €37.2 million principally reflecting the payment of the deferred portion of the minority acquisition in Argentina (€5.6 million), reflecting the final payment associated with the ICELA acquisition (€0.3 million) and the payment of capital expenditures in Mexico (€12.6 million), Argentina (€4.6 million) and Spain AWP (€5.0 million).
- A net decrease in other bank loans of €26.5 million, due primarily to amortization of debt in Colombia, Mexico, Spain AWP and Italy Bingo, partially offset by debt incurred primarily in Italy AWP (Network).
- €0.1 million invested in treasury shares, as part of the liquidity contract.
- Dividends paid to minorities of €2.3 million, financial expenses paid of €70.9 million, financial income of €3.1 million and a net positive variation of €4.7 million related to changes in exchange rates (€13.6 million in positive variations and €8.9 million in negative variations).

We used cash for capital expenditures for intangible and fixed assets (€109.0 million), received a net of €11.2 million in long term loans and receivables consisting of: €7.8 million received from Caliente (repayments of €9.7 million, net of receivables generated of €1.9 million), €3.6 million received for long-term loans provided to Spain AWP site owners (repayments of €0.1 million, net of €5.5 million in loans), and €0.2 million for long-term loans provided to Italy AWP site owners (loans of €10.0 million, net of repayments of €9.8 million). We also used cash in Panama for the acquisition of six casinos (€30.3 million), and of the minority shareholder in the racetrack (€0.8 million); and in Italy for the acquisition of the Caserta hall (€7.0 million) and for the machine operator, FG Slot Services (€4.9 million).

Variations in foreign exchange rates (in the conversion of the cash balances) resulted in a positive impact of €5.2 million.

During the year ended December 31, 2010 we had a net increase in cash of €0.4 million.

Cash flow for the quarter ended December 31, 2010

Net cash from operating activities for the Q4 2010 was €60.5 million, an increase of 21.5% from €49.8 million for the same period the prior year.

Net cash received from financing activities was €43.6 million, the principal drivers of which were as follows:

- A net increase of €17.7 million resulting from draw downs under Senior Credit Facility (€18.0 million) and amortization of the HRU bond (€0.3 million).
- Negative variation in other debt and contingent payments of €9.3 million, which consists of a net decrease in vendor financing of €2.7 million, an increase in financial assets of €26.6 million (which includes €27.4 million credit granted to the Joint Opcos following the Caliente transaction) and the costs incurred in the bond issue (€0.1 million), partially compensated by an increase in liabilities associated with the deferral of gaming taxes in Spain (€0.1 million). The €2.7 million net increase in vendor financing consists of a positive variation of €9.3 million principally reflecting financing of the acquisitions of machines in Spain AWP (€0.9 million) Italy Bingos (€4.8 million), Panama (€0.2 million) and Argentina (€1.5 million); and a negative variation of €2.0 million principally reflecting the final payment associated with the ICELA acquisition (€5.9 million) and the payment of capital expenditures in Mexico (€5.7 million).
- A net increase in other bank loans of €0.6 million, due primarily to debt incurred in Italy AWP (network), partially offset by amortization of debt in Mexico, Italy Bingo and Panama.
- €0.1 million obtained by the sale of treasury shares as part of the liquidity contract.
- Dividends paid to minorities of €0.3 million, financial expenses paid of €33.6 million, financial income of €1.2 million and changes in exchange rates which offset each other (€1.2 million in positive variations and €1.2 million in negative variations).

We used cash for capital expenditures for intangible and fixed assets (€36.2 million), received a net of €0.1 million in long term loans and receivables consisting of: a net decrease of €0.3 million for long-term loans provided to Spain AWP site owners (repayments of €1.8 million, net of €1.5 million in loans); and a net increase of €0.2 million long-term loans provided to Italy AWP site owners (€2.5 million in loans, net of repayments of €2.3 million). We also used cash in Panama for the price adjustment related to the acquisition of six casinos (€0.3 million) and in Italy for the acquisition of the Caserta hall (€7.0 million) and for the machine operator, FG Slot Services (€4.9 million).

