

2010

ANNUAL REPORT



2010

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LETTER FROM THE CHAIRMAN

Dear Shareholders:

2010 is a year in which we can state that our project has regained momentum.

We again increased our investments, reaching €141 million. To finance these, we augmented our long-term debt by €100 million through an increase in our bonds maturing in 2015.

Our revenues grew 16.4% to €1,126.5 million; EBITDA increased 4.3% to €241.1 million and net income grew 53.4% to €29.3 million.

For the first time since the Company began trading on the Madrid Stock Exchange we ended the year with an appreciation in the share price, which increased gained 34%, from €6.48 to €8.66, while the comparable market index, the Ibex Small Cap, declined 18% over the same period.

This year Argentina has continued to strengthen its position as our most important market, having received the renewal from the IPLYC of two of our licenses, San Martin and Puerto, until 2021.

In Mexico, we amended the agreements with the Caliente group, which, following approval from the Federal Competition Commission, grants us ownership of licenses to operate 35 bingo and sports betting establishments.

In Panama we completed the acquisition of the 6 casinos of the Fiesta group, also following the approval by relevant competition authorities.

In Italy, following the implementation of recent regulatory improvements, we acquired licenses for video lottery terminals available to our network operation, as well as the first online gaming license in the Group which we expect will begin commercial operations during 2011.

In Spain, after acquiring William Hill's stake in the sports betting project, we expanded its reach to the region of Navarra, and expect to expand in the near future into other regions which are preparing the necessary regulation.

2011 will again combine opportunities with threats. We will have to endure the implementation of a total ban on tobacco consumption in public facilities, combined with the regularization of illegal online gaming operators, which will put significant pressure on the viability of traditional gaming operations in Spain. In contrast, the strength of the Latin America economies, and the remarkable regulatory developments in the Italian market should continue to provide growth opportunities which we will endeavour to take advantage of with our best efforts.

Sincerely,

José Antonio Martínez Sampedro
Chairman

CONTENTS

LETTER FROM THE CHAIRMAN	3
OUR VALUES	9
THE COMPANY	21
CODERE, 30 years of professional success	22
A success story	24
2010 Milestones	26
Our Organisation	28
Key Figures	30
CODERE in the world	32
CODERE by country	34
MANAGEMENT REPORT	39
Executive summary 2010	40
Corporate analysis, fiscal year 2010	44
Areas of activity	50
Gaming machines	53
Bingo halls	57
Betting locations	61
Casinos	65
Racetracks	69
CORPORATE GOVERNANCE	73
INNOVATION	81
CODERE INTERACTIVA	85
RESPONSABILITY IN GAMING	89
CODERE and its people: commitment to its people	92
Compliance at CODERE	102
CODERE and society	106
CSR programmes at CODERE	110
AUDITORS' REPORT	117



**CODERE is governed by the following five values:
Professionalism, Transparency, Excellence,
Innovation and Responsibility**

OUR VALUES



PROFESSIONALISM

CODERE's solid and stable growth owes much to the operating quality of its highly specialised management team.

The Company has a differential business model diversified by geographical area and business unit, where growth, a result-oriented approach and the efficiency of the human team are they keys to success. Hiring, training and taking care of people is essential for CODERE to reach its business goals.





TRANSPARENCY

CODERE operates in highly regulated markets subjected to a strict administrative control. One of the hallmarks of the Company is that it stands out as an expert Group, not only in its strict compliance with all gaming business regulations in each of the countries where it operates but also as a specialist collaborator to the regulatory authorities. CODERE is a transparent and reliable company, the only company in the gaming sector in Spain to be quoted on the stock market.







EXCELLENCE

CODERE places the latest generation of gaming devices at the service of its customers, helping to improve their user experience. This goes hand in hand with the best customer service, great facilities and a range of activities that is rounded off with first-class restaurant and entertainment services. CODERE is renowned for providing all-round quality services based on a flexible and personalised approach.

INNOVATION

CODERE's relations with the leading technological suppliers, combined with the experience it has accumulated in a diversity of markets and activities, allow it to have the best technological platforms in its sector. Along these lines, CODERE is committed to the use of new technologies and is constantly researching to obtain the best products in the market.



RESPONSIBILITY

CODERE cooperates with the public administrations of all the countries in which it operates and its own Foundation is working to improve the development of the sector.

The Company offers security to its users and tax revenue to the administration while limiting the potential social impact the activity might have through the responsible management of gaming.





CODERE is present in eight countries in Europe and America. It has more than 53,500 gaming machines, 129 bingo halls, 597 betting locations, 13 casinos and 3 racetracks. Its revenues exceed €1,100m, 70% of which come from outside Spain. Its investments amount to €141.3m. The company has over 17,600 employees around the world

THE COMPANY

CODERE, 30 YEARS OF PROFESSIONAL SUCCESS

**CODERE is the only
Spanish company in the
gaming sector that is
listed on the Spanish
Stock Exchange**

CODERE is a leading Spanish multinational company in the private gaming sector which manages gaming machines, bingo halls, betting location, casinos and recetracks. The Company is also involved in the development of internet games in countries, such as Italy, where it has valid licences for this activity. It is present in eight countries in Latin America and Europe and has over 17,600 employees.

CODERE is extremely well positioned in the main business areas and countries where it operates. It is the only Spanish company in the gaming sector that is listed in the Stock Exchange – since October 19, 2007; it carries out its activities in this complex sector with absolute transparency and responsibility.

As of 31 December 2010, its portfolio of activities includes more than 53,500 gaming machines, 129 bingo halls, 597 betting locations, 13 casinos and 3 racetracks. It is the second gaming machine operator in Spain, the leading bingo hall operator in Italy and Mexico, the largest gaming operator in Buenos Aires (Argentina) and it has an outstanding position in other growth markets such as Brazil, Colombia and Uruguay.

Since the beginning of its operations 30 years ago, CODERE has maintained a trend of constant growth in both its turnover and number of employees and the services offered to its customers. The Company's success is based on its ability to adapt to market circumstances at all times, and has always reinvested its profits in new business opportunities.

The CODERE Group closed 2010 with €1,126.5m in turnover and an EBITDA of €241.1m – exceeding expectations, results that reflect the good performance of its business in the Latin American markets and Italy. Despite the complex global climate in 2010, the CODERE Group posted a net profit of €29.3m, a 53.4% increase compared to €19.1m in 2009.

These results reflect the positive evolution of the business in a complicated macroeconomic environment evidencing the solid foundations of CODERE's business model and the advantages of its geographic and product diversification.



A SUCCESS STORY

1980-1984

- CODERE begins its activities in Madrid
- It enters the Catalanian and Valencian Community markets
- CODERE begins its international expansion in Colombia

1990-1998

- CODERE begins to manage bingo halls in Argentina
- It starts operating in Mexico with the Caliente Group and CIE

1999

- CODERE obtains a syndicated loan for €45m
- It makes its first purchase of a bingo hall in Denia
- The installation of slot machines in Argentina's bingo halls is authorised, boosting the profitability of the business

2000

- Expansion into Chile
- CODERE obtains a syndicated loan totalling €72m
- It buys the CANOE bingo hall in Madrid
- The Company acquires Operibérica and adds 3,500 new machines to its business in Spain

2001-2002

- CODERE obtains a management services contract for 16 Italian bingo halls
- Monitor Clipper Partners invests €40m in CODERE

2003

- CODERE ESPAÑA S.L. takes out a mezzanine loan for €135m
- It is awarded the contract for the management of the Maroñas Racetrack in Montevideo (Uruguay) and reopens the racetrack
- The business is split into a Spanish Unit and an International Division

2004-2005

- CODERE starts managing gaming machines in Italy
- CODERE begins to manage EBTs in Mexico
- The Company acquires the Royal Group in Argentina
- It issues bonds for €335m
- It buys the Italian company Operbingo

A Group with 30 years of experience

2006

- CODERE begins operations in Brazil
- It issues bonds for €160m and €165m respectively
- The Company buys Bingo Palace and CODERE Network in Italy
- It withdraws from the Peruvian market
- CODERE acquires Recreativos MAE in Mallorca (Spain)
- It acquires the Mexican company Promojuegos
- The Martínez Sampedro family agrees to buy the shares from the Franco brothers and the ICG and MCP funds
- The Company swaps assets between Chile and Panama

2007

- CODERE goes public
- It acquires a 49% stake in Mexican company ICELA
- The Company buys Maxibingo in Italy
- It renews several of its licences in Argentina
- CODERE and its partners obtain a sports betting licence in the Basque Country

2008

- The introduction of coinless systems (TITO) starts in Argentina
- VICTORIA obtains a licence to take sports bets in the Community of Madrid and opens the first betting shop in Spain
- CODERE opens a new casino in Panama
- The company starts its sports betting operations in the Basque Country (Spain)

2009

- CODERE renews the licence of the La Plata Bingo Hall (Argentina)
- CODERE wins the contract for the reconstruction and management of the Carrasco Hotel Casino in Montevideo (Uruguay)
- The Company opens the Crown Palatino Casino in Bogota (Colombia)

2010

- CODERE consolidates its position in Mexico and announces an agreement with the Caliente Group
- It purchases 6 casinos in Panama
- The Company starts its sports betting operations in Navarre (Spain)
- The first online bingo operation in Italy begins at www.codere.it and the VLTs are installed in its Italian bingo halls

2010 MILESTONES

Chronology of CODERE's year

JANUARY

01/20/2010: CODERE completes the purchase of William Hill's 50% stake relating in the sports betting business.

FEBRUARY

02/02/2010: CODERE takes part in a seminar on money laundering organised in Panama by the Association of Certified Anti-Money Laundering Specialists (ACAMS – headquartered in Miami).

MARCH

03/16/2010: CODERE launches the book "Las apuestas deportivas" (Sports Betting) at the Madrid Stock Exchange, an event attended by the Secretary of State for Sports, Mr Jaime Lissavetzky, and representatives from Autonomous Communities, the world of sports and the gaming sector.

APRIL

04/13/2010: VICTORIA Apuestas expands its range of products in Spain: 390 football leagues, the entire professional tennis circuit and all basketball games in Spain.

MAY

05/18/2011: Signing of the agreement by which VICTORIA Apuestas becomes the sports betting provider of the Grand Casino of Aranjuez (Madrid).

JUNE

06/10/2010: The General Shareholders' Meeting is held in Madrid.
06/15/2010: CODERE renews its line of credit. A new Senior Financing Agreement is reached that modifies and increases the Company's current financing up to €120m, which can be increased to €180m; it is a multi-currency and multi-borrower agreement with a duration of three years.
18/06/2010: Renewal of the San Martín Bingo Hall licence (Buenos Aires).

JULY

07/19/2010: CODERE announces the signing of an agreement with the Caliente Group to acquire 67,3% of the capital of three companies.
07/22/2010: The subsidiary CODERE Finance (Luxembourg) issues bonds for €100m.
07/29/2010: Renewal of the licence of the Puerto Bingo Hall in Mar del Plata, Buenos Aires, (Argentina).

AUGUST

08/11/2010: Reopening of the Gonzalitos Hall in Nuevo León, Mexico.
08/20/2010: Acquisition of a 63.6% stake in six casinos in Panama operated under the Fiesta brand.

SEPTEMBER

09/01/2010: Presentation of CODERE Argentina's Corporate Social Responsibility Report.

OCTOBER

10/05/2010: The Zapopán Hall, with 559 machines, opens in Jalisco, Mexico.
10/18/2010: CODERE starts its sports betting operations in the community of Navarra.
Acquisition of the Royal Bingo Hall in Caserta, Italy.

NOVEMBER

11/20/2010: CODERE begins operating in Italy's regulated online gaming sector with an online bingo at www.codere.it.
11/26/2010: CODERE installs its first VLT terminals in Italy, in the Garbini-Viterbo Bingo Hall.

DECEMBER

12/17/2010: CODERE announces the start of the refurbishment of the Carrasco Hotel Casino in Montevideo, Uruguay.



OUR ORGANISATION

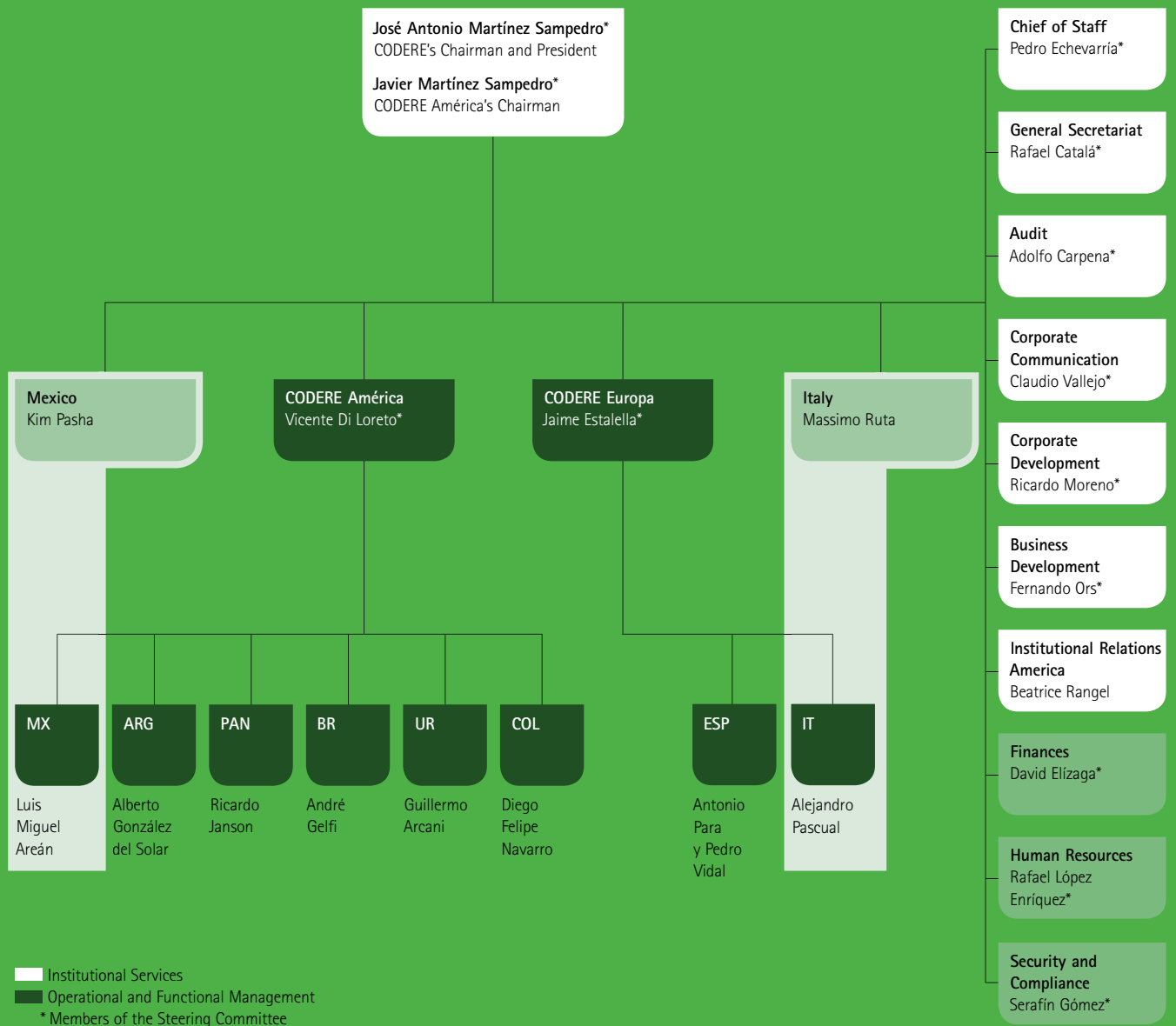
The CODERE Group is structured by geographic region and business unit. The Company operates in America and Europe. CODERE Europa encompasses the activities in Spain – Machines, Bingo Halls, and Sports Betting – and Italy – Machines, Internet Operation, and Bingo Halls. CODERE America also centralises by country the control of the operations of each of the areas of activity.

The Company's Headquarters and central services, responsible for the global strategy and corporate policies, the management of common activities and the coordination of the activity of the geographic business units, are located in Madrid.

There are two corporate areas that support the direct management of the Company: an institutional relations area, including the Chief of staff's office, General secretariat, Corporate Development, Business Development, Institutional Relations in America and Corporate Communication, and a functional area responsible for the Finance, Information and Technology, Human Resources, Security and Compliance departments.

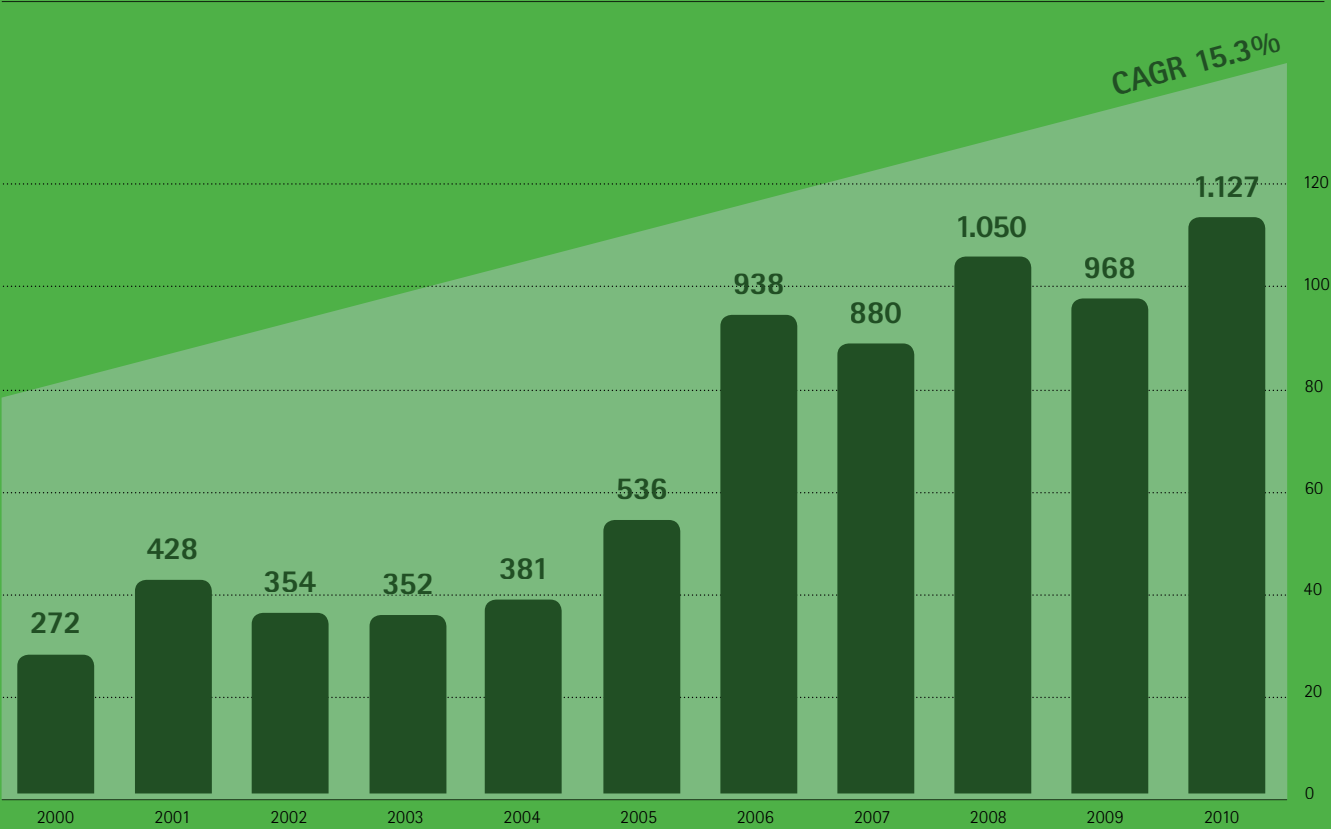
The old Corporate Compliance Department has expanded its powers by taking on the responsibilities of Asset Security, associated with the protection of people and facilities, risk control measures and all those preventive actions that allow the Company's activity to function properly.

The CODERE Group's organisational chart



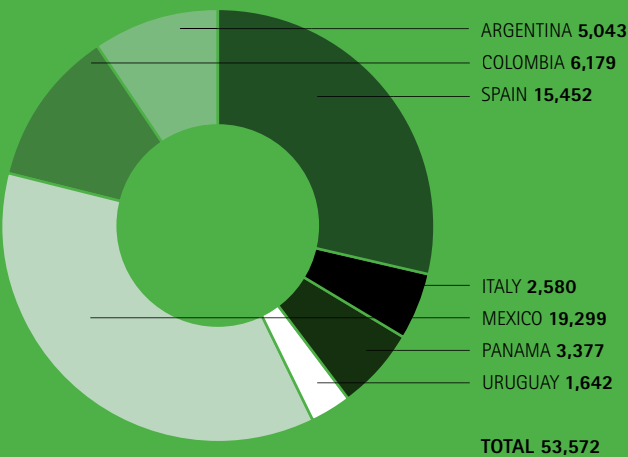
KEY FIGURES

REVENUES

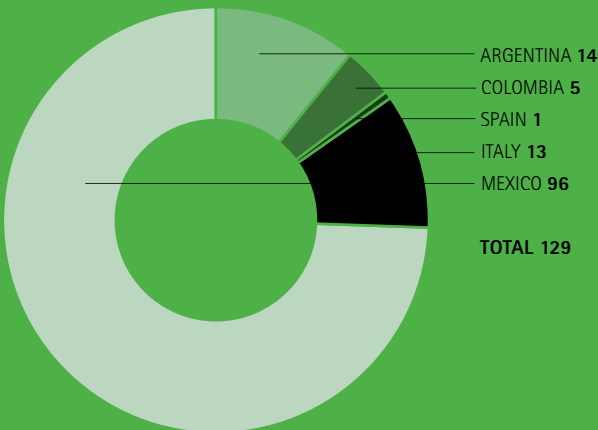


Discontinued operations are excluded between 2004 and 2008. Gain or losses on asset disposals are excluded from EBITDA since 2008. Figures between 2000-2006 are based on the Spanish GAAP thereafter in IFRS

GAMING MACHINES

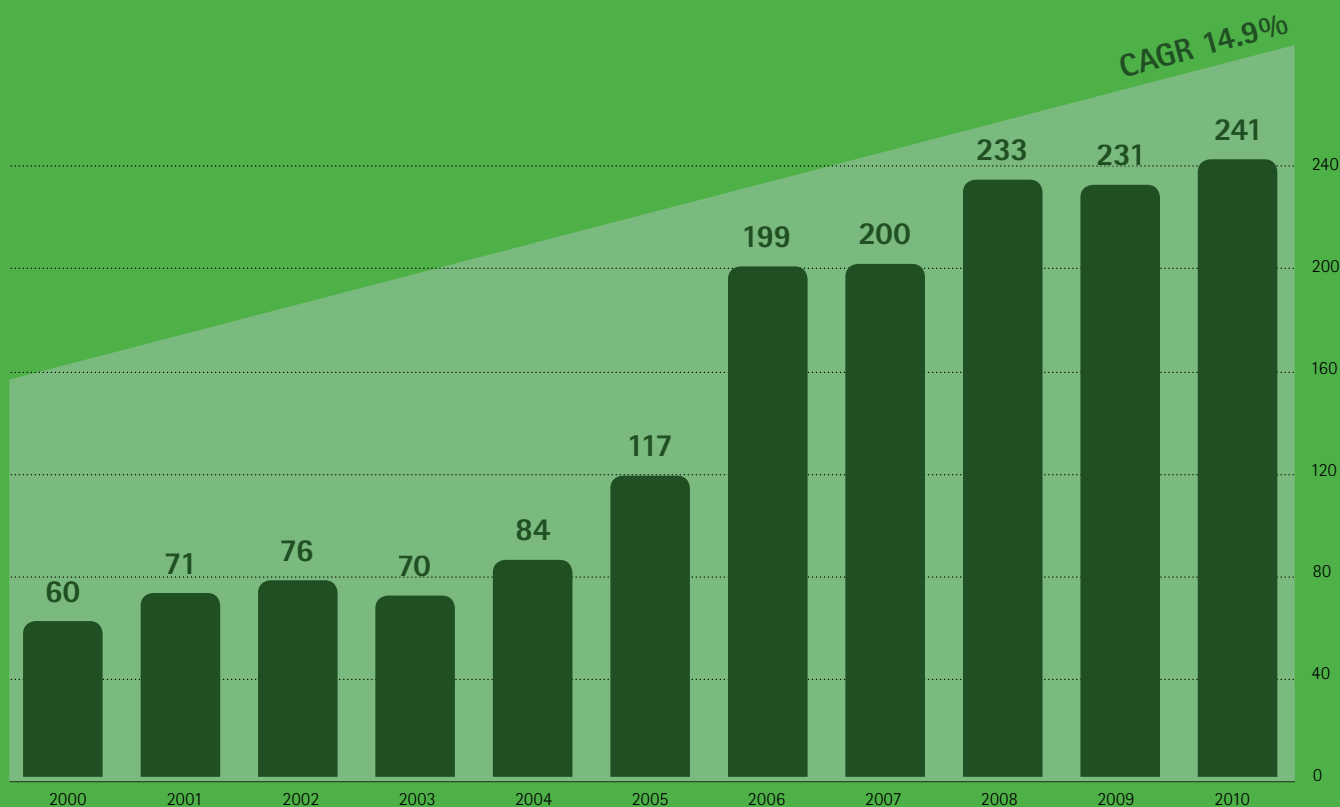


BINGO HALLS



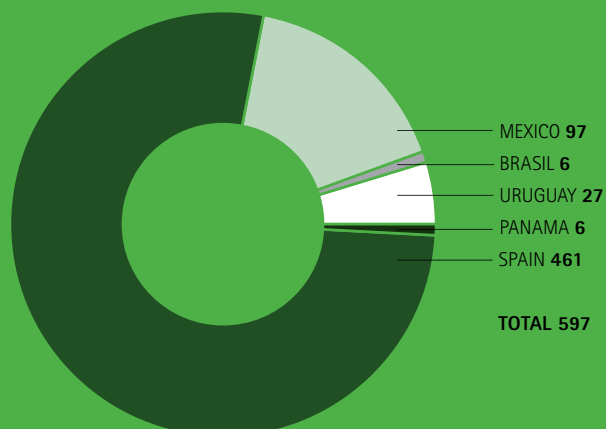
CODERE's results in 2010 exceeded by more than 50% the net income of the previous year

EBITDA

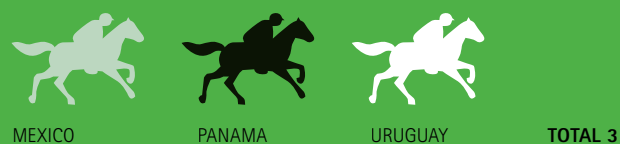


Discontinued operations are excluded between 2004 and 2008. Gain or losses on asset disposals are excluded from EBITDA since 2008. Figures between 2000-2006 are based on the Spanish GAAP thereafter in IFRS

BETTING LOCATIONS



RACETRACKS



CASINOS



CODERE IN THE WORLD

SPAIN



GAMING MACHINES

15,452

BINGO HALLS

1

BETTING LOCATIONS

461

ITALY



GAMING MACHINES

2,580

BINGO HALLS

13

Gaming machine Network

1

BINGO ONLINE/INTERNET

MEXICO



GAMING MACHINES

19,299

BINGO HALLS

96

BETTING LOCATIONS

97

RACETRACKS

1

PANAMA



GAMING MACHINES

3,377

CASINOS

11

BETTING LOCATIONS

6

RACETRACKS

1

COLOMBIA



GAMING MACHINES

6,179

BINGO HALLS

5

CASINOS

2

BRASIL



BETTING LOCATIONS

6

URUGUAY



GAMING MACHINES

1,642

BETTING LOCATIONS

27

RACETRACKS

1

ARGENTINA




GAMING MACHINES

5,043

BINGO HALLS

14



CODERE has a differential business model diversified by geographical area and area of activity. The company is present in eight countries in Europe and America

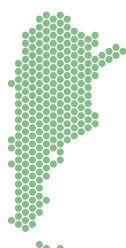
STRATEGY

CODERE keeps striving to maintain the profitability of its businesses and improve its operating efficiency. Following the efforts made in the last few years, the Company maintains its cost control measures while promoting growth initiatives and the consolidation of some of its business areas.

CODERE expects to keep growing thanks to the opportunities for development afforded by the different markets where it operates, such as VLTs in Italy, the consolidation of the business in Mexico and the installation of efficiency-enhancing systems. CODERE supports the development by regulators of a legal avenue for new gaming modes, technological innovations and channels enabling to remotely operate games of chance while giving users full guarantees. CODERE will enter these new markets on its own or in partnership with those which allow it to guarantee the utmost professionalism in the service provided to its clients.

CODERE BY COUNTRY

ARGENTINA



THE EVOLUTION OF THE MAIN MARKET

Argentina is CODERE's principal market; which continues to have encouraging perspectives. Moreover, CODERE Argentina is the largest bingo hall operator in the Province of Buenos Aires, with 14 halls in operation and 5,043 gaming machines installed. The optimisation of bingo halls continued throughout 2010 with the introduction of the coinless TITO (Ticket-In, Ticket-Out) system in 85% of the machines in the Province of Buenos Aires so far and the implementation of the transactional Player Tracking system.

AREAS OF ACTIVITY

Gaming machines: 5,043

Bingo halls: 14

COMMENCEMENT OF OPERATIONS

1991

2010 FIGURES

Revenues: €461.0m

EBITDA: €135.8m

2010 MILESTONES

An increase in the number of machines and the renewal of the licences of the Puerto and San Martin Bingo Halls.



BRAZIL



A COMMITMENT TO THE FUTURE

CODERE entered the Brazilian market in 2006 by partnering with the main horseracing clubs in the country through a horse racing betting start-up. It currently manages six betting shops under the Turff Bet & Sports Bar brand. CODERE expects to increase its presence in the country as gaming modes allowing it to add value to its business are authorised.

AREAS OF ACTIVITY

Betting locations: 6

COMMENCEMENT OF OPERATIONS

2006

2010 FIGURES

Revenues: €2.9m

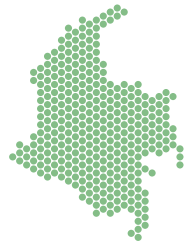
EBITDA: (€-2.1m)

2010 MILESTONES

The inauguration of a new Turff Bet & Sports Bar betting shop.

turff
BET & SPORTS BAR

The positive results were reflected the Company's growth in 2010



COLOMBIA

CONSOLIDATION OF CODERE'S LEADING MARKET POSITION

CODERE has consolidated its leading position in this market as the country's largest operator of slot machines and bingo halls. The Company introduced in 2009 the CrowN brand in the two casinos it operates in Colombia, which were positioned as premium class establishments. Since 1999 CODERE operates the Grand Casino of Cali, one of the country's most important casinos. After undergoing a significant refurbishment in 2009, it became the largest casino in Colombia and changed its name to CrowN Cali. In addition, the CrowN Casino Palatino was opened in Bogota that same year.

AREAS OF ACTIVITY

Gaming machines: 6,179
Bingo halls: 5
Casinos: 2

COMMENCEMENT OF OPERATIONS

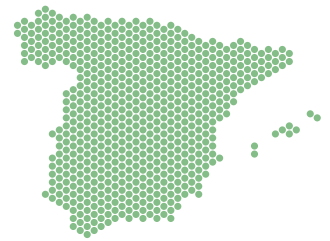
1984

2010 FIGURES

Revenues: €27.5m
EBITDA: €5.4m

2010 MILESTONES

Customer loyalty plans were implemented at Mundo Fortuna and CrowN during 2010.



SPAIN

CONTROL IN A DIFFICULT ENVIRONMENT

In spite of the complicated global economic climate, the business in Spain was capable of improving its results in 2010 owing to the profitability and cost-control approach, including the rationalization of the number of installed machines. Moreover, VICTORIA began to operate sports betting operations in Navarra which was added to Madrid and the Basque Country totals 461 betting locations. Likewise as a result of the introduction of new machines, the CANOE Bingo Hall consolidated its standing as a space of reference in multi-gaming entertainment in Madrid.

AREAS OF ACTIVITY

Gaming machines: 15,452
Bingo halls: 1
Betting locations: 461

COMMENCEMENT OF OPERATIONS

1980

2010 FIGURES

Revenues: €199m
EBITDA: €44.5m

2010 MILESTONES

VICTORIA begins its sports betting operations in the community of Navarra.





ITALY

FIRST ONLINE OPERATIONS AND NEW MARKETS

Operations in Italy had a positive evolution in 2010. In addition, the new initiatives implemented in response to the regulatory changes made in the last few years, such as the installation of a new model of gaming machine – VLT – and the launch of the online bingo at www.codere.it started this year.

AREAS OF ACTIVITY

Gaming machines: 2,580

Bingo halls: 13

1 gaming machine network concession

Online/Internet bingo

COMMENCEMENT OF OPERATIONS

2001

2010 FIGURES

Revenues: €137.4m

EBITDA: €14.2m

2010 MILESTONES

The installation of 402 VLTs in 10 bingo halls and the launch of the online bingo gaming activity at www.codere.it.



MEXICO

A POSITIVE BOOST TO THE BUSINESS

The business in Mexico has experienced a positive operational development. The number of installed machines has grown 10.8% and the average daily net win per machine (in Euros) increased 12.6%. The restructuring agreement with the Caliente Group, whereby CODERE acquired 67.3% of several licences to operate bingo halls were acquired, stands out in 2010.

AREAS OF ACTIVITY

Gaming machines: 19,299

Bingo halls: 96

Betting locations: 97

Racetracks: 1

COMMENCEMENT OF OPERATIONS

1998

2010 FIGURES

Revenues: €219.3m

EBITDA: €63.6m

2010 MILESTONES

The agreement with the Caliente Group.





PANAMA

IMPROVEMENT IN RESULTS

CODERE manages a wide range of businesses in Panama: gaming machines, casinos, betting shops and one racetrack. The results from these areas of activity are driven by the CODERE's continuous improvements to its facilities in order to reach a level of customer service excellence. In order to consolidate its leading position in Panama as a casino operator, CODERE acquired in 2010 a 63.6% stake in 6 casinos operating under the Fiesta brand.

AREAS OF ACTIVITY

Gaming machines: 3,377

Casinos: 11

Betting locations: 6

Racetracks: 1

COMMENCEMENT OF OPERATIONS

2005

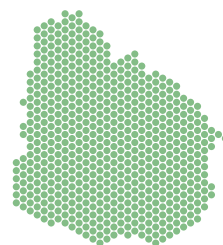
2010 FIGURES

Revenues: €62.3m

EBITDA: €4.1m

2010 MILESTONES

The acquisition of 6 casinos in Panama was completed.



URUGUAY

EXPANSION OF THE PORTFOLIO

CODERE concentrates its Uruguayan operations in Montevideo and its surrounding area, managing the Maroñas National Racetrack and the activities that derive from it: a horse racing betting system, entertainment halls with gaming machines, and betting locations. The big investment in technology at Maroñas has made this horse racing centre the most modern in Latin America; it also offers simulcasting, an exclusive system of simultaneous betting over satellite television that allows for bets on races in Europe, North America and South America. In the near future, the Carrasco Hotel Casino will be added to the Company's portfolio of activities since the contract to refurbish this establishment was recently awarded to a consortium comprising the Company.

AREAS OF ACTIVITY

Gaming machines: 1,642

Betting locations: 27

Racetracks: 1

COMMENCEMENT OF OPERATIONS

2002

2010 FIGURES

Revenues: €16.9m

EBITDA: €3.2m

2010 MILESTONES

The beginning of the Carrasco Hotel Casino refurbishment works.





In 2010 CODERE set initiatives for growth in motion and promoted the development of the Latin American and Italian markets

MANAGEMENT REPORT

EXECUTIVE SUMMARY

2010

CODERE recorded a profit of €29.3m, a 53.4% increase from 2009

In the midst of the complex economic climate of the last few years, CODERE performed well in every quarter of 2010. This good performance was boosted by increases in the main operational indicators, the number of gaming machines and the average daily net win per machine despite operations having been affected by Mexico's anti-smoking law, the increase in gaming taxes in Mexico, Panama and Colombia and the macroeconomic situation in Spain.

At the end of 2010, CODERE's **turnover** stood at €1,126.5m, a 16.4% increase compared to the previous year. EBITDA stood at €241.1m in 2010, a 4.3% rise with regard to 2009, exceeding the Company's expectations (€237m). The **EBITDA** in 2010 reflects strong growth in the markets of Argentina and Mexico and in Spain AWP.

The result ascribable to the controlling company in 2010 was €29.3m, 53.4% more than in 2009. In spite of a difficult environment, the Company continued investing in its main markets.

Most of the increase in the number of gaming machines took place in Argentina and Mexico – principal markets, where they grew almost 8% to 5,043 units and close to 11% to 19,299 units respectively. While the number of machines decreased in Spain and Colombia, the total number increased 7.7% compared to 2009.

At year's end, CODERE's portfolio of activities encompassed 53,572 machines, 129 bingo halls, 597 betting locations (109.5% more than in 2009), 13 casinos and 3 racetracks.

The growth initiatives implemented in Latin America and Italy stood out in 2010. **Investments** in 2010

amounted to €141.3m, of which €46.5m correspond to maintenance and €94.8m to growth associated with the acquisition of 6 casinos in Panama in August 2010 and the increase in the number of machines in Argentina, Mexico and Italy.

At the end of 2010, the CODERE Group had a **cash balance** of €90.6m and a €42m unused line of credit, which afforded the Company appropriate liquidity.

CODERE's operations in Argentina, Mexico, Spain and Italy constituted most of the revenues in the 2010 financial year, followed by those in Panama, Colombia, Uruguay and Brazil.

EVOLUTION OF THE MARKETS

Argentina

Argentina is CODERE's main market and the results of 2010 exceeded those of the previous year. Turnover added up to €461m, 31.0% more than in 2009, and EBITDA came to €135.8m. This gain was driven by the increase in the number of machines – a 7.8% jump with regard to 2009, which was partly due to the expansion of the Ramon Mejía Hall, and the 24.4% rise (in €) in the average daily net win per machine. Likewise, it is worth highlighting the implementation of the TITO (Ticket In, Ticket Out) System and other coinless systems in most terminals of 10 halls, which represent 85% of the machines seats which the Company operates in the Province of Buenos Aires.

Mexico

In Mexico, turnover increased 13.6%, standing at €219.3m in 2010, due mainly to improved net win at ICELA (the joint venture with CIE) and an increase of the installed capacity at ICELA and Promojuegos. The appreciation of the Mexican peso also contributed to these positive figures.



Argentina, Mexico, Spain and Italy contributed the largest chunk of CODERE's revenues in the 2010 financial year



Furthermore, the impact on the accounts of the decrease in sales to the Caliente Group and the effect of the implementation of anti-smoking legislation in some states is worth noting.

The number of gaming machines grew 10.8% in 2010 from 2009, and the average daily net win per machine increased 12.6% (in €). EBITDA experienced a 5.1% increase compared to 2009, to €63.6m.

Spain

The deterioration of the macroeconomic climate in Spain resulted in the implementation of cost control measures. The turnover in the Spain AWP decreased 2.7% throughout 2010 to €171.8m, the revenues generated by Spain Bingo came to €21.9m – a 3.9% drop, whereas Sports Betting increased almost 56% from 2009, reaching €5.3m.

The average daily net win per machine of €49.2 was the same as in 2009. The stability in the net win was due to the constant renewal and

rotation of machines and the positive effect of the regulatory changes that were introduced in some Autonomous Communities, which offset the adverse macroeconomic conditions.

In addition, along the lines of the profitability and expenditure control approach, there was a rationalisation in the number of installed machines and a reduction in the sales of machines to third parties. At the end of the financial year, CODERE managed a total of 15,542 machines in Spain, including those installed in bingo halls.

The number of Betting Locations in Spain experienced significant growth, going from 175 in 2009 to 461 in 2010 – a 163.4% increase, a figure that reflects the progressive expansion of the operations in Madrid, the Basque Country and, beginning in the fourth quarter of 2010, in Navarra.



Italy

In Italy, turnover in 2010 grew 5.1% – totalling €137.4m – owing to increase in the average net win the machines (particularly after the introduction of the new Comma 6A model), the addition of the Royal Bingo Hall, which was acquired in the fourth quarter of 2010, and the implementation of new regulatory changes, as in the case of the VLTs that begun to operate during the last quarter of 2010. As of 31 December 2010 there were 402 VLTs installed in 10 bingo halls. The decline in bingo revenues was offset by a reduction of the gaming taxes after the regulatory change introduced in November 2010.

Other operations

In **Panama**, revenues grew by 29.8% due, principally due to the 108.5% increase in the number of machines with regard to 2009 – totalling 3,377 units (including the consolidation of the 6 casinos acquired in August 2010), and the appreciation of the US dollar against the Euro.

Operating income in **Colombia** was up 19.0%, coming to €27.5m, despite the 5.8% decline in the number of machines.

Operations in **Uruguay** grew 13.4% as a result of a 2.4% rise in the number of machines and an increase in the number of betting locations, which stood at 27 in 2010.

CORPORATE SUMMARY 2010

The value of CODERE's shares increased by 34% in 2010

In 2010, despite the complicated global environment CODERE performed well in the financial markets consistently meeting expectations. The majority of the strategic goals, which focused on maximising operating efficiency and on growth initiatives, were reached during the 2010 financial year.

Investments in 2010 amounted to €141.3m, of which €46.5m were related to maintenance and €94.8m to growth principally associated with the purchase of six casinos in Panama, and the increase in the number of machines in Argentina, Mexico and Italy.

CODERE AND INVESTORS

CODERE is the first and, for the time being, only Spanish company in the gaming sector that is listed on the stock exchange; since 2007, it has been working to win the confidence of investors in its business project.

During 2010, CODERE focused on both debt and equity investors and was present in many conferences and roadshows organised throughout Europe. Through these meetings, the Company tried to make itself known to potential investors and answer questions these investors had.

CODERE IN THE CAPITAL MARKETS

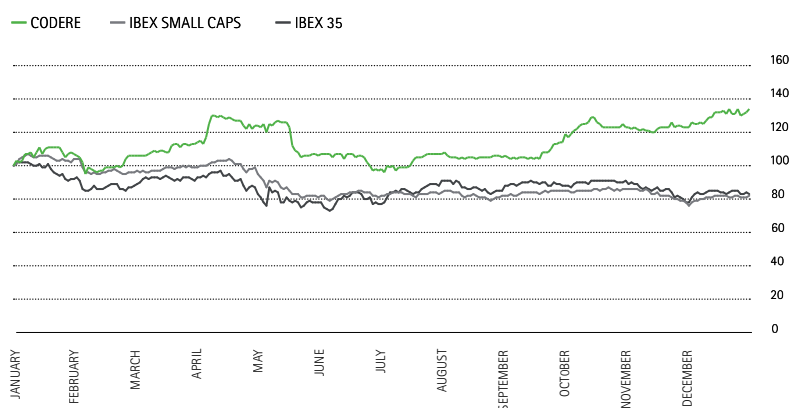
The performance of CODERE's shares in 2010 was very positive as its value increased 34%, compared to a decrease of 18% in the Ibex Small Cap, its reference index and a 17% drop in the Ibex. The trust and confidence of investors in the strength of the Company was reflected in the positive evolution of the share price.

The debt market also reflected the Company's good operational performance given that the price of its bonds increased from 86.75% at the end of 2009 to 100% at the end of 2010.

In 2010, the Company maintained the liquidity contract signed with Credit Agricole Cheuvreux two years prior to increase its liquidity and favour the regularity of the quotation of its shares, according to the criteria established by the Spanish Securities and Exchange Commission (CNMV). Given the positive results obtained, contract was renewed for the next financial year.

CODERE has a credit rating (an estimate that predicts the solvency of an entity, bond, debt security or the like or an issuer of said securities according to a defined rating system) of B from Standard & Poor's and of B1 from Moody's. Likewise, Standard & Poor's and Moody's rate the Company's bond issue as B and B2 respectively. The Company's outlook is stable from both agencies.

CODERE VS. INDEXES IN 2010



BONDS/QUOTATION MARKET: IRELAND

ISSUER	ISIN CODE	ISSUE DATE*	ISSUE AMOUNT (€)	COUPON	DUE DATE
Codere Finance (Luxembourg) S.A.	XS0222159229	16/06/2005*	660.000.000*	8.25% half yearly	06/15/2015
Codere Finance (Luxembourg) S.A.	XS0528926354	22/07/2010	100.000.000	8.25% half yearly	06/15/2015

The original issue amounted to €335m. A €165m increase took place on 7 April 2006 and another €160m was carried out in 31 October 2006.

RATING

AGENCY	CORPORATE	BOND	OUTLOOK	EVALUATION DATE
Moody's	B1	B2	Stable	07/23/2010
Standard & Poor's	B	B	Stable	07/22/2010

MAIN FINANCIAL CONFERENCES IN WHICH CODERE PARTICIPATED

EVENT	DATE
Conferencia XVI Iberian SM and Mid Caps (Banco Santander)	02/11/2010
Spanish Mid and Small Cap Conference (Société Générale y BME)	04/08/2010
6º Foro Med Cap (BME)	06/01/2010
VII Small and Mid Caps (BPI)	09/16/2010
High Yield Investor Meeting (Crédit Agricole)	10/08/2010
European Credit Conference (Citibank)	11/10/2010
Gaming Conference (Credit Suisse)	11/30/2010

FIXED INCOME ANALYSTS

Barclays Capital	Deutsche Bank
BNP	J.P.Morgan
CitiGroup	Merril Lynch
Creditsights	Morgan Stanley
Crédit Agricole	UBS
Credit Suisse	

EQUITY ANALYSTS

Banco Sabadell	La Caixa
Banesto Bolsa	Link Securities
BBVA	Mirabaud
BPI	UBS
Exane BNP	



In June 2010, CODERE renewed its €100m senior line of credit, which was due to mature in October. The new Senior Financing Agreement improved the previous conditions by increasing the principal to €120m, which can be increased to €180m; it is a multi-currency and multi-borrower agreement with a duration of three years. The financial entities that took part in the operation were Barclays Capital, Credit Suisse and Banco Bilbao Vizcaya Argentaria.

Additionally, in July 2010 CODERE successfully issued bonds totalling €100m. The new bonds had the same conditions than the previous issue with maturity in 2015. Demand amounted to €300m, with 49 investors – mostly international – taking part in the operation. The proceeds from the issue were used to repay certain sums owed under the Group's Senior Financing Line and other long-term debts, to finance obligations owed as a result of the agreement with the Caliente Group, and to acquire the six casinos in Panama.

CODERE AND THE MEDIA

CODERE implemented in 2010 an active policy of communication with its target audiences in both Spain and the other countries where it operates.

The Company participated in many industry fairs and seminars where the gaming world meets to discuss topics of interest and talk about the future of this activity and which were widely covered in the mass media.

During 2010, CODERE took part in some money laundering-related meetings: one in Madrid, in February, under the aegis of the Association of Certified Anti-Money Laundering Specialists (ACAMS), and another one in Panama, in April.

On the other hand, the Communication Department worked very closely with the different media in order to both improve its attitude towards gaming and the knowledge journalists have of this complex sector. In addition, different corporate activities were used to work on aspects related to both brand positioning and the development of corporate tools in connection with CODERE.

In particular, the launch of the book "Las apuestas deportivas" (Sports Betting) at the Madrid Stock Exchange on 16 March 2010, an event organised in collaboration with the CODERE Foundation and attended by the Secretary of State for Sports, Mr Jaime Lissavetzky, and representatives from Autonomous Communities, the world of sports and the gaming sector, stood out among those events that received widespread media coverage. In this forum, which brought together a large number of journalists, CODERE expressed the need for the regulation of gaming as a measure to deal with unfair competition by online gaming companies in Spain.

Starting in April, the communication strategy centred on the launch of the VICTORIA Apuestas product range, which includes over 390 football leagues, the



entire professional tennis circuit and all basketball games. Moreover, the Company's expansion plan is disclosed, the agreement whereby VICTORIA becomes the Grand Casino of Aranjuez's sole provider of sports betting is sealed, and the operations in Navarre start. Nevertheless, one of the year's most significant media milestones was, without a doubt, the role of the Canoe Bingo Hall as a meeting and entertainment centre during the 2010 FIFA World Cup in South Africa.

Financial issues have also played a leading role in the Company's external communication campaign, not only in relation to CODERE's results but also to different operations such as the renewal of the line of credit or the €100m bond issue.

Information on CODERE regularly appeared in the general, economic, financial and sector print media at both nationally and internationally. Likewise, the different meetings and milestones were widely reported by the audiovisual media.

ARGENTINA

Throughout 2010, much effort was put into brand positioning. CODERE Argentina organised the **Planeta 2010 Cycle**, which sponsored throughout the year the "Verano Planeta" (Planeta Summer), "Otoño Planeta" (Planeta Autumn) and "Primavera Planeta" (Planeta Spring) congresses, where great writers such as Felipe Pigna, Federico Andahazi, Gabriel Rolón and Miguel Bonasso, among others, were introduced.

Furthermore, it promoted several municipal events as the main sponsor of the **7th Edition of EPSAM** (2010), the largest SME Expo in the country, and organiser of the **dinner in honour of the Banfield football club**, which was attended by more than one hundred guests, and other initiatives such as the women-oriented Conference "The 21st Century Woman", with the presence of the psychologist and author of several books Gabriel Rolón, or the inauguration of the new Aerobics Path (in San Miguel), a ceremony in which the Governor of San Miguel, Mr Joaquín de la Torre, and the Chairwoman of CODERE Argentina, Ms Beatrice Rangel, took part.

Additionally, other events, such as the **1st Latin American Public Affairs Conference** – a 2-day event organised in Mexico City and attended by 40 representatives from all the countries in which the Company operates and in which CODERE directors, such as Beatrice Rangel, Luis Lauredo, Juan Pablo Peredo, Diego Rodríguez, Mario Carricart and Alejandro Alonso, took part – it had strong impact in 2010.

In addition, a symposium on **Good Municipal Governance** was organised in collaboration with the Di Tella University, a seminar that was attended by municipal leaders from Miami (Florida), Chacao (Venezuela), Mexico, Brazil and Argentina and where issues related to Good Municipal Governance, participatory budgets, social networks, democracy and the digital gap in education were discussed.

—JOC PRIVAT. OCT./2010



CODERE buys 6 casinos in Panama

—CRÓNICA ECONÓMICA. 09/23/2010

CODERE's profits totalled €19.1m in 2009

—AZAR. JUL/2010

CODERE, the only company in the sector listed in the stock exchange

—EL MUNDO. 10/10/2010

PRESENTATION OF CODERE ARGENTINA'S 2009 CORPORATE SOCIAL RESPONSIBILITY REPORT

—EL CRONISTA.10/06/ 2010

CODERE gains control of Mexican gaming company in exchange of debt

—AMÉRICA ECONÓMICA. 07/19/2010

THE WORK ON THE CARRASCO HOTEL CASINO BEGINS

— LA REPÚBLICA. 01/12/2010

THE SPANIARDS LINK THEIR BINGO HALLS AND THEIR NEW VIDEO LOTTERY. CODERE'S gaming business grows in Italy.

— MILANO FINANZA. 04/01/2010

AREAS OF ACTIVITY

CODERE's business covers five areas of activity: gaming machines, bingo halls, betting locations, casinos, and racetracks. The running of its operations is adapted to the particularities of the eight local markets where it operates.

It is very important to point out the broad and diverse regulation which the activity carried out by CODERE is subjected to depending on the country. In some cases, the Company must deal with strict controls, with a restriction of the number of licences granted, and high taxation, whereas in other cases there is a lot of competition and low taxes.

This is why flexibility and adaptation to its surroundings are essential to CODERE, an enterprising company that aims to be a global multinational and multi-operator project.



CODERE's project is a
global one, multinational
and multi-product



CASINOS



GAMING MACHINES



ACKS



ETTING LOCATIONS

23

BINGO HALLS



Original
BLACKJACK

LA BANCA SIEMPRE PIDE CONTRA Y SE PAGA 3 A 2

SE PAGA 2 A 1 "EL SEGURO" SE PAGA 3 A 1

CARTA

PL

DOBLAR

18



GAMING MACHINES WERE
AT THE ORIGIN OF CODERE'S
ACTIVITIES IN THE GAMING
SECTOR AND CONSTITUTE ITS
MAIN BUSINESS AREA

¡GANA MÁS!
¡JUEGA LA SIGUIENTE PARTIDA!

Interh

GAMING MACHINES

53,572 gaming machines installed around the world in Argentina, Colombia, Spain, Italy, Mexico, Panama and Uruguay

Gaming machines were at the origin of CODERE's activities in the gaming sector and constitute its main business area. At the end of the 2010 financial year, CODERE operated 53,572 gaming machines throughout the world – in Argentina, Colombia, Spain, Italy, Mexico, Panama and Uruguay, which are very different markets which are diverse stages of development.

The average daily net wins grew in three of the main countries in which CODERE operates: Argentina, Mexico and Italy. In Spain, the wins remained at the same levels as in the previous year, mainly due to the macroeconomic situation in the country.

ARGENTINA

CODERE's gaming machine activity in Argentina takes place in the province of Buenos Aires. The Company is one of the leaders of the sector in this country, where it kept growing during 2010. CODERE operates 5,043 gaming machines – a 7.8% increase from the previous year – in the fourteen bingo halls it operates throughout the region.

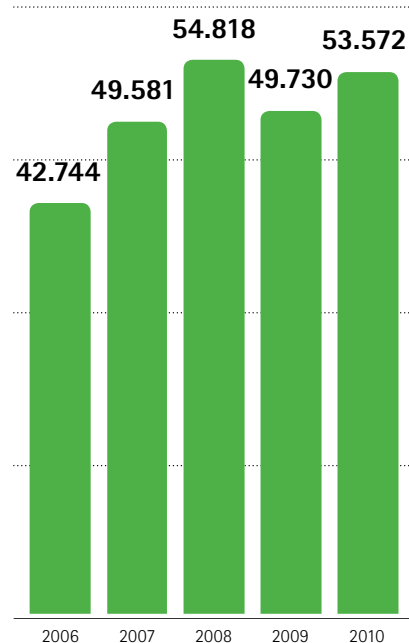
Productivity in the halls kept rising as a result of the investments made in them to meet growing demand. The installation of the TITO (Ticket In, Ticket Out) system and other coinless systems in most machines of ten halls (Lomas del Mirador, San Martín, Lanús, Morón, San Justo, San Miguel, Lomas de Zamora, Ramos Mejía, La Plata and Sol), representing 85% of the machines seats operated by CODERE in the Province of Buenos Aires, was completed as of 31 December 2010.

The installation of the TITO system in gaming machines contributed to a 24% increase in the average net win per machine with regard to 2009, amounting to €236.2.

COLOMBIA

CODERE has been present in the Colombian gaming machine market since 1984 – the year when this activity was legalized – and is the country's second largest slot machine operator. By the end of 2010, it managed 6,179 machines in shops, arcades, bingo halls and casinos.

GROWTH IN THE NUMBER OF MACHINES



The data for 2009 and 2010 are adjusted due to the agreements reached in Mexico with Caliente in July 2010.



DESCRIPTION

Operation of different types of machines that give out cash prizes according to the bets made by users. These machines are variously known as gaming machines, fruit machines, slot machines/slots, etc.

TYPES OF GAMING MACHINES OPERATED BY CODERE

They are adapted to the characteristics of each market where the Company is present.

- AWP (Amusement with Prize) machines:** Machines that give out cash prizes as a result of a percentage of total bets made over a predetermined gaming cycle. CODERE runs Type B machines in Spain and Comma 6 and Comma 6A machines in Italy.
- Casino slots:** Casino or gambling machines; they allow gaming time to the user in exchange for a certain bet, and eventually give out a prize always based on chance. CODERE runs these terminals in Argentina, Panama, Colombia, Mexico and Uruguay.
- Electronic Bingo Terminals (EBTs):** Machines that run games similar to those played with cards in authorised bingo halls. CODERE operates EBTs mainly in Mexico and Spain.
- Video Lottery Terminals (VLTs):** machines that give out cash prizes out of a percentage of the total amount bet by means of a random-statistics system. CODERE operates VLTs in Italy

LOCATION

Gaming machines are installed in gaming halls, hotels, bingo halls, casinos and racetracks.

TOTAL 53,572 UNITS

ARGENTINA 5,043

COLOMBIA 6,179

SPAIN 15,452

ITALY 2,580

MEXICO 19,299

PANAMA 3,377

URUGUAY 1,642

In 2010, the approach in Colombia has focused on improving customer satisfaction. A customer loyalty plan was implemented in order to increase the frequency of visits, raise the betting level and improve the positioning of the brand.

As part of the customer satisfaction and brand positioning approach – mainly in large halls, the number of machines in small brandless premises was reduced.

In addition, different actions have been taken to improve service quality, actions such as Service Protocol definitions, Customer Satisfaction surveys, Suggestion box and online Customer services, among others. Likewise, to stimulate standardization and motivate room personnel, it was reinforced the corporate programme "HABITS" to excel operations and which includes in 2010 the contest "Enter a fantasy world full of your real world", to stimulate emotion, the amusement and the excellent treatment.

SPAIN

The weak macroeconomic situation in Spain has affected the gaming machine business. The turnover of the Spain AWP division dropped 2.7% throughout 2010 to €171.8m, although the average net win per machine remained on a par with that of the preceding year, owing in part to the regulatory changes passed in Madrid. In this context, after a streamlining process, the number of gaming machines operated by the Spain AWP division decreased 1.5% from 2009, totalling 15,347 units in 2010.

In August 2009, the Community of Madrid approved the new gaming machine regulation, which allows to raise the maximum bet amount, place triple bets, reduce prize payout, increase maximum prize and install machines with video, thereby aligning its regional rules to those of most other Spanish regions. Furthermore, the new regulation authorises the introduction of B3 machines (based on bingo games) in gaming arcades, bingo halls and casinos.

ITALY

CODERE runs CODERE Network an important gaming machine interconnection network, which includes the operation of VLTs and the operations of slot machines, in which it bought a controlling interest in local operators, keeping partners as operations managers.

At the end of the financial year, CODERE operated 2,580 gaming machines in Italy, including the 402 VLTs installed in bingo halls thanks to the regulatory

changes of 2009, which authorised the introduction of this type of terminals in Italy.

The average daily net win the machine business in Italy rose 10%, whereas for AWP's located in bingo halls, this increase was 27,3%.

MEXICO

CODERE operates in Mexico in partnership with two market leaders – the Caliente Group and Compañía Interamericana de Entretenimiento (CIE) – and through its own companies – Promojuegos and Mio Games. The Company runs gaming machines which are installed in bingo halls and racetracks which constitute a great opportunity for the development of the business.

During the 2010 financial year, the number of gaming machines in Mexico grew 10.8%, standing at 19,299 units. The average daily net win per machine (in local currency) decreased 0.2% mainly owing to the impact of the implementation of the smoking ban throughout the country.

An operating strategy was implemented in Mexico throughout 2010 aimed at improving customer service by means of the introduction of different activities in all halls.

PANAMA

CODERE manages thirteen casinos and one racetrack, where all its gaming machines in the country are located. The gaming machine business rose 108.5%, including those machine stations located in the six casinos acquired in August 2010.

The CrowN Club customer loyalty programme at the CrowN Continental and Plaza Mirage casinos – implemented in 2009 – had positive results in 2010.

URUGUAY

CODERE manages four gaming halls in the Uruguayan market under the Entertainment Maroñas brand: 18 de Julio, Montevideo Shopping, Las Piedras and Géant, totalling 1,642 terminals.

With regard to slots, in addition to the implementation of the coinless system, an online control system was installed in 70% of the machines which represent 80% of the net wins. The "Entertainment Plus" customer loyalty programme, which gives benefits to its members without placing on them any obligation to purchase or play, was also launched in all entertainment halls. This programme is a turning point in the relationship with customers.



23

IN 2010 CODERE MANAGED 129
HALLS IN ARGENTINA, COLOMBIA,
ITALY, MEXICO AND SPAIN



BINGO HALLS

With 129 halls, CODERE has a significant presence in Mexico, Argentina, Italy and Colombia

CODERE is an internationally renowned operator in the bingo sector. As of 31 December 2010, it managed 129 halls in Argentina, Colombia, Italy, Mexico and Spain. In the past few years, the Company has made significant investments in this gaming market segment and has become the leading operator in Italy, Mexico and the Province of Buenos Aires.

In addition to offering traditional bingo, bingo halls are an important platform for the installation of gaming machines. CODERE operates machines in all the bingo halls it manages.

ARGENTINA

CODERE Argentina is the largest bingo hall operator in the Province of Buenos Aires, with a total of 14 halls in operation and around 9,000 gaming seats. Over 350 slot seats and 680 bingo seats were added in 2010.

Moreover, during 2010, the licences for the San Martín and Puerto Halls were renewed – something essential to achieve long-term stability, and the expansion of the Ramos Mejía Hall was completed, which added 172 gaming seats and 340 bingo seats.

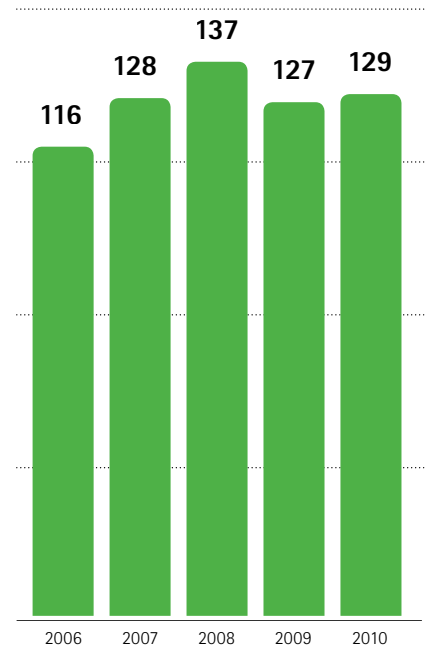
This extension not only has increased the range of available games but has also improved the hall's installations for customers and service areas (kitchens, administrative areas, training rooms, storage rooms among others).

In addition, several activities were launched to improve the value proposal of the halls.

The range of services offered at the halls was also increased throughout 2010; the food range was expanded with new dishes and menus and the gaming possibilities were expanded.

With regard to the team, it is worth highlighting that an Event Coordination Department was set up, which in 2010 promoted events that take place at halls (shows, anniversaries, special events). Furthermore, the halls were also staffed with more middle and room managers, and an Administrative Support Team (AST) was created to implement SAP in most processes in the halls.

GROWTH IN THE NUMBER OF BINGO HALLS



The data for 2009 and 2010 are adjusted due to the agreements reached in Mexico with Caliente in July 2010.



DESCRIPTION

Bingo is a popular and traditional game of chance that is characterised by being a pari-mutuel game, where all players play against each other and bet amongst each other – instead of doing it against the game operator – and prizes are always a percentage of the total sum that is wagered in each game. The game operator collects the wagers made with regard to a specific event and shares out as prizes among players a high percentage (between 50% and 70%) of the revenue from the sale of cards. Bingo has certain standardised characteristics all over the world; differences are solely due to the regulations in each country. In addition to the game of bingo, bingo halls offer other gaming modes such as gaming machines and sports betting.

129 BINGO HALLS

ARGENTINA 14

COLOMBIA 5

SPAIN 1

ITALY 13

MEXICO 96

COLOMBIA

CODERE is the leading bingo operator in Colombia. It currently manages five halls, which are located in Bogotá, Medellín and Cali and have 950 bingo seats. As part of its positioning strategy, CODERE's bingo area in Colombia operates under the Mundo Fortuna and Crown Casino trademarks.

SPAIN

CODERE operates in Spain just one bingo hall: the emblematic CANOE Bingo Hall in Madrid, which has a capacity of 907 people and had in 2010 an turnover of €21.9m.

Even though bingo is still one of the leisure activities which brings more people to the CANOE Hall – with a daily average attendance exceeding 1,200 individuals, the demand for multi-product gaming is ever growing. The Hall meets this need by means of slot machines (B3) and VICTORIA sports betting as well as multi-station blackjack, poker and electronic roulette machines, which attract new players, particularly young people.

In spite of the difficult economic climate in Spain, in 2010 the CODERE Group's CANOE Bingo Hall awarded over €62m in prizes through the bingo and gaming machine area. The amount given out in prizes through traditional bingo exceeded €32m, to which the prizes awarded by gaming machines – exceeding €30m – must be added.

The management of the CANOE Bingo Hall is one of the most consolidated in the CODERE Group's network of bingo halls, so many of its operating experiences are exported to other bingo halls the Company owns in the other countries. In addition, different catering and gaming promotion and marketing activities were carried out in 2010.

ITALY

CODERE is the leading bingo operator in Italy, with 13 halls and 882 machines, including 402 VLTs. Three of these halls are among the five largest in the country, and one of them – the Re Bingo Hall – is the indisputable leader in the Italian market, the most profitable hall in the country and one of the most important bingo halls in all of continental Europe.

The keys to CODERE's growth in Italy's bingo sector are the strategic location of the halls in highly populated areas with good transportation and its continuous investment in staff training.

In November 2009, a new legislation for Italian bingo halls came into force that increased the amounts earmarked for prizes – making gaming more attractive to users, whilst operators saw a lowering of taxes on the game of bingo. This gave a strong boost to the business in 2010.

MEXICO

CODERE is the largest operator of gaming premises in Mexico. At the end of the 2010 financial year, CODERE operated 96 bingo halls all of which have gaming machines. Some halls were refurbished during 2010, allowing for the installation of more gaming machines.

The gaming halls managed by CODERE are spread throughout Mexican territory and located in the best urban locations, which encourages a large influx of visitors and also generates a high productivity.





CODERE RUNS 597 BETTING
LOCATIONS IN BRAZIL, MEXICO,
PANAMA, SPAIN AND URUGUAY



BETTING LOCATIONS

The number of betting locations has grown 109% in 2010 from the previous year

CODERE operates sports betting in five countries: Brazil, Mexico, Panama, Spain and Uruguay, with a total of 597 betting locations. Spain was the last country to add this activity to its portfolio – in 2008 – and, since then, this line of business has undergone rapid growth, totalling 461 betting locations in that country.

BRAZIL

CODERE has been involved in horse racing betting in Brazil since 2006, in partnership with the country's main horseracing clubs – the Rio Grande do Sul Jockey Club (Porto Alegre) and the Jockey Club Brasileiro (Rio de Janeiro).

At the end of the 2010 financial year, CODERE managed in Brazil six betting shops under the Turff Bet & Sports Bar trademark.

These premises offer customers the possibility of placing bets on national and international horse races. The latter mode is known as international simulcasting and its arrival at the Brazilian market has led to the rediscovery of the passion for horseracing in the country. CODERE's goal is to promote the horseracing activity by organising horse races of the highest level, in order for the market to keep maturing and growing and attracting more people. This first step should mark the start of a deeper structural reform that brings in other sources of revenue for the sector, as is the case in, for example, Panama, Mexico and Uruguay.

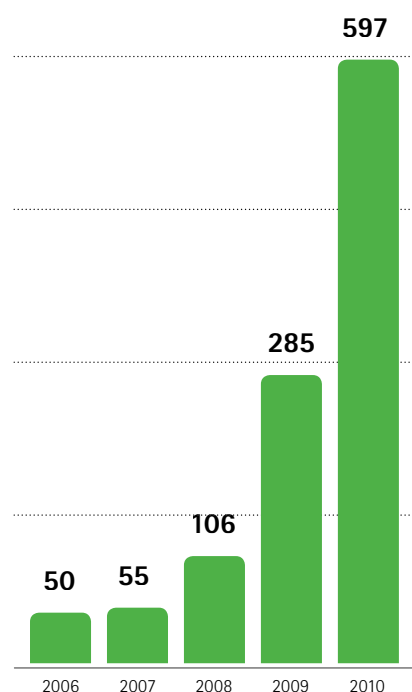
SPAIN

CODERE was the first authorised company to start its sports betting activity in Spain back in 2008, under the VICTORIA brand, and is present in the only two Autonomous Communities that had regulated this activity at that time: Madrid and the Basque Country.

In October 2010, VICTORIA began to run its sports betting business in Navarre, it being the only company present in the three Spanish Communities that have relevant regulations.

In 2010, VICTORIA registered almost 6,400,000 bets, a growth of almost 80% from the previous financial year, and the number of betting shops open and terminals

GROWTH IN THE NUMBER OF BETTING LOCATIONS



The data for 2009 and 2010 are adjusted after several agreements entered into with the Caliente Group in Mexico.

**Betting locations
experienced rapid growth
in Spain, hitting the 461
location mark**

DESCRIPTION

At the betting locations operated by CODERE, players are allowed to bet on greyhound and horse races and other sporting events without having to be physically present in them.

TYPES OF BETS

There are many types of bets. The following are some of the bets run by CODERE:

According to the moment:

- Preliminary bets: They are closed minutes before or at the start of the event or match.
- Live bets: They remain open once the event has started.

According to the number of outcomes and betting mode:

- Simple bets: Bets on one result.
 - Accumulator bets: Bets on two or more outcomes. The punter must get all of them right. They can be double, triple or multiple bets.
 - Combined bets: A wager on three or more outcomes and on several events. In order to win, the punter does not need to get all predictions right.
-

LOCATION

Betting is a gaming mode that affords multiple establishment options either in specific outlets or in premises associated with other modes, such as casinos, bingo halls, sports grounds, racetracks, bars, hotels, etc.

597 BETTING LOCATIONS

BRAZIL 6
SPAIN 461
MEXICO 97
PANAMA 6
URUGUAY 27



installed in Spain amounted to 461 (57 in Madrid, 289 in the Basque Country and 115 in Navarra).

In January 2010, after one and a half years of successful partnership with William Hill, CODERE gained full control of VICTORIA Apuestas, remaining the sector leader.

At the end of March, VICTORIA launched in Madrid a much more varied and complete product that includes 390 football leagues (compared to 81 leagues in 2009), all ATP and WTA tennis tournaments of the season, which accept live bets (compared to 5% in 2009), and the main basketball leagues, including the Spanish ACB league and the EuroLeague. This new range was advertised by means of the "La Emoción Aumenta" (Excitement Grows) marketing campaign.

The 2010 FIFA World Cup was one of the year's major events. The CANOE Bingo Hall became one of the places in which to enjoy every match with VICTORIA emotion; each game played by the Spain national team was watched by over 200 fans. By the end of the World Cup, almost 250,000 bets had been made in Madrid and the Basque Country.

MEXICO

CODERE manages in Mexico 97 betting locations that operate on all kinds of sporting events. Most of these betting locations are connected to halls offering bingo and machines, which allows to offer users a wide variety of entertainment options relating to games of chance.

PANAMA

In Panama, CODERE owns six betting locations that operate under the Turff Bet & Sports Bar brand. They are located in the Presidente Remón Racetrack, the new Colón Casino, the Sheraton Casino, the Plaza Mirage Casino and two betting shops. In them, one can bet on local and international horse races, greyhound races and other sports.

URUGUAY

At the end of 2010, CODERE managed in Uruguay 27 betting locations that offer simulcasting. In Montevideo, there are betting shops at the 18 de Julio and Montevideo Shopping Center Bingo Halls and the Maroñas National Racetrack (on those days when are horse racing events).



CODERE WILL SOON ADD
URUGUAY TO THE CASINOS
IT OPERATES IN COLOMBIA
AND PANAMA

CASINOS

CODERE through its casinos, promotes a new leisure and gaming experience. Since 2009, its casinos operate under the Crown brand

In addition to Colombia and Panama, soon Uruguay will become one of the countries where CODERE operates casinos. After a long bidding process, in November 2009 the City Council of Montevideo (IMM) awarded the contract for the reconstruction and management – for a period of 30 years – of the Carrasco Hotel Casino to a consortium led by the CODERE Group with international investors and the reference hotel operator Sofitel, the premium brand of the French chain Accor.

The reconstruction of the Carrasco Hotel Casino will last approximately 20 months, with an estimated investment of \$60m. The consortium will rebuild this Montevideo landmark and turn it into the Sofitel Montevideo Carrasco Casino Et Spa, a luxury hotel that will become the region's tourist reference point and provide an array of casino and entertainment services

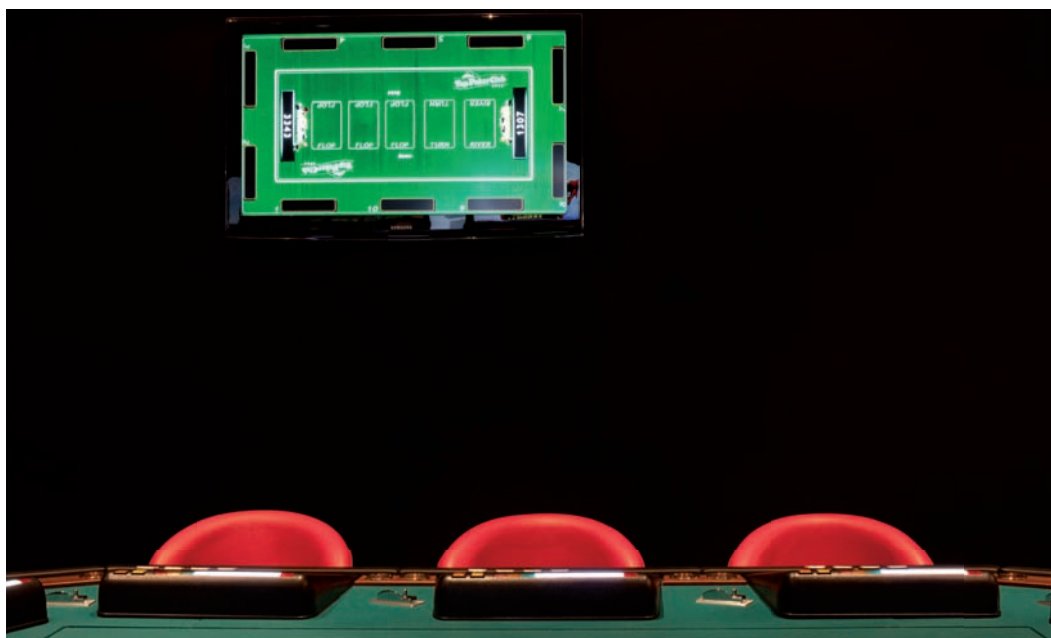
of the highest international level. The new hotel, which will open in 2012, is located on an exceptional spot on the Carrasco beach promenade – facing the La Plata River, is close to the Carrasco International Airport and has good connections by road.

COLOMBIA

2010 has been a year of important changes for CODERE casinos in Colombia that operate under the Crown Casinos brand. Different schemes were implemented to improve the quality of customer service and provide top service through the HÁBITOS (HABITS) Programme, whereby hall staff was trained in both service and operational tasks. Different measures were put in place to motivate casino staff and acknowledge excellence among employees.

A customer loyalty plan known as EL CLUB was also implemented during 2010 to increase the





DESCRIPTION

Casinos are entertainment centres where people can place bets on different games of chance and reap immediate rewards, which in some cases include bingo and sports betting. In addition, they also comprise restaurants, night clubs, shows, hotels, lecture halls, etc., thus becoming large leisure centres.

TYPES OF GAMES

The CODERE Group's casinos operate in three gaming categories:

- Board games: They provide entertainment by means of the use of cards or dice, such as blackjack or poker.
 - Gaming machines: They usually belong to the slot type and are played in single-player mode, without the presence of a croupier or a similar agent being required.
 - Random number games: They allow choosing different numbers to bet on, as in roulette games. CODERE's activity in the casino sector is mainly confined to Colombia and Panama, countries where this gaming mode is very popular and widespread.
-

13 CASINOS

COLOMBIA 2

PANAMA 11

In 2010 CODERE managed 13 casinos in Colombia and Panama



frequency of visits to the halls and gain the loyalty of customers. EL CLUB has managed to expand its membership in 2010, which stood at year's end at 6,014 Crown members.

Last year CODERE committed to carrying out actions to raise the profile of the Crown Casinos. Thus, Crown – CODERE Colombia's premium brand – focused its brand strategy by means of the "Fábrica de emociones" (Factory of Emotions) concept.

PANAMA

2010 was a very positive year for casinos in Panama, the country where CODERE operates more casinos. The Colón Casino, which was reopened in September 2010 – it originally opened in December 2008, must be added to the 4 casinos that were being operated under the Crown Casinos brand at the beginning of 2010. This fact, combined with the purchase of 6 casinos in August 2010, has allowed CODERE to become the leader in the Panamanian market.

The consolidation of the six purchased casinos – which operate under the Fiesta brand – has allowed the Company to more than double the gaming modes it offered its customers up to then, coming up to 3,377 seats from 1,620 the previous year and 152 gaming tables. Moreover, this consolidation will enable to create operating synergies since the number of services substantially increased, several of them being duplicated among the companies, something which could benefit both players and the Company.

The excellent location of the acquired casinos (two in Panama City and one each in David, Colón, Chitré and Farallón) permits to reach more of the population, which, together with the different customer loyalty actions which have been carried out throughout 2010, leave CODERE in an excellent position for the coming years.



CODERE MANAGES
3 RACETRACKS IN MEXICO,
PANAMA AND URUGUAY WITH
LOCAL PARTNERS; THIS ACTIVITY
IS RECOVERING ITS OLD
DYNAMISM

RACETRACKS

More than 1,500 races were held at the Las Américas Racetrack (Mexico City) in 2010

CODERE manages three racetracks with local partners in Mexico, Panama and Uruguay. This activity, which was in marked decline in Latin America at the end of the 90s, is recovering its drive and provides ample possibilities for future development. Thanks to its knowledge of the sector and the excellent management procedures it applies, CODERE is implementing methods for its revitalisation to be a success.

The three racetracks – the Las Américas Racetrack in Mexico, the Presidente Remón Racetrack in Panama, and the Maroñas National Racetrack in Uruguay – are members of the International Federation of Horseracing Authorities (IFHA), the prominent international body in charge of promoting good regulation and best practices in world horseracing matters.

MEXICO

Since November 2007, after the acquisition of 49% of the capital of ICELA (a joint venture with CIE), CODERE participates in the operation of the Las Américas Racetrack, located in Mexico City.

The **Las Américas Racetrack** is a symbol of the city's social life and leisure and has become the country's main horseracing venue. Its facilities offer visitors a combination of modernity, comfort and security. It has stables – capable of accommodating over 1,500 horses, restaurants, the new Jockey Club and the Royal Yak gaming hall, which houses gaming machines. The Las Américas Racetrack's two stands are designed to seat around 10,000 spectators and its track's infield is the largest extension of artificial turf in Latin America covering 61,000 m², where all types of events can be held. More than 1,500 races were held at the Las Américas Racetrack in 2010.

PANAMA

Horseracing is a national pastime in Panama, where CODERE runs the **Presidente Remón Racetrack** – the only active racetrack in Central America – through the Panamanian Horseracing Society. In 2005, CODERE was awarded the Racetrack's concession, whose licence authorises its operation and management for 20 years and can be extended for another 20 years.

The Presidente Remón Racetrack has room for over 20,000 spectators between standing and seated capacity. Its stables can hold 1,000 horses. The Racetrack's 300 employees make sure its two tracks – on which around 148 meetings per year take place (with an average of eight races per meeting) – are in perfect condition all year round. 60 horse racing agencies are associated with the racetrack, 500 gaming machines operate and there are almost 150 TV screens in the venue.

CODERE operates large horse racing bookmakers, where the public can follow and bet live on the races that take place in their country and abroad via simulcasting whilst receiving quality service in a pleasant atmosphere. In Brazil and Panama these bookmakers operate commercially under the Turff Bet & Sports Bar brand.

In October 2009 CODERE Panamá became the 68th member of the prestigious International Federation of Horseracing Authorities (IFHA). The Presidente Remón Racetrack was already a member of the sector's most relevant regional organisations. In 2006 it joined the Latin American Association of Jockey Clubs and Racetracks. That same year, it was accepted as an observer country before the IFHA. In 2009, the Racetrack joined the South American Organisation for the Promotion of the Thoroughbred (OSAF).

The Maroñas National Racetrack (Uruguay) is one of the region's most important horseracing venues



DESCRIPTION

The horseracing business has evolved with time. Nowadays, the Company also operates under the racino model (a combination of racetrack and casino) in addition to horseracing and betting. This new mode allows installing gaming machines in horseracing venues with the aim of contributing to finance this activity.

3 RACETRACKS

MEXICO 1

PANAMA 1

URUGUAY 1

On 17 March 2009, the new Laffit Pincay Jr Technical Jockey Training Academy was inaugurated, an educational centre that was started at the Presidente Remón Racetrack with the aim of discovering great jockeys and honouring the "Panama, the birthplace of the world's best jockeys" saying.

12 trainee jockeys from the 2009-2010 class graduated in 2010. During the 24 months of training, students are given instruction in horseracing and receive academic training to round off their education.

URUGUAY

The **Maroñas National Racetrack** is one of the region's most important horseracing venues. In 2003, Hípica Rioplatense Uruguay (HRU), a company that emerged from a strategic cooperation agreement between the South American Investment Society and CODERE, was awarded the contract to manage it.

Following the racino model (the combination of racetrack and casino), HRU's activity in Uruguay is currently centred on the country's capital, where, in addition to operating the Racetrack, it runs a horse racing betting system and four gaming halls with a total of 1,642 gaming machines. In turn, it also operates 27 OTB halls – one of them inside the National Maroñas Racetrack, two in HRU's main amusement arcades and other 24 throughout the country.

101 horseracing meetings and 1,012 races were held at Maroñas in 2010, with an average of 10 horses per race. Likewise, its bet and signal distribution network throughout the country was expanded during this financial year.

Furthermore, the first entertainment academy at the national level was opened in 2010: the Maroñas Entertainment Academy, an in-house training centre located at the Maroñas National Racetrack.

On 24 April, the 2nd Maroñas Running 10-km marathon was held at the Maroñas National Racetrack, which attracted more than 2,000 participants. In addition to promoting physical activity, this event is part of the Company's Social Responsibility policy.

The work on the third stand progressed throughout 2010, its infrastructures and capacity having been improved to give spectators the best possible service.



CODERE complies with the rules of Good Corporate Governance to protect the interests of the Company and its shareholders, and to monitor value creation and resource efficiency

CORPORATE GOVERNANCE

CODERE'S SHAREHOLDER STRUCTURE

The Martínez Sampedro family is the principal shareholder, holding 68.5% of the capital

After going public in October 2007, CODERE expanded its shareholder base, thus managing to have access to more financing. As of 31 December 2010, 68.5% of its share capital is in the hands of the Martínez Sampedro family both directly and indirectly through the company Masampe Holding, B.V. Other board members and executives hold 1.3% of the issued capital, the free float amounts to 30.2%.

Masampe Holding B.V. (through which the Martínez Sampedro family indirectly owns part of CODERE's share capital) is 75% owned by Mr José Antonio Martínez Sampedro, Ms Encarnación Martínez Sampedro and Mr Luis Javier Martínez Sampedro having a 12.5% stake each. CODERE's President, Mr José Antonio Martínez Sampedro, has, directly and indirectly, a 63.8% stake in the Group.

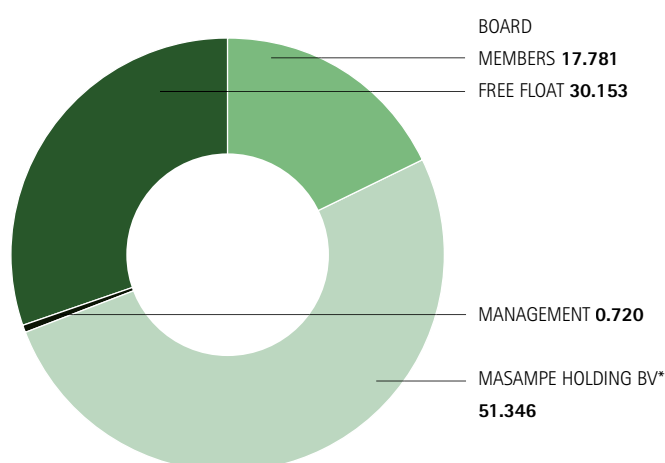
On 10 June 2010, CODERE held its 3rd General Shareholders' Meeting since the Company went public. Many shareholders were in attendance: the holders of 43,650,294 shares – or 79.312% of the share capital – were present or represented. The Board of Directors received a majority support from the Shareholders' Meeting, and the Annual Accounts and the Management Report for 2009 were approved. Likewise, the General Shareholders' Meeting agreed to delegate to the Board of Directors, for a period of five years, the power to issue debentures, bonds, notes and other securities, as well as preferred stocks and other analogous securities, that recognise or create an obligation to guarantee the issuance of said securities by societies of the Group and to request their listing in secondary markets.

BOARD OF DIRECTORS

NAME	POST	TYPE OF DIRECTOR	DATE FIRST APPOINTED	DATE LAST APPOINTED
José Antonio Martínez Sampedro	Chairman & CEO Grupo CODERE	Executive	5/7/1999	6/25/2009
Encarnación Martínez Sampedro	Director Grupo CODERE	Executive	6/17/1999	6/25/2009
Javier Martínez Sampedro	Director CODERE America	Executive	5/7/1999	6/25/2009
Masampe S.L., represented by Fernando Lorente Hurtado*	Vice Chairman of the Boards of Directors. Magistrate on voluntary leave and practicing lawyer	Propietary	7/28/1998	5/7/2008
José Ignacio Cases Méndez*	ExSecretary General of the Spanish National Gaming Commission	Propietary	6/17/1999	6/25/2009
José Ramón Romero Rodríguez*	Director at LoyraAbogados, a law firm specializing in Gaming law	Propietary	6/17/1999	6/25/2009
Eugenio Vela Sastre	Chairman Grupo Cosien	Independent	6/17/1999	6/25/2009
Joseph Zappala	Former US Ambassador to Spain (1989-1992)	Independent	11/20/2002	6/25/2009
Juan José Zornoza Pérez	Head of Financial Law at the Carlos III University (Madrid)	Independent	6/17/1999	6/25/2009

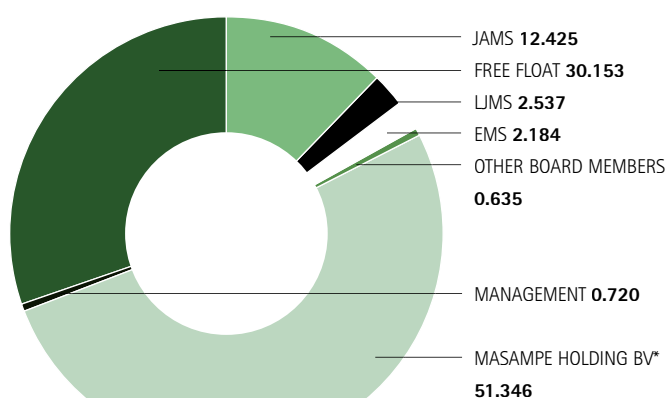
*REPRESENTS OR NAMED AT THE PROPOSAL OF MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

SHAREHOLDER STRUCTURE As of 31 December 2010



*Masampe Holding BV Partners: JAMS, LJMS y EMS

SHAREHOLDER STRUCTURE (DETAIL) As of 31 December 2010



JAMS José Antonio Martínez Sampedro
LJMS Luis Javier Martínez Sampedro
EMS Encarnación Martínez Sampedro

GOVERNING BODIES

The General Shareholders' Meeting and the Board of Directors are the Group's principal governing bodies

The General Shareholders' Meeting and the Board of Directors are the Group's principal governing bodies. The Company's Board of Directors consists of nine members: Mr José Antonio Martínez Sampedro, Mr Luis Javier Martínez Sampedro and Ms Encarnación Martínez Sampedro are the executive directors; the other six board members are external (three independent directors and three proprietary directors i.e. representing major shareholders) and have been appointed owing to their excellent professional qualifications.

Among its duties and without prejudice to the management and representation competences conferred on it, the Board of Directors' core mission is to approve the Company's strategy and the organisation necessary for its implementation as well as to oversee and control that the Management meets the objectives set and observes the Company's object of interest.

The Board meets with the frequency required by the Company's interests, its Statutes or the Law. In 2010, the Board of Directors convened ten times.

Pursuant to current legislation and, in particular, to the recommendations on Good Corporate Governance included in the Unified Code of Good Corporate Governance approved by the Spanish Securities and Exchange Commission (CNMV), there are three committees with specific functions constituted within the Board of Directors: the Audit Committee, the Corporate Governance Committee, and the Compliance Committee.

- The Audit Committee, which is made up of four board members (three independent directors and one proprietary director), has the fundamental task of supporting the Board of Directors in its financial oversight functions and, among others, overseeing CODERE's Audit Department, setting the Company's

financial process and control rules and reporting the Group's annual accounts and other financial statements.

- The Corporate Governance Committee (which also incorporates the nature and functions recommended for the Appointment and Remuneration Committee by the Unified Code of Good Corporate Governance of Listed Companies) is composed of four board members (two independent directors and two proprietary directors). On the one hand, it evaluates the competences, knowledge and experience of board members and informs of the appointments, resignations and dismissals of board members and top executive positions of the Company. On the other hand, it proposes and safeguards the Company's remuneration policy and examines compliance with the Internal Code of Conduct in relation to the stock markets, putting forward proposals to improve it and overseeing compliance with Corporate Governance rules applicable as regards said matter.

- The Compliance Committee is made up of four board members (one independent director and three proprietary directors). Among the main functions of this Committee is the control of the Group's compliance with national and foreign regulations as regards gaming as well as the assessment of the internal control systems of the Company in relation to its obligations with regard to gaming and money laundering.

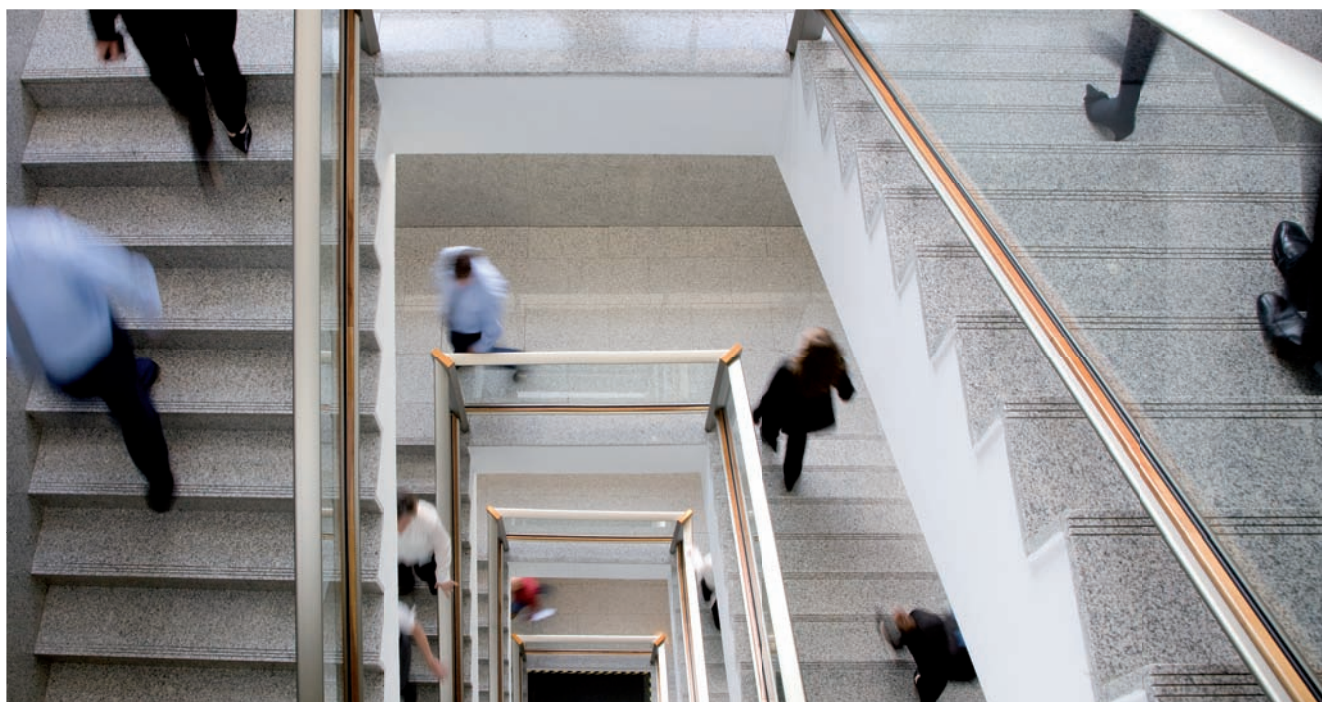


The Chairman and members of CODERE's Board of Directors

COMMITTEES	MEMBERS	POSITION
Audit Committee	Mr Eugenio Vela Sastre Mr Juan José Zornoza Pérez Mr Joseph Zappala Mr José Ramón Romero Rodríguez	Chairman Member Member Member
Corporate Governance	Mr Juan José Zornoza Pérez Mr José Ignacio Cases Méndez Mr Eugenio Vela Sastre Masampe SL (represented by D. Fernando Lorente Hurtado)	Chairman Member Member Member
Compliance Committee	Mr José Ignacio Cases Méndez Mr José Ramón Romero Rodríguez Mr Joseph Zappala Masampe SL (represented by D. Fernando Lorente Hurtado)	Chairman Member Member Member

GOOD CORPORATE GOVERNANCE RULES

Good Corporate Governance Rules are essential for the Group to develop and grow



CODERE considers it essential for the Group's development and growth to set Good Corporate Governance rules which are assumed by the Company's Management. CODERE focuses its Good Corporate Governance practices on two basic aspects:

- **The Control and Procedures System.** Its purpose is to provide the Group with a fixed organisational structure and corporate culture that can be applied to all entities regardless of their area of influence, establishing formal mechanisms of action intended not to bureaucratised but to lay down controlled delegation guidelines for the promotion of an efficient management culture for the Group to attain strategic coherence.

The **Critical Operations Committee** was the first tool developed within the System for ensuring the flow of information from peripheral centres to the Senior Management in order to achieve a coordinated and consistent decision making. This Committee is made up of the Corporation's Executive Directors, who analyse and approve those operations deemed to be critical, thereby instituting an efficient financial and legal control over the management of the Company's assets. Since its creation, the Committee has overseen and verified more than 1,200 relevant operations.

The **Procurement Committee** has been the second tool that has been introduced so as to provide a specific structure to the purchasing and contracting

processes by establishing a mechanism of action that encourages transparency, ensures competition among suppliers and results in a reduction of costs for the Company while promoting Good Corporate Governance. Since its creation halfway through 2009, the Procurement Committee has managed more than 250 relevant purchasing operations at the corporate level, achieving a +15% reduction in purchase costs.

- **Compliance Rules.** They are a key part of the Group's commitment to good business practices in a field as regulated and sensitive as the gaming sector is. In this sense, the Group's strategy consists in going beyond that required by specific regulations and laws and stressing the importance of the true spirit of fair and responsible gaming.

During the 2010 financial year, the Board of Directors stepped up the process of formulation of the Company's corporate and institutionalisation policies begun in the previous fiscal year.

Thus, the Board of Directors suggested to the General Shareholders' Meeting that Article 24.5 of the Social Statutes relating to the remunerations of board members be modified in order to introduce elements of flexibility enabling to match the remuneration of each of the members of the Board to the activity they really perform and the dedication required of them; this was agreed by a vast majority of the shareholders present at the Meeting.

On this subject, the Board of Directors proceeded to modify its Bylaws during 2010. This resulted in the creation of the Corporate Governance Committee, which includes the functions recommended for the Appointment and Remuneration Committee by the Unified Code of Good Corporate Governance of Listed Companies and additional oversight functions for complying with Corporate Governance rules.

Finally, along these lines, the content of the Internal Code of Conduct in Stock Exchanges has been modified. The reform of these internal regulations has meant an improvement in the care and diligence exercised in the use of information and the performance before the markets, the internal channels needed to do so having been established.



CODERE regards innovation as the basis of sustainable growth and market differentiation

INNOVATION

INNOVATION

CODERE manages its tools for innovation as key ingredients for the creation of value for the Group from different areas

CODERE operates in a complex sector that is subjected to continuous changes. Thus, it is essential for the Company to stay abreast of all innovative processes enabling it to meet the requirements of the market.

CODERE manages its tools for innovation as key ingredients for the creation of value for the Group from different areas. Although CODERE does not manufacture the gaming machines and equipment it manages, it has an expert's know-how, experience and flexibility in the on-the-ground operation of this business. It not only knows what works from a technological point of view but also how, when, where and why it does.

Innovation is a part of the Company's business culture. CODERE views innovation in its broadest sense: technological innovation, innovation in procedures and operations, product innovation, and market innovation. For CODERE, innovation is the foundation for its growth, its sustainable development and its differentiation in the market.

INFORMATION TECHNOLOGIES

The year 2010 has been a period of maturation for the projects started in 2009, among which the SPACE Project stands out.

SPACE allows the COMPANY to analyse the Product, Hall, Customer and Competition spheres.

SPACE has the capacity to cross-reference, connect and link data from each of these spheres to each other, which exponentially increases the possibilities

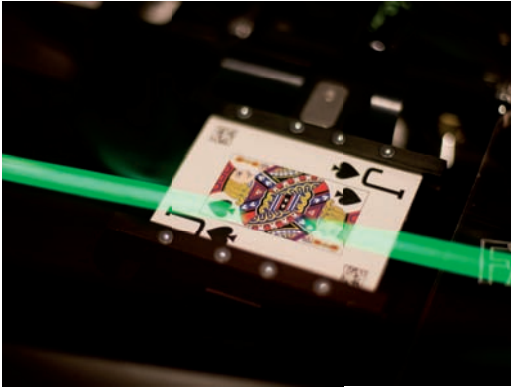
of analysing gaming market information from a 360 degree perspective. Moreover, it will provide a fully integrated view of all business entities and market factors on which the Company's daily activity is based. Once all business units are added, the technology platform on which the project was implemented will allow to carry out a local analysis of the outputs and trends of halls, games and customers and an aggregate worldwide analysis of the whole Group.

The Customer sphere is particularly significant in that it will allow to gain better knowledge of customers' preferences and behavioural trends, the management of players in the halls thereby improving. This will in turn bring about a more personalised service that will improve the experience each player has in the halls, his/her satisfaction and loyalty increasing as a result. Great progress was made in 2010 in the modelling of this sphere, using Panama's customer loyalty model as a practical case.

One of the business areas that have grown more in 2010 from a technology standpoint has been VICTORIA Apuestas, which encompasses the following significant projects:

Streaming horse and greyhound racing

VICTORIA is the only bookmaker with the technological capability to bring customers real-time horse and greyhound races for stand-alone terminals in bars and halls. Thanks to this technology, customers can partake of the excitement of racing and the thrill of sports betting.



Hal Cash

VICTORIA's betting system enables customers to transfer prizes directly to their mobiles and use the latter in any ATM of the Hal Cash network to withdraw cash. This functionality allows our clients to collect their prizes in a safe and comfortable manner.

OPTIMISED SOLUTIONS

One of the main goals for 2010 was the optimisation of information systems and the standardisation of data sources to improve the Company's relations with third parties in order to give customers a tailored service and to be a lot more transparent with regulators.

A multisite point accumulation and customer loyalty system was implemented in Panama's Crown casinos. This new system enables customers to play with their Crown Club card in any Panamanian Crown casino and rack up points in their accounts regardless of the casinos where they play, which thus affords them greater comfort and ease of use while in our halls.

Likewise, as part of the strategy for improving the quality of the information given to customers and of system integration, customer management systems (RUMBA) were integrated with online gaming systems in Colombia during 2010. This integration allows knowing the customers better so as to give them a much more customised service and thereby increase their satisfaction with their gaming experience in CODERE's establishments. This integration constitutes the first step in order to be able to add the Customer sphere to the SPACE (Slot Performance Analysis & Customer Environment) Project in Colombia, whose full introduction is expected to take place in 2011.

Information systems have been developed and approved in both Spain and Mexico so that

government regulators may have real-time access to gaming information and the information requirements placed on each operating area are met. The competent gaming regulatory authorities have direct access in real time to the information required by them in betting terminals in the Basque Country, Madrid and Navarre. This allows meeting all technical and legal requirements for the approval of the information systems. The approval of these systems ensures the reliability and transparency of VICTORIA Apuestas' operations in relation to the legal and regulatory obligations set by the respective Autonomous Community Governments.

Along similar lines, a project was developed and introduced in Mexico during 2010 where, at the Mexican Government's and Treasury's request, the information relating to gaming machines of CODERE's companies in the country was at the Mexican Government's disposal in real time and fulfilled the security, redundancy and connection standards required thereby. This ensures greater transparency and security in the Group's relations with the Government of Mexico and shows its strong commitment to a strict compliance with current legislation in each of the country where it operates.

CODERE Argentina's Systems and Technology Department implemented different actions in the SAP environment during 2010, when it carried out the first full accounting exercise in SAP with all companies, the improvements to the operating processes being defined so as to take full advantage of the SAP functionality during 2011. On the other hand, the installations were refurbished to make room for the Monitoring Centre, a new IP video platform was purchased, and the first steps in event management, correlation and monitoring were taken.



CODERE interactiva (CDRi) came into being for the purpose of gaining a competitive advantage in the nascent regulated online games market

CODERE INTERACTIVA

CODERE INTERACTIVA

CDRi's mission is to position CODERE as the market leader in the interactive entertainment segment by having the most advanced platforms and systems so as to run all kinds of gaming contents and lotteries on new terminals, mobile phones, TV and the Internet. Credibility, innovation and customer service are the three values that form the basis of our operation.

These are the pillars on which CDRi rests:

Development and interactive entertainment.
Offer a responsible range of services that afford the best experience and allow the members of our community to not only play but to opine and create new contents.

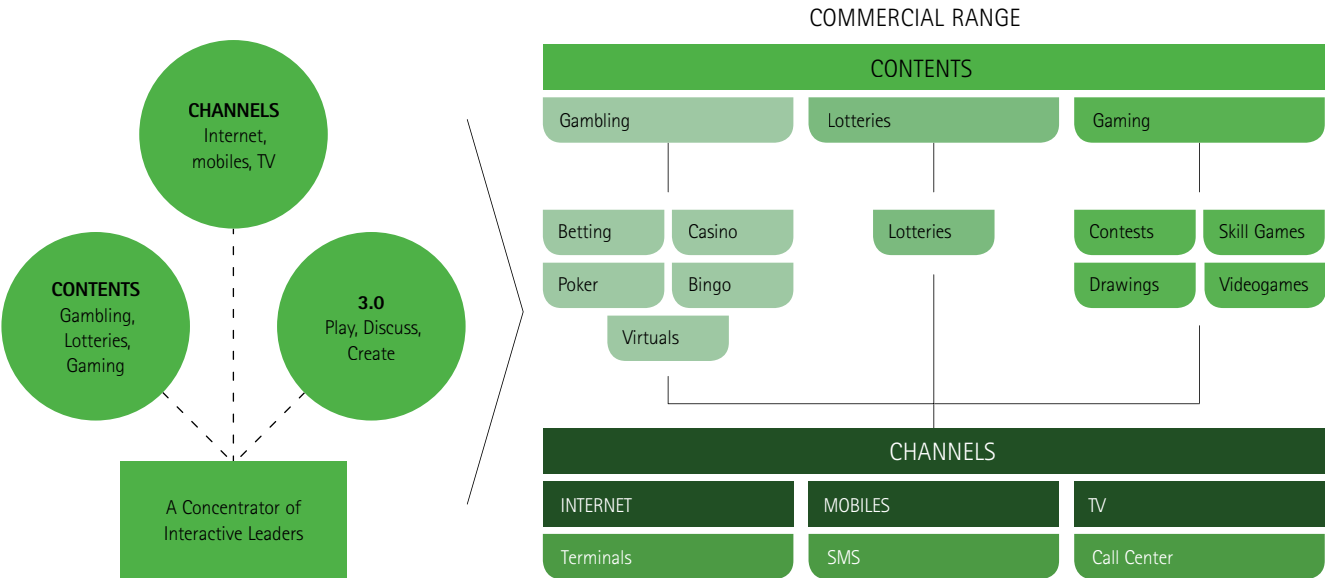
Flexibility and adaptability. Flexible system which enable us to meet the needs arising from

the business in a simple and easy manner through configuration and parameterisation changes and new developments and integrations.

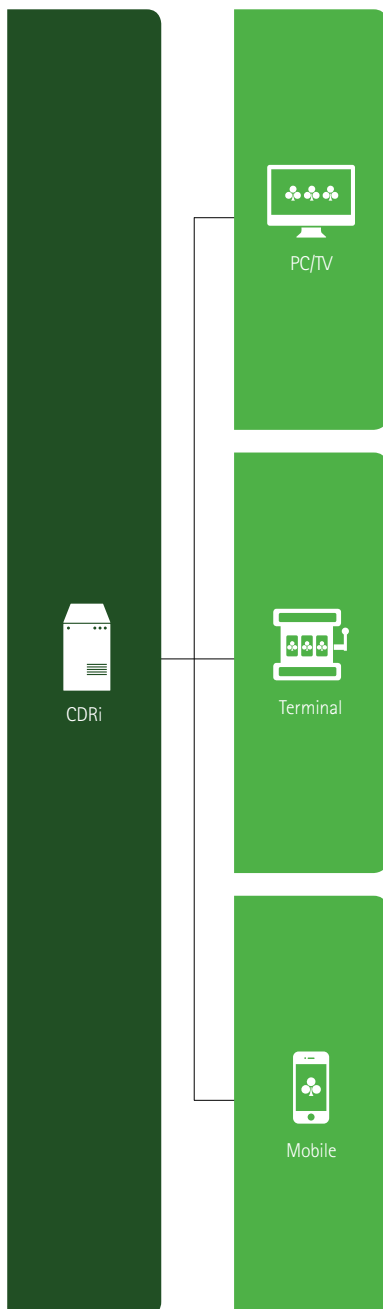
Business intelligence. Greater analytical capabilities concerning everything from knowledge about customers, a transaction risk management, fraud detection and smart promotion pricing, etc, in order to anticipate customer needs and market trends.

Multi-channel platform. Mobile phones, terminals, TV and the Internet.

CDRi's milestone in 2010 was the launch of online bingo in Italy on the 24th of November. CDRi will operate in multiple countries and its expansion will occur as online gaming is regulated in other European and American markets.



CDRi will be the basis for the development of the Group's Brick & Click strategy, which it has started with the launch of online bingo in Italy



codere.it



30 years committed to people.

CODERE's Commitment to responsible gaming is based on a strict compliance with the regulatory framework that governs its activity and on the development of the communities where it operates

RESPONSIBILITY IN GAMING

RESPONSIBILITY IN GAMING

CODERE's Commitment to responsible gaming is based on a strict compliance with the regulatory framework that governs its activity and on the development of the communities where it operates. Likewise, its activity takes place in connection with several interest groups that enable the Company to grow and be well respected in the sector in which it operates.

CODERE understands Corporate Social Responsibility (CSR) as a way of acting in the course of the development of the business it manages taking into account a series of social concerns. This new approach is applied to the Company's day-to-day management, which adds its interest groups' expectations to the core business strategy.

The interest groups identified by CODERE as an essential objective of its Corporate Social Responsibility are, among others, regulators, its customers, its employees and its partners. Likewise, given that its activity may have a social impact, CODERE demands of its managers, employees and partners cooperation with regulators and clients in order to resolve their concerns professionally.

CODERE implements strategies which go beyond what is strictly required for the efficient management of its business and afford it intangible reputational assets that allow it to gain a clearly differentiating competitive advantage.



CODERE AND ITS PEOPLE: COMMITMENT TO PEOPLE

30 years committed to people

CODERE aims to become the best place to work, attracting, training and keeping the best professionals.

Aware of the importance of the quality of the human team for obtaining the best results, its Commitment to People is one of its main assets. Thus, over and above legal requirements, CODERE implements in its labour relations a corporate social responsibility strategy focused on three specific areas: quality employment, health and prevention, and training and professional development.

CODERE is a company with a great diversity of cultures that stands out for the innovation and quality of its services as the basis for the relations with its customers. The Company places special emphasis on the training, proficiency, integration and personal qualities of people as one of the basic pillars for the development of the Group.

Professionalism, transparency, service excellence, innovation and responsibility are the guidelines for the behaviour of a highly qualified management team that relies on a management team dedicated to the business supported by a group of shareholders with significant experience in the gaming sector.

In the 30 years it has been in business, CODERE has been renowned for the continuous creation and preservation of quality jobs and has kept growing despite the complicated global environment. As of 31 December 2010, the CODERE Group employed 17,692 people between managers and supervisors, specialists, sales staff, collectors, technicians, administrative personnel, assistants and others.

The Company applies active HR management policies to prevent discrimination situations and promote

equal opportunities for all its different groups in all of its workplaces. In addition, given that most of CODERE's activity takes place in countries with very different social and work environments, the Company practices a policy of absolute observance of local legislations as regards labour and social issues in each of these countries.

OCCUPATIONAL RISK PREVENTION

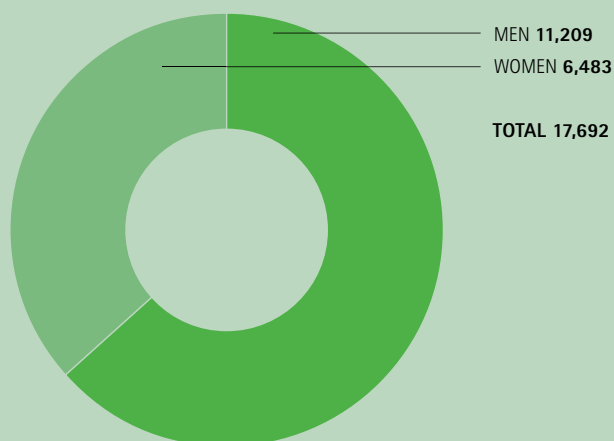
One of CODERE's top priorities is to provide all company employees the best health and safety conditions, in line with its firm commitment to complying with Corporate Social Responsibility principles.

Under this principle, the Occupational Risk Prevention Department kept working during 2010 on

Training course on fires and emergency measures taught by CODERE employees in 2010.



WORKFORCE BREAKDOWN BY GENDER



the application of the preventive measures included in the different Prevention Plans. Likewise, the risk assessments of jobs and facilities were updated, striving at all times to comply with the law and incorporate all requirements derived from new regulations.

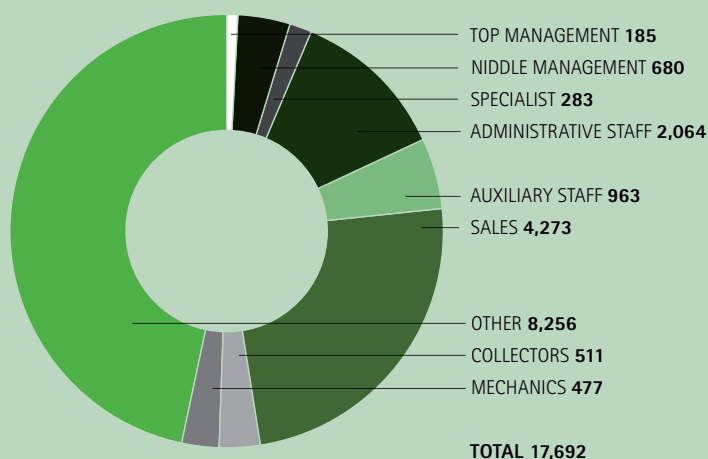
The contracting of new prevention service providers in 2009 called for a thorough revision in 2010 of the work done by them in order to adapt said work to the particularities of CODERE's business and operation.

The processes for instilling prevention into all staff members have been continued and encouraged through the active involvement of the different Regional Prevention Managers, the Health and Safety Committees and the members of the different Emergency Brigades. In addition, the implementation of new prevention procedures has required the collaboration and coordination of different areas of the Company.

The coordination with the Infrastructures and Legal Departments so as to draw up the Service Provider Contracting Procedure is worth highlighting. Along these lines, progress has continued to be made throughout 2010 with regard to the application of legal requirements in terms of the coordination of preventive activities with the different providers whose workers render services at the Group's facilities.

On the other hand, the process begun in 2009 and consolidated in 2010 for the reorganisation

WORKFORCE BREAKDOWN



of the Map of Mutual Occupational Accident Insurance Companies and External Prevention Services at the national level has called for close supervision and control on the part of the Prevention Department, whilst generating noticeable savings without detriment to the quality of the services provided.

The management of sick leaves due to common illnesses has received additional support by the new Mutual Accident Insurance Companies in the sense that, in addition to the medical attention provided by Public Health Care Services, employees on sick leave have been treated directly by Mutual Insurance Company doctors, who have suggested bringing forward diagnostic tests and/or getting second medical opinions.

During 2010, prevention activities have been introduced in the new sports betting shops as they have been opened in several Spanish Autonomous Communities.

In the area of occupational risk prevention training, training courses for new employees and refresher courses for other staff members, such as, for example, training courses on fires and emergency measures for members of the Emergency Brigades at the different workplaces, were taught in 2010.

As part of the Emergency Preparedness Section, evacuation drills aimed at achieving the best possible coordination and training of all staff and, in particular, Emergency Brigade members were conducted during the year.

In relation to the project to circulate Prevention Plans, Worker Information Sheets and Emergency Measures – planned for the 2011 financial year, all the information to be distributed over the Company's intranet was prepared.

Mexico

In July 2010, CODERE México set up the **Corporate Safety Department** for the purpose of the introduction of integral risk management mechanisms allowing to guarantee the well-being of visitors and the continuity of operations should different potential risks materialise, in keeping with the safe entertainment vision.

As a worldwide company which can potentially grow more, CODERE has implemented security and safeguard structures together with a safe entertainment policy that provides certainty for customers, providers, collaborators and the public at large in order to ease production processes and customer service.

Made up of fully qualified staff, the Safety Department has achieved great results, such as the introduction of Civil Protection Programmes on a national scale and the implementation and operation of technological safety systems and communication equipment at the national level, in spite of having been newly created.

TRAINING AND PROFESSIONAL DEVELOPMENT IN 2010: THE BEGINNING OF A CHALLENGE

Spain

A new concept for the Training and Development Department, focused on boosting the growth of the organisation through excellence in people's performance, was created in 2010. The ultimate goal of the development of its employees' knowledge and skills is to position CODERE as a competitive company in the leisure and entertainment sector.

CODERE maintained its strong commitment to searching for and attracting talent and thus attended the main job fairs that were held in Spain. In February 2010, CODERE was present at the Vocational Training Job Fair promoted by the Community of Madrid with the aim of consolidating its brand image as an employing company that is successful in the job market and approaching a sector of trade specialists whose profiles are essential for the Company's operations in Spain. Moreover, in the month of October, and for the fifth consecutive year, CODERE was invited to attend the Job Fair organised by the Instituto de Empresa Business School (a world-renowned business school) as a guest company, thereby promoting the Company's standing as a very attractive company for professionals with post-graduate education.

CODERE Mexico's 2010 safety and civil protection activities.





Selection, Training and Development Team at the Community of Madrid Job Fair.

With regard to the **selection processes** carried out in Spain during 2010, CODERE's employees rose 26% from the previous year with the hiring of 138 individuals. In addition, the filling of vacancies by means of the in-house mobility of its own employees was still encouraged during 2010, involving a total of 36 individuals, thereby promoting the dynamic profile of the Company's professionals.

Furthermore, the HR Department gave a boost to the **CODERE Scholarship Programme**, affording young students the opportunity to take their first steps in the business world. In order to bring in young, university-educated talent, CODERE sponsors framework agreements with the majority of the leading Spanish universities and business schools.

At the international level, the Company has collaborated with the different countries in which it operates in the search processes for human capital at the top management levels.

Throughout 2010, the Company worked on an innovative model for the integral management of its talent, an ambitious challenge that intends to gradually professionalising CODERE's human capital by adapting to new technologies, adopting different approaches and applying alternative policies for the management of human potential.

The Training Department's mission is to plan high-impact actions with measureable objectives, aimed at priority groups, with detailed contents based on a singular, specifically designed methodology.

Different innovative actions directed towards increasing employee specialisation were undertaken throughout the year. Thus, initiatives for priority groups were promoted, such as the training given to the employees of the CANOE Bingo Hall and VICTORIA Apuestas by means of three cycles of workshops taught by the Bank of Spain on raising awareness for **the detection of illegal tender**. It was the first time a Spanish company from the leisure and entertainment sector took one step forward and showed its training commitment in matters related to fraud and money laundering.

Moreover, the **Senior Secretariat Programme**, focused on developing and consolidating interpersonal, conflict management and customer service skills among the people who perform these functions within the organisation, was implemented for the first time.

Likewise, training actions centred on developing **leadership skills** in the people who manage teams were also put into practice. The workshops – which were highly valued according to the satisfaction questionnaires filled out by the heads of the different teams and by all the Spain AWP regional office directors – are remarkable for their practical methodology, which provides great added value when it comes to reinforcing knowledge.

One of the most relevant training milestones in 2010 was the strong commitment to **in-house training** as a vehicle for imparting technical knowledge to



CODERE employees by means of company experts. The first experience was the **Specialisation Course on the New General Accounting Plan (NPGC) and IASs**, which was coordinated between the (Corporate and Spain's) Financial, Audit and HR Departments and allowed to draw up CODERE's goals, contents, applied methodology and practical cases by means of an in-house teaching staff. Trainees were divided into two groups according to their knowledge level; in the end, 50 people were trained and 850 teaching hours were given.

In addition to these actions, the traditional, annual software tools and languages (English and Italian) training plans were put in place in 2010.

Furthermore, two Teaching Rooms intended for the development of training plans and fitted out for delivering teaching sessions and equipped with the required technical materials – such as a semi-professional camera for recording and editing different training acts in order to broadcast them over online channels – were created this year.

As part of the **talent identification and development** actions, the Corporate HR Department implemented, in collaboration with the different Business Units, several system improvement and simplification-related projects in order to standardise those tools which are commonly used at the corporate level.

An example of this was the cooperation between the headquarters and the HR Departments of Argentina, Colombia and Spain so as to introduce a new Talent Management System by means of the **Performance Evaluation Tool**.

Important changes were made to the model's structure and methodology, providing it with a 180 degree approach that enables to look up organisational families, competency profiles and a competency dictionary, among others. This new view of the tool allows to create a much more agile and bidirectional evaluation framework where the people evaluated are assessed by both their immediate superior and the team at their charge, the objectivity

A CODERE in-house training course in 2010. Training and Development Team.

Teaching room set aside for CODERE's training plans. Technical equipment in one of the teaching rooms.

and breadth of the results being guaranteed thanks to a larger number of inputs.

In 2010, this new methodology was successfully put into practice in Colombia for the evaluation of its management levels and also served as a pilot test for other countries. The human team, which was created between Spain's different HR Departments and Brazil's Management to dimension the operation in the South American country, stands out; it set jointly a schedule of the phases for the definition of the competency profiles of the positions in the organisational structure.

Finally, to mark the acquisition of the casinos in Panama on the 20th of August, the Corporate HR Department decided, in view of said milestone in the CODERE Group's history, to subject a total of 43 individuals, all of them either in management positions or top managers in the operation of said company, to an exercise from the **Assessment Centre**. In order to carry out the Assessment Centre exercise, a team of experts from the HR Departments of Colombia, Panama and Mexico was formed to supervise this assessment methodology; it was headed by the Group's Corporate Department.

The importance of knowing the people and possible synergies between both corporate cultures, as well as the unification of potentialities for successfully performing the expansion of CODERE's operation in casinos in the medium and long terms by bringing in valuable human capital, stand out among the ultimate goals.

International High-Potential Youth (HPY) Programme

The cycle of apprenticeship and training of all participants in the International High-Potential Youth Programme ended in 2010, consolidating an important training stage and marking the start of the last phase in the design of the Programme.

In this last phase, the final destination department of each of the individuals is decided by means of a review of talent, where a broad range of variables, such as the HPY's profile, his or her areas of preference, the performance achieved during rotations, interpersonal relationships or the Company's strategy, among others, that will provide guidance when it comes to deciding their future position within the Company, are evaluated and assessed.

STAFF EVOLUTION





The rotations in the different areas of the organisation in which the seven participants (three from the first class and four from the second class) took part were completed in 2010; they have now been given different operational and staff positions within the structure of the Company.

The international transfer of HPYs to different corporate countries took place during the first quarter of 2010. With regard to the Programme in Argentina, four participants moved to Spain in order to receive training in different lines of business, two having been appointed to Sports Betting, one to Spain AWP and another one to the Secretary General. This rotation lasted six months; the acceptance and appraisal of the destination departments involved in the training of the Argentinean participants was very positive, the latter's knowledge of the business, flexibility and attitude towards achievement having been commended. Upon their return to Buenos Aires, they took up their positions in CODERE Argentina's structure on a permanent basis.

Given the success of the Programme as regards both its regional and its international promotion in 2010 (Argentina, Spain and Panama), there are plans to set in motion other promotions in the next few years.

Argentina

The **HÁBITOS (HABITS) Programme** at CODERE Argentina trained 805 people throughout 2010: 41 workshops – totalling 11,405 training hours – were taught from April to November. In addition, the Company has carried out an operational training by means of five ongoing programmes

(including **HÁBITOS**) amounting to around 24,243 training hours, and corporate training through five current programmes for a total of 4,486 training hours.

On the other hand, the **Encuesta de Clima (Work Atmosphere Survey)** action – in which 1,937 collaborators voluntarily took part – was set in motion; 15 workshops were carried out in which 245 participants, who put forward several proposals to be published shortly and monitored by the Steering Committee every month, took part.

Furthermore, different agreements within the labour sphere were reached in 2010, such as the signing of the **Collective Restaurant Work Agreement**. With this agreement, which affects 40% of CODERE Argentina's staff, equality among workers of CODERE Argentina's halls, restaurant workers and gaming workers has been achieved. Likewise, the working hours of collaborators in the bingo sector were modified by including a break in the workday, thereby improving the quality of life thereof.

In addition, different leadership training actions at the middle management level were carried out and the Development Opportunity Identification Programme (PIOD) was implemented, which for the second consecutive year put into practice the development plans with the Group's operations and corporate staff.

Other actions were carried out in 2010 for the benefit of employees, such as: the inauguration of the **Dining Hall Service for Employees at Casa Central**, with room for 60 diners, and the signing of an agreement with an insurance company which will

Competitors in CODERE Argentina's Half Marathon.

Poster for the **HÁBITOS** campaign at CODERE Argentina.

provide all CODERE workers in Argentina with a **Life and Accident Insurance Policy**.

Other activities that took place during the year were the launch of the **Holiday Camp** for 160 kids aged 6-13 in the town of Ezeiza, in the Province of Buenos Aires, which organised outdoor recreational activities, and the organisation of a **Half Marathon**, with 29 participants.

Mexico

Along the lines of promoting employee integration, CODERE México has put into practice several activities that aim to encourage the interaction, participation, teamwork and coexistence of people. Thus, the HR Department has been organising in the past few years the **celebration of employees' birthdays** at the end of each month.

Other integrational actions were also carried out in 2010, such as watching the Mexico vs. South Africa 2010 FIFA World Cup match on 11 June, which brought together employees to support the national squad under the "Ponte verde con CODERE México" (Turn green with CODERE México) slogan.

Other activities were also conducted, such as the launch of the **Tapete Día de Muertos (Day of the Dead Rug)** Competition, which brought back a national tradition and promoted teamwork among company entrants, and the celebration of the **New Year's Eve Party**, which gathered employees in a relaxed atmosphere.

A nationwide offering contest was held at the halls; the best offerings from the each area were awarded prizes with the aim of promoting Mexican traditions, cooperation and enthusiasm.

At the in-house level, other series of **training** activities involving employees were conducted according to their positions and in relation to the different promotions and campaigns.

Different activities were organised at the halls, such as Festejamos a Mamá (Celebrating Mum), which paid tribute to mothers in the organisation: all mums were called to a meeting without their being aware that they were actually going to attend an event in their honour, where each of them received a surprise presents made by their children or family.

Celebration of the month's birthdays at CODERE México

CODERE employees watching the Mexico vs. South Africa 2010 FIFA World Cup match.

Day of the Dead Rugs made by CODERE México employees.



Furthermore, in other units the rest of employees presented them with a keepsake for being part of the Company.

Health Week was held at all CODERE Bingo 777 and Casino Bingo 777 Halls with the support of the Department of Public Health (SSP) and the Mexican Social Security Institute (IMSS), owing to which all hall employees got a free medical check-up.

Thanks to these activities, the goal of reinforcing the sense of belonging to the Company was achieved, making it a nice place to work at.

INTERNAL COMMUNICATION

CODERE consolidates its Internal Communication policies and programmes by setting up channels enabling employees to find out about all relevant company information and inviting them to actively take part by voicing their opinion and putting forward proposals for improvement.

The four programmes that make up the Strategic Internal Communication Plan and were implemented during 2010 were: Conciencia (Conscience), Conecta (Connect), Concilia (Reconcile) and Conferencias Codere (Codere Conferences).

Conciencia

Set up in 2009, this programme channels all the initiatives designed by CODERE to reduce the costs incurred in the acquisition of goods. The goal of the programme is to circulate those savings policies that have been defined but also to let employees play a leading role by inviting them to contribute to the adopted measures and to let them know that small, daily individual gestures have a big collective benefit.

Thanks to the suggestion box that was furnished, employees were able to get across their suggestions for improvement.

Conecta

Already in its fourth year, this programme gives CODERE España employees a chance to participate in the different padel tennis, mus (card game) and bowling tournaments organised by the Company.

Moreover, they had the opportunity to show their most supportive side by collaborating in different social initiatives. An example of this kind of campaign was the **Kilo Operation**, where employees donated non-perishable goods, such as rice, flour, legumes, oil or powdered milk, to the Madrid Food



Bank, which works with organisations devoted to the direct attention and care of people in need (mentally and physically handicapped people, destitute elderly people and children, marginalised families, recovering drug addicts and so on).

Likewise, children of employees' took part in a solidarity campaign for the collection of toys. Those kids that went to the Christmas party shared their toys with less fortunate children. In 2010, more than 100 toys were handed over to YMCA, an association committed to provide education and support to disadvantaged groups (Spanish for foreigners, programmes in hospitals and rehab centres, elderly or disabled people).

Concilia

During 2010, CODERE also introduced measures to allow employees to reconcile their family and professional lives, bringing everyday services into the Corporate Headquarters. Thus, employees were able to take care of their daily affairs without having to leave the workplace, which offered car wash, laundry, pharmacy, catering and other services with the best quality at the lowest prices.

Conferencias

CODERE's Cycle of Conferences was launched in 2010, which provides value and knowledge to Company employees by means of papers given by relevant independent and corporate figures, thereby spreading practices successful in the Company and the market, trends and future challenges.

The content of the conferences revolves around business and organisational aspects; in addition, employees can interact and choose said content.

Solidarity campaign for the donation of Christmas presents to YMCA at CODERE España's HQ.

 **conCIENCIA**





These presentations – which take place at the Corporate Headquarters – are broadcast over CODERE España's intranet so that employees may watch them regardless of their geographical location. The content touches on business, as well as organizational issues offering employees the possibility to decide on the content of the conferences.

Argentina

Throughout 2010, some HR Department-promoted initiatives for employees were put in practice in Argentina.

In 2010, CODERE Argentina's Internal Communication Department implemented several initiatives and tools for employees:

The Codere Corner: a physical space where all internal company bulletins can be posted. In 2010, they were set up at the Headquarters and in the halls and specific employee meeting places.

Annual information campaigns: in 2010, the Company's new management model (HÁBITOS) was launched and its goals and action schedule were disclosed; it will be subsequently applied in all halls and used to report results. Likewise, the launch, evolution and results of the **Work Atmosphere Survey** were reported by means of an important campaign over different internal means of communication. In addition, the different agreements

on **Special Benefits** with several companies for all employees were reported.

Nuestra Apuesta (Our Commitment) Magazine:

Five issues of the magazine were published last year, the last one being the 2010 Yearbook. Each had a print run of 4,000 copies to reach all company employees and their families. The magazine covers the main news about the Company's organisational structure and includes a special section set aside for the Corporate Social Responsibility Department to present all of its programmes. Employees have plenty of space reserved for them where they can publish interesting information such as interviews, features on articles or entertainment news.

CODERE Argentina's Children's Holiday Camp in 2010.

COMPLIANCE

CODERE has a strict Compliance policy that incorporates the highest international ethical conduct standards and requirements

CODERE'S COMPLIANCE POLICIES IN 2010

CODERE is aware of the sensitivity of the gaming sector. This is a sector that has gone through many different stages of public perception throughout its history, ranging from the most absolute prohibition – with the resulting negative consequences – to the highest levels of regulation and planning, with periods in between of illegality and lack of regulation.

Given the vantage point it occupies in this sector, CODERE believes it must take on the challenge of setting guidelines for excellence in collaboration with authorities, suppliers and customers that should be included in its global social responsibility strategy and corporate culture. These guidelines have resulted in the establishment of an strict compliance policy that incorporates the highest international standards of ethical conduct and for the prevention of money laundering.

CODERE'S COMPLIANCE POLICY

CODERE has adopted the framework established in 2004 by the Basel Committee as its Compliance standard. Thus, CODERE has fully assumed the scope of the Compliance Function as that **independent function** that identifies, advises on, warns of, monitors and reports compliance risks in organisations, that is, the risks incurred by companies of receiving sanctions due to legal or regulatory non-compliances, of suffering financial losses and/or of damaging their reputation due to failing to comply with applicable laws, regulations, codes of conduct and good practice standards (together, "laws, rules and standards").

CODERE demands of itself, as well as of its associates and suppliers, the most absolute compliance with the regulations of the gaming sector in every country

where it operates as well as a strict observance of all financial, tax and labour regulations in force wherever it performs its activity.

CODERE's Compliance Policy is proof of its special commitment to the legislations against fraud and money laundering, to the values of honesty and integrity in corporate business practices and to the acknowledged internal code of conduct; it can be summed up in the following strategic objectives:

- Setting up the appropriate activities and mechanisms for the introduction of a mindful compliance culture at all levels of the Company as an essential tool to reach and maintain the level of excellence to which CODERE aims.
- Cooperating in the identification and establishment of the strictest standards of ethical conduct and laws applicable to the execution of CODERE's business activities.
- Attaining the proactive involvement of all of CODERE's executives, managers and employees in relation to the Compliance Policies in all different activities and geographical areas in which the Company operates, setting up the minimum mechanisms of coordination and exigency among the different actors.
- Identifying, assessing and controlling the main Compliance risks, understood as those risks that might lead to legal sanctions, material financial losses or losses of reputation as a result of possible non-compliances with laws, regulations or standards of organisational self-regulation or with the codes of conduct applicable to its business activities.

SPECIFIC RISKS TARGETED BY THE COMPLIANCE DEPARTMENT

-Reputation risk: The possibility of incurring losses owing to negative publicity – whether true or not and intentional or not – with regard to the Company and its business practices causing a loss of customers, a reduction of revenue or legal proceedings.

-Operational risk: The possibility of incurring losses due to either the inappropriateness or failure of internal processes, staff and systems (fraud, internal events) or external events.

-Legal risk: The possibility of incurring losses by being sanctioned, fined or forced to pay damages as a result of failing to comply with rules or regulations.

-Strategic risk: The possibility of incurring losses because of the Company being disqualified by the Administration from developing products or providing services for not adapting to the changing conditions or requirements of the business segments in which it operates.

CODERE'S COMPLIANCE POLICY EXECUTION PROCESSES

In 2005, CODERE's Board of Directors approved the Company's Compliance Plan, which contains the Group's specific guidelines for action with regard to this matter, and set up a Compliance Committee chaired by an independent board member. In 2006, the Corporate Compliance Department was created. In 2010, the Company proceeded to intensify these processes in the spheres of activity listed below, which falls along the lines of that established by the new Spanish Law 10/2010 on Money Laundering and Terrorism Funding Prevention:

A. Introducing and managing International Money Laundering Prevention Policies in CODERE, S.A.

1. Identifying the recipients of gifts and controlling suspicious transactions (STRs).
2. Reconciling reports to control and/or gaming authorities. Providing proof of fraudulent payments or transactions.
3. Imparting the mandatory Money Laundering Prevention Training Plans for employees of the CODERE Group.
4. Representing CODERE before money laundering prevention authorities and gaming authorities.

5. Updating and introducing in the Company the Money Laundering Prevention Regulations of every country where it operates plus those which are mandatory for the CODERE' Group's parent company (Spanish, European and FATF regulations).

B. Introducing and managing the Codes of Ethical Conduct that provide evidence for the use of best CSR and business practices in CODERE, S.A.

1. Drafