CONFERENCE CALL ON THE RESULTS FOR THE QUARTER ENDED JUNE 30, 2014

Madrid, August 29, 2014

Good afternoon. This is Mónica Martín, Head of Investor Relations. I am pleased to welcome you to today's call, at which Angel Corzo, our CFO, will review the results for the quarter. After our prepared remarks we will open the session for questions.

Thank you Monica, Good afternoon everyone and thank you all for joining us today.

First of all, I will do a brief **update on the financial restructuring agenda** before turning to the evolution of the business.

Since our last call in late May, negotiations with our creditors and their advisors have continued to progress constructively and positively. As you know, our goal is to achieve a consensual deal among all stakeholders to provide Codere a new capital structure that enables it to fulfil its value creation potential over the coming years.

In order to be able to continue these negotiations, the Company has agreed and renewed the necessary Standstill and Forbearance agreements with its creditors. The last of such agreements was signed and reported on August 6th, 2014 and lasts until September 3rd 2014, at 05:00 a.m. (CET).

We believe that significant progress has been made in the negotiations since our last call. However, there can be no certainty that the process will result on a consensual restructuring that avoids insolvency.

The **results of this first half** of the year confirm the ability of the Group to continue improving the underlying basis of its performance despite the complex macroeconomic environment in Argentina and Europe and the liquidity and business constraints derived from the financial restructuring process.

In Q2 2014, EBITDA reached €43.8mm, meeting our guidance range of €43-47mm. EBITDA for the first half of the year was €91.6mm.

In constant currency terms, EBITDA for the Group grew 14.2% in Q2 (8.1% in H1 2014) when compared to the same period of 2013, showing a positive evolution year on year on local currencies in all of our markets, but Panama.

Second quarter results are also somehow affected by an adverse seasonal context due to the World Cup in Brazil in June 2014 and the slide of the Easter holiday from Q1 in 2013 to Q2 in 2014.

Back to euro terms, but also important, if we compare this year results with last year's excluding the contribution of Argentina (to gain back the lack of perspective that derives from a 61% devaluation of the Peso) and the non-recurring charges (most of them associated to efficiency costs), EBITDA for the Group grows 6% to €28.1mm in Q2 2014, from 26.5mm in Q1 2014 and 26.5mm in Q2 2013, despite a 7.3% contraction of revenues.

This positive trend is a result of the efficiency projects and policies that we have applied in all of our operations since 2013.

In numerical terms, EBITDA margin in Q2 excluding non-recurring charges has grown again on a year to year basis. More importantly, excluding Argentina which is affected by hyperinflation and devaluation, the margin of the Group keeps recovering progressively from a low point in Q2 2013 (11.3%) to 12.9% this year. Even in Argentina, EBITDA margin excluding non-recurring items has grown in the first half of the year from 19.1% in 2013 to 20.8% 2014 despite high inflation. It is the lower contribution to the group of Argentina due to the severe devaluation what has softened the growth of margins at a consolidated level.

Unfortunately, these efficiencies have also implied that our global headcount has been reduced by 24% (or 5,271 employees) since the start of last year. Most of this reduction has been achieved by leveraging on the natural churn in the business.

It is also important to highlight that this positive performance in EBITDA and margins has been achieved while minimizing investments in the business as a result of our liquidity constraints, and how it reflects the commitment of our team in the turnaround of the company.

Total capex in the first half of the year amounts to €15.2mm, well below 2013 (€49.1mm, including €12.9mm of license renewals in Argentina) and 2012 (€88.6mm excluding the ICELA acquisition).

Financial Summary

Let´s turn now to the detailed financial results. Revenues in the second quarter have decreased by €56.3mm or 14.7%. Revenue decreased mainly due to the evolution in Argentina (€39.2mm) where the devaluation of the Argentine Peso (61%) was not compensated by growth in local currency (18.5%), and to a lesser extent Mexico (€12.1mm) mainly due also to the devaluation of the Mexican Peso. As I mentioned before, revenues in the second quarter were affected negatively by the Football World Cup in June and the fact that the Easter holidays were in April instead of March as last year.

Regarding operating expenses, they decreased by €82.4mm or 20.7% to €315.4mm. This decrease was especially significant in México (38.0mm) due to the absence of the impairment loss of €24.3mm accrued in Q2 2013, and Argentina (€31.2mm) as a result of the aforementioned devaluation of the Peso.

In terms of EBITDA, our reported EBITDA for the second quarter is €43.8mm, which implies a reduction of 9.9% vs. last year, while in constant currency terms it would have grown a 14.2% to €55.5mm.
As I explained before, this is mainly a consequence of the Argentine Peso devaluation that has reduced EBITDA in Argentina by 36.4% or €9.5mm. On the other hand, EBITDA has grown in the rest of the Group (€4.7mm), led by Italy (€2.2mm) and Uruguay (€2.0mm).

It is also worth to notice that net losses for the Group, both in the quarter and the year to date period have decreased versus 2013, by €16.7mm and €10.1mm respectively.

Before turning to the review of the performance by business unit let me point out that since January 2014 results are not comparable with those reported last year, as an update of the IFRS 11 rules has obliged us to consolidate HRU business in Uruguay by the equity method rather than by proportional consolidation as it was done up to this year. So in our reported results 2013 figures have been adjusted to the same standard for comparative purposes.

Argentina.

Our business in Argentina is showing remarkable resilience in a very challenging macroeconomic context. The country is facing negative gdp growth in real terms, high inflation rates, and accelerated devaluation both in the official and parallel exchange markets. In this context, our revenue is growing faster than in 2013, though still below inflation estimates. This growth is helping us to maintain our leading position in the market despite of our slower deployment of smoking club facilities in the bingo halls. Our revenue market share has only changed to reflect variations in the market share of the number of machines in the market.

In terms of operating expenses, we have been able to contain the growth of costs below inflation in local currency terms (approximately 22% growth vs. an inflation estimate of at least around 30%) by reducing non-critical expenses, negotiating costs with our providers and continuously reengineering our business model.

More in detail, Argentina has accounted for 34% of revenues and 34% of EBITDA, excluding headquarters, in the second quarter of the year.
Revenues in the second quarter have reached €109.8mm, a decrease of €39.2mm or 26.3% versus last year. This evolution comes as a result of the aforementioned 61% devaluation of the Argentine Peso that has not been fully offset by growth in local currency of 18.5%. Net win per day has grown a 16.7% in the quarter despite the impact of the World Cup in the last weeks of the quarter.

EBITDA in the second quarter decreased €9.5mm to €16.6mm (or 36.4%), mainly affected by the depreciation of the Peso against the euro, partially offset by inflation in salaries and other costs. EBITDA at constant currency would have grown 2.7% versus 2013. As a result of this evolution, EBITDA margin declined from 17.5% to 15.1%. Excluding non-recurring charges EBITDA margin declined from 19.6% in Q2 2013 to 18.1% in Q2 2014.

As I said before, Argentina continues working on reengineering projects to recover profitability and has spent €3.3mm in efficiency projects in the second quarter of the year. On the other hand, we are also progressing on the deployment of the smoking clubs in our halls in the Gran Buenos Aires area. Two new smoking clubs were opened in the last days of June and one more has been opened in August.

Mexico.

The performance of the business unit of México has rebounded in the second quarter from a weak first months in 2014 despite a still weak macroeconomic context and the World Cup (which softened our revenue line on the last weeks of June). The business unit is progressively adapting to the changes brought by the new Anti-Money Laundering regulation issued last year and is showing recovery in wins per day, fuelled by a growth in the number of visits to our halls from January to June (1.4%).

In Euro terms revenue has grown in the second quarter to €84.1mm from €78.4mm in Q1 2014. On local currency terms, quarter gaming revenues are now flat vs. last year (after decreases in previous quarters), and the reduction of 4.7% is mainly associated to the externalization of the Banamex Convention Center.
While working on the revenue generation stream, our management team is also focused on maximizing margins and is continuously revisiting its business model to reduce costs.

We would expect these efforts to help us to recover our margins on the second half of the year, as they have already grown 1% from Q1 2014 to Q2 2014. Among other measures the headcount of the business unit has further reduced from 9.116 to 7.057 employees from June 2013 to June 2014, after starting last year in 10.393.

We would also like to highlight that the Government keeps sending the right signals towards the normalization of the activity, by taking action against some of the non-compliant operators as we discussed in our call last May and by launching internal discussions about a new legislation for the activity.

Mexico has accounted for 26% of Group´s revenues and 36% of Group´s EBITDA in the second quarter of the year, becoming the largest contributor of EBITDA to the Group.
Revenues in the second quarter of 2014 fell by 12.6% to €84.1 compared to the same period of 2013. At constant exchange rate, the decrease was of 4.7% to €91.7mm. As we just discussed, gaming revenues have been flat in local currency and have grown 4.5% versus the first quarter of 2014.

EBITDA on the second quarter of 2014 reached €17.7mm vs. €18.4mm last year. This decrease has been a result of the Mexican Peso devaluation versus the Euro, as EBITDA at constant currency grew 3.8% to €19.1mm. In euro terms, Mexican EBITDA grew €2.1mm or 13.5% from 15.6mm in the first quarter of the year. This EBITDA growth is caused not only by the growth in revenues we discussed before, but by an improvement in margins of 1% quarter on quarter thanks to the focus on efficiencies we discussed previously. We expect these efficiency efforts to continue in the second part of the year in order to improve our recurring margins in the business.

Italia

Let me address now the European Business Units. The Italian operation has improved significantly its results in the last quarters by successfully deploying multiple efficiency projects that have increased our first half margins by 2.5% excluding non-recurring items. These results are more remarkable if we take into account that they have been obtained in a receding market in terms of revenues due to the adverse macroeconomic context in Italy.

Actually, our revenues have decreased 2.4% in the first six months of the year, a bit better than market estimates of a reduction of 3% in the gaming activities in which we participate. This has happened despite the closure of two non-profitable small halls in northern Italy. As we have said in previous calls we expect to be able to deploy a good part of the unused VLT licenses in the second part of the year.
Italy represented in the second quarter of the year 19% of revenues and 13% of EBITDA excluding headquarters.

Revenues decreased 0.9% in the second quarter of the year to €62.6mm versus €63.2mm in the same period of last year. As explained before, this reduction is a consequence of the weak macroeconomic environment in Italy and the progressive deterioration of the bingo business. Nevertheless we have experienced growth in daily wins both in the VLT (4.0%) and the AWP (0.8%) businesses. The increase of 1.5% in the number of machines connected to our network and, more importantly, the increase of the activity ratio (number of operating machines versus existing licenses) from 85.6% to 91.3%, have also contributed positively to our revenue line.

EBITDA increased 55.0% to €6.2mm versus €4.0mm in the same quarter of last year. As I just mentioned, this is mainly as a result of the cost saving efforts and projects carried out by the business unit. EBITDA margin excluding non-recurring items increased to 9.1% in Q2 2014 from 7.0%.

To complete the information on Italy, let me remind you that the Corte dei Conti Hearing has been once again postponed to October 15th 2014. As we reported in our annual accounts, the Corte dei Conti seized last May the €9.7mm 2013 network canon payment that the gaming regulator was supposed to do to Codere Network.

A final comment to point out that the regulator has just modified the bingo game regulation in order to grant operators the capacity to change the distribution of prizes between different prize categories. We believe this modification might have a positive impact on the evolution of the bingo game.

Spain

Turning now our attention to Spain. Our operation in Spain continues its successful deployment of the Sports Betting operation where we continue to lead the market in terms of Post of sales and revenues with an estimated market share above 30%. As regulation has allowed, we have continued to deploy investment efforts to cover new markets and reinforce our position in existing ones to leverage our scale and platform.

At the same time, we continue to rationalize our portfolio of machines in the traditional AWP market while reengineering our operation and organization to adapt to the current performance of the machines and the introduction of the sports betting revenue line in new geographies.

As a result of these, the business unit is delivering stable revenues and growing EBITDA margin in the quarter.

Spain accounted for 12% of revenue and 10% of EBITDA in the second quarter excluding headquarters. Revenues decreased 1.0% in the quarter to €38.0mm versus €38.4mm last year. This also meant an increase of €0.5mm versus the first quarter of the year. As I explained before, the operation has compensated lower revenues in the AWP business, related to the rationalization of the machine portfolio (8.1%) and the 0.9% decrease in the win per day, and, to a lesser extent, in the bingo business with the growth of revenues in the Sports Betting business.

In the second quarter we recorded higher revenues per point of sale (+14%) and an increase in the number of points of sale (1,495 in Q2 2014 compared to 1,207 in Q2 2013), both in previously regulated regions as well as new deployed ones.
EBITDA increased 11.9%, or €0.5mm, in Q2 2014, versus the same period of last year as a result of lower taxes and personnel costs derived of the operational reengineering and rationalization of the AWP portfolio I mentioned before. These savings were partially offset by the costs to operate a larger network of Sports Betting locations. In the same line, the EBITDA margin excluding non-recurring charges increased to 13.4% versus 12.2% in the second quarter of last year and 12.5% in the first quarter of the year.

As in the first quarter of the year, this business was also affected by higher costs in guarantees linked to gaming taxes and Sports Betting licenses as a consequence of the financial situation of the Group.

Other Operations

Lastly, with respect to our Other Operations in Latin America, revenues decreased 10.9% or €4.0mm to €32.6mm. This evolution is mainly affected by the appreciation of the euro versus the respective local currencies in the period. At constant currency terms this decrease would be reduced to €1.4mm or 3.8%. On local currency terms the main contribution to this decline was the decrease in win of casino table games in Panama.

EBITDA improved by €1.7mm to €3.8mm in Q2 2014, principally due to reduced losses in Carrasco Hotel and Casino (€2.0mm improvement). EBITDA also grew in Colombia (€0.4mm) despite lower revenues thanks to the efficiency projects carried out in the market. On the other hand, EBITDA in Panama decreased €0.7mm as a result of the decrease in revenue and the devaluation of the US dollar, partially compensated by the efficiency projects also deployed in this operation.

Finally, EBITDA margin of other operations improved to 11.7% in Q2 2014 from 5.7% in Q2 2013 highlighting again the efforts done to improve our profitability in these businesses.

Regarding Carrasco Hotel and Casino we keep working hard with the new management team to reach breakeven as planned, multiple measures are under way and we expect to see the impact of those in the coming months.

Turning now to **the rest of the P&L**

Financial expenses decreased by €0.2mm (0.6%) to €33.7mm in the second quarter of 2014. The decrease was primarily attributable to the reduction of financial charges in Argentina, Mexico and Panama, partially offset by higher funding costs under the Senior Credit Facility, including default interest costs in that facility, and additional interest resulting from the unpaid coupons of both bonds.

Taxes decreased in the quarter €1.9mm (17.8%) to €8.8mm, principally as a result of the lower income tax accrued in Mexico due to the abolishment of the Mexican Flat Tax (IETU) from January 1st, 2014 but also to the devaluation of the Argentine Peso.

Minority interest increased €8.9mm to a loss of €4.5mm in Q2 2014 as a result of lower losses accrued in the Mexican Joint OpCos (legacy Caliente) and the Carrasco Hotel and Casino operation in Uruguay.

As a result of the aforementioned, the net loss in the second quarter of the year was €37.1mm, compared to a net loss of €53.8mm for the same period in 2013.

Before I turn to liquidity, let me remind you that 2014 results include, in the first half of the year, extra operating costs of €1.2mm and additional financial expenses of €6.4mm (mainly default sfa rates and interest on unpaid coupons) related to the financial restructuring process. Additionally, during the first half of 2014 we have spent €7.6mm in fees of advisors which are yet to be reflected in the reported P&L.

I will turn now to a couple of points on our **liquidity**. At June 30, 2014, we had €73.4mm in cash and no available amounts under the Senior Credit Facility. Out of the cash at the end of June, 27% of the cash was in Argentina, 49% in Europe and the rest in other markets. At the end of July, we had €69mm in cash, 24% of which was in Argentina and 52% in Europe.

Coverage and leverage ratios were 1.4x and 6.6x respectively, compared to 1.9x and 4.6x at June 30, 2013.
Net financial debt at the end of the period was €1,199.5mm.

With this, I will turn to the **outlook** for the business. For Q3 2014, we expect a reported EBITDA in the range of €47-€51mm, growing up to 16% versus this quarter and maintaining our estimate for the year at €190-210mm.

This is in line with our expectations to reinforce the underlying revenue growth trend in local currency in our core markets, while improving our operating margins excluding non-recurring items. This projection assumes a deterioration of the Argentine Peso vs. the US Dollar to 8.6 at the end of Q3 2014.

Capex for the year will be most likely below our initial estimate of €65mm, though higher than the implied rate of our figures in the first two quarters of the year.

As the efficiency and cost saving measures deployed in the last year demonstrate, we keep working hard at all levels of the company (including the financial restructuring negotiations) to improve our results and enable the company to deliver the value potential embedded in our business model.

Well. This is the end of our prepared remarks. I will now be happy respond to any questions you may have. Operator, you can open the call to questions.

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QUESTIONS AND ANSWERS FOR THE QUARTER ENDED JUNE 30, 2014

Madrid, August 29, 2014

Operator

Your first question comes from the line of Todd Miranowski. Please ask your question.

Todd Miranowski, Silver Point Capital

Hi, Angel.

Angel Corzo Uceda, Chief Financial Officer

Hi, Todd. How are you doing?

Todd Miranowski, Silver Point Capital

Good. First question for you on Argentina, you said at the World Cup in the calendar shift and Easter is sort of been dragged on performance. How much impact do you think those things had on EBITDA, do you have a sense?

Angel Corzo Uceda, Chief Financial Officer

It's difficult to translate it to EBTIDA. What you can do, and to gather a good sense of what was the impact on revenue, is to compare the KPIs we have sent for the months of July. So, if you look at the net win per day in May, June, July of last year vs. the evolution of May, June, July of this year, you can guess that the net wins per machine in Argentina in June was at least two-three points below what it should have been in a normal period.

Todd Miranowski, Silver Point Capital

Got it. Okay. And then on Carrasco, what was the Q2 EBITDA of the hotel?

Angel Corzo Uceda, Chief Financial Officer

In the second quarter, the result of Carrasco was a negative 700.

Todd Miranowski, Silver Point Capital

Got it, okay. Thank you.

Angel Corzo Uceda, Chief Financial Officer

Last year it was €2.7mm of losses.

Todd Miranowski, Silver Point Capital

Got it. Okay, thank you. And then on the cash flow, your working capital decreased by €25mm in the quarter. What's going on there? (Maybe is in the half).

Angel Corzo Uceda, Chief Financial Officer

Well, what is going on in the cash flow is that we are getting current with a lot of providers. During 2013, we increased the period of payment with a lot of providers, especially with machine providers. We had agreements that expired at the end of the year and in 2014 we are repaying for most of those accounts.

Secondly, what is also happening in the working capital is that the €7.6mm of expenses related to the financial advisors and lawyers etc. related to the process are shown in the working capital. So those contribute with another negative €7.6mm. And the other thing that happens in the working capital is that the seizure of the 0.5% of the network canon appears in working capital as a negative €9.7mm or something like that. So all those effects are contributing to a negative working capital variation.

Todd Miranowski, Silver Point Capital

Got it. And in terms of getting your payables down to sort of a normalized level, are you guys through that process or they're continuing?

Angel Corzo Uceda, Chief Financial Officer

In terms of providers, we are more or less there. We still have to catch up with a couple of machine providers in Mexico, but we have done a lot of effort on the rest of the providers across the geographies and business lines. Still you also have to take into account that like we are investing very little the numbers in the cash flow are going to reflect negative CAPEX financing figures for the foreseeable future because we are investing much less than the previous years and as you know most of our key CAPEX are paid in two to three years.

Todd Miranowski, Silver Point Capital

Got it. And then last question for you. Any update on the close halls in Mexico and when they might reopen?

Angel Corzo Uceda, Chief Financial Officer

No, the summer has been quiet on that front. We do not have any new piece of news, since the last time we talk in May.

Todd Miranowski, Silver Point Capital

Okay. Great. That's it for me. Thank you.

Angel Corzo Uceda, Chief Financial Officer

Thank you, Todd. My pleasure.

Operator

Your next question comes from the line of Juliano Torii. Please ask your question.

Juliano Torii, Ironshield Capital London

Hi, I'd like to have two questions here. I mean, since that it has been a very long negotiation process, I don't know if you could discuss essentially what are the key issues just standing in the way of an agreement or how this has progressed. So that's question number one.

And question number two is, maybe you can be related to that, you know, essentially, what do you plan to do with the Corte dei Conti decision, if you plan to supplement this, what's stopping you and what would you do if the decision goes against to that? Thank you.

Angel Corzo Uceda, Chief Financial Officer

Thank you, Juliano. Okay, regarding the negotiation process, I guess the key issue is the complexity of the negotiation process, the amount of parties that are involved, and the amount of legal issues that we have to deal with…. As I said in the speech, I believe that we are doing constructive process and that seems are advancing, but as in previous calls there are no warranties that we will reach a successful end. As soon as we have any relevant piece of news, we will communicate properly to the investors and to the CNMV, so everyone is aware of that. On your question of the Corte dei Conti, the main item or the main reason that keeps us from settling is that our lawyers keep telling us that there is no legal merit on the case. So the reason on rationale behind the case by the Corte dei Conti according to our lawyers has no solid ground and even if we have a successful appeal we could still win the case in another jurisdiction, maybe even in the European Court in Strasbourg. Still as we did before July 15th, we will consider our options until the end discussing with our lawyers, because as you can guess it's not an easy decision and we have to look at it carefully from our legal perspective.

Juliano Torii, Ironshield Capital London

I guess, you meant October 15th, right?

Angel Corzo Uceda, Chief Financial Officer

Well, yes I said July 15th, sorry, it was -- the hearing was supposed to have happened on the July 9th, that is what I was referring to, but then it was postponed again to October 15th.

Juliano Torii, Ironshield Capital London

Okay. Thank you.

Angel Corzo Uceda, Chief Financial Officer

Thank you.

Operator

There are no further questions at this time. Please continue.

Angel Corzo Uceda, Chief Financial Officer

Well, thank you everybody for joining the call. So, as always, if you have further questions later, please let us know and I and the rest of the team will be happy to attend any additional questions you may have. Thank you very much and have a nice weekend. Bye.