Variations in foreign exchange rates (in the conversion of the cash balances) resulted in a positive impact of €1.3 million.

During the quarter ended December 31, 2010 we had a net decrease in cash of €30.6 million.

Investment activities

	Year ended December 31,		Three months ended December 31,	
	2009	2010	2009	2010
	(unaudited)			
	(€in millions)			
Argentina.....	25.1	29.4	15.7	8.4
Mexico.....	12.3	13.8	5.4	3.7
Spain AWP.....	19.6	18.9	7.9	5.7
Italy	19.0	29.8	11.8	23.8
Holding Company	0.9	0.3	0.4	0.1
Other	<u>9.5</u>	<u>49.1</u>	<u>2.8</u>	<u>7.1</u>
Total	86.4	141.3	44.0	48.8
Maintenance	63.4	46.5	35.0	10.2
Growth.....	<u>23.0</u>	<u>94.8</u>	<u>9.0</u>	<u>38.6</u>
Total	86.4	141.3	44.0	48.8

Balance Sheet

The table below provides condensed consolidated balance sheet information.

	At December 31, 2009	At December 31, 2010
	(audited)	
	(€ in millions)	
Fixed and other non-current assets	922.6	1,200.6
Fixed assets, net.....	622.3	873.6
Intangible assets, net.....	201.3	244.8
Tangible fixed assets.....	353.3	411.2
Long-term financial assets.....	67.7	217.6
Goodwill on consolidation.....	263.2	289.5
Other deferred assets.....	0.1	0.3
Deferred taxes.....	37.0	37.2
Current assets	276.4	223.6
Inventories.....	9.5	9.8
Accounts receivable, Net.....	145.6	95.8
Short-term financial investments.....	25.9	25.0
Cash.....	90.2	90.6
Other assets.....	5.2	2.4
Total assets	1,199.0	1,424.2
Shareholders' equity	41.9	106.4
Share capital.....	11.0	11.0
Additional paid-in capital.....	231.3	231.3
Other.....	(219.5)	(165.2)
Net income (loss) for the period.....	19.1	29.3
Minority interests	19.6	26.6
Non-current liabilities	875.6	964.7
Deferred income.....	0.7	0.6
Provisions.....	31.2	30.3
Long-term debt and other long-term liabilities.....	843.7	933.8
Payable to credit entities.....	68.5	61.0
Deferred tax liabilities.....	32.7	42.7
Bonds LT.....	657.8	747.7
Other payables.....	84.7	82.4
Current liabilities	261.9	326.5
Trade accounts payable.....	88.2	92.0
Bonds ST.....	3.6	4.1
Payable to credit entities.....	20.3	37.2
Other non trade payables.....	145.9	188.8
Accrual accounts and others.....	3.9	4.4
Total shareholders' equity and liabilities	1,199.0	1,424.2

Comments on the December 31, 2010 balance sheet

In the year ended December 31, 2010 total assets increased by €225.2 million. This increase is principally attributable to the appreciation of the Mexican peso against the euro (12.0%), between December 31, 2009 and December 31, 2010. This appreciation also resulted in an increase in shareholders' equity.

Fixed assets, net of €9.8 million in accumulated depreciation and amortization, increased by €51.3 million primarily in the intangible and tangible fixed assets lines, as a result of the aforementioned appreciation of the Mexican peso, the acquisition of the Panama casinos, and the consolidation of 100% of Spain Sports Betting following the acquisition of William Hill's 50% stake in January 2010.

Long-term financial assets increased principally due to:

- The €52 million drawn under the credit facility granted to the Joint Opcos, in which Codere will acquire the 67.3% of the stake (subject to Cofeco approval)
- the reclassification of the balance of accounts receivables from Caliente on June 30, 2010, which, as a consequence of the restructuring of the Caliente agreement have been recorded as long term financial assets.

Goodwill on consolidation increased by €6.3 million primarily by the provisional goodwill registered in relation to the acquisition of the Panama casinos and the acquisitions of Caserta and FG Slot Services in Italy in Q4 2010.

Short term receivables decreased €9.8 million principally attributable to aforementioned reclassification to Long - term financial assets of the balance of accounts receivables from Caliente. Cash increased by €0.4 million.

Financial debt, which consists of the long and short term portions of Payables to credit entities and Bonds, increased by €9.8 million compared to December 2009, principally as a result of the €100 million bond issue, the consolidation of the debt associated with the purchase of the Panama casinos (€8.8 million), higher debt outstanding under the Senior Credit Facility (€13 million), and an increase in debt in Italy (€5.0 million), partially offset by the amortization of debt in Colombia (€8.6 million), Mexico (€15 million), Italy (€3.2 million) and Spain AWP (€0.8 million).

Other long term payables decreased by €2.3 million principally as a result of the reclassification, from long term to short term, of amounts due for deferred gaming taxes at December 31, 2009 partially offset by the amounts payable associated with the second installment of the purchase of the VLT licenses in Italy.

Deferred tax liabilities increased in €10.0 mainly due to the registration at market price, of the assets of the Panama casinos acquired.

Other short term non trade payables increased by €42.9 principally as a result of the increase in deferred gaming taxes compared to the amount registered on December 31, 2009, the reclassification of the deferred gaming taxes from long term to short term, and the acquisitions in Panama and in Italy.

Capitalization

	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
			(unaudited)	
			(€in millions)	
Cash.....	107.1	98.3	121.2	90.6
Principal and interest of HRU bonds.....	1.5	1.5	1.4	1.5
Interest on 8.25% bonds	<u>15.9</u>	<u>2.3</u>	<u>18.3</u>	<u>2.6</u>
Bonds ST.....	17.4	3.8	19.7	4.1
Bank loans.....	20.2	19.7	19.7	23.2
Senior Credit Facility ¹	<u>1.3</u>	<u>5.2</u>	<u>(4.3)</u>	<u>14.0</u>
Payable to credit entities ST.....	<u>21.5</u>	<u>24.9</u>	<u>15.4</u>	<u>37.2</u>
Short term debt.....	38.9	28.7	35.1	41.3
8.25% bonds.....	653.8	654.0	743.7	744.4
HRU bonds	<u>4.3</u>	<u>4.0</u>	<u>3.4</u>	<u>3.3</u>
Bonds LT.....	658.1	658.0	747.1	747.7
Payable to credit entities LT.....	<u>72.0</u>	<u>64.9</u>	<u>60.9</u>	<u>61.0</u>
Long term debt.....	730.1	722.9	808.0	808.7
Total debt	769.0	751.6	843.1	850.0
Shareholders' equity.....	<u>93.0</u>	<u>128.7</u>	<u>80.5</u>	<u>106.4</u>
Total capitalization.....	862.0	880.3	923.6	956.4

1. Net of expenses of €0.7 million, €2.8 million, €4.3 million and €4.0 million in Q1, Q2, Q3 and Q4 2010, respectively.

Other financial data

	Twelve months ended,			
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
			(unaudited)	
			(€in millions)	
EBITDA.....	230.1	236.4	246.0	241.1
Net interest expense	67.2	66.6	68.1	69.3
Total net debt.....	661.9	653.3	721.9	759.4
Total net debt to EBITDA.....	2.9x	2.8x	2.9x	3.1x
EBITDA to Net interest expense.....	3.4x	3.5x	3.6x	3.5x



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 year ended December 31, 2009 and 2010:

	December 31, 2009	December 31, 2010	% change			
Euro/Argentine peso	5.45	5.27	(3.3%)			
Euro/Mexican peso	18.79	16.54	(12.0%)			
Euro/US dollar	1.44	1.34	(6.9%)			
	Three months ended December 31,			Year ended December 31,		
	2009	2010	% change	2009	2010	% change
Euro/Argentine peso	5.62	5.38	(4.3%)	5.22	5.19	(0.6%)
Euro/Mexican peso	19.29	16.81	(12.9%)	18.83	16.74	(11.1%)
Euro/US dollar	1.48	1.36	(8.1%)	1.39	1.32	(5.0%)

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>
Q1 2011	-	25.0	=	20.0	18.9
Q2 2011	-	25.0	=	15.0	18.9
Q3 2011	-	26.0	-	15.0	19.7
Q4 2011	-	<u>28.0</u>	=	=	<u>21.2</u>
Total	-	104.0	-	50.0	78.7

The realized losses on the Argentine peso foreign exchange contracts which matured during Q4 2010 amounted to €1.2 million, which when added to the losses of €2.9 million, €0.9 million and €1.3 million in Q1, Q2 and Q3 2010 respectively, resulted in a loss of €6.3 million in 2010. The realized losses on the Mexican peso foreign exchange forward contract which matured during Q4 2010 amounted to €0.3 million, which when added to the losses of €1.3 million, €2.5 million and nil in Q1, Q2 and Q3 2010 respectively, resulted in a loss of €4.1 million in the year ended December 31, 2010. The realized gains and losses are recorded as other operating revenues in our Argentine and Mexico business. Unrealized gains and losses on outstanding forward contracts are recognized as a hedging reserve in consolidated shareholders' equity.

Gaming Tax Deferrals. In Spain, gaming taxes accrue annually and, in most of the *Comunidades Autonomas*, or regions, is paid in quarterly instalments. Certain regions, however, allow for deferrals in the payments. We have applied for deferrals with the tax authorities of several regions in which we operate. As of December 31, 2010 we received approval to defer €20.1 million and are awaiting the final resolution from the authorities for an additional €3.7 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.

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

The consummation of all aspects of the Caliente Agreements, other than the transactions described in this paragraph, which became effective on July 16, 2010, are subject to the approval of Cofeco, the Mexican Federal Competition Commission. 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 at September 30, 2010 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 provides 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 continue to provide equipment and other services to the Joint Opcos.

Following the consummation of the Caliente Agreements, which is subject to Cofeco approval, Codere would acquire 67.3% of the capital stock of the Joint Opcos, with the remaining 32.7% held by Caliente, and would sell to Caliente 32.7% of Promojuegos and Mio Games. At that time we would consolidate 100% of the operations and reflect Caliente's stake as minority interest. We have presented the transaction to Cofeco on August 9, 2010 and believe that the review process will take as long as six months, nevertheless we cannot assure you that Cofeco will approve the Caliente Agreements on a timely basis or at all.

Restricted group members. For the three months ended December 31, 2010 Restricted Group Members' revenues, EBITDA, and net income were €304.6 million, €66.6 million and (€13.9) million, respectively. As of December 31, 2010, Restricted Group Members' shareholders' equity and assets were €102.1 million and €1,389.9 million, respectively.

About Codere:

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

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This document contains statements that constitute forward looking statements in its general meaning and within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations regarding potential acquisitions, estimates regarding future growth of our business, market share, financial results and other aspects of the Company's activities and situation. The forward-looking statements in this document can be identified, in some instances, by the use of words such as "expects", "anticipates", "intends", "believes", "plans", and similar language or the negative thereof or by the forward-looking nature of discussions of strategy, plans or intentions.

Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and actual results may differ materially from those in the forward looking statements as a result of various factors.

Analysts and investors are cautioned not to place undue reliance on those forward looking statements which speak only as of the date of this presentation. Codere undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Codere's business or acquisition strategy or to reflect the occurrence of unanticipated events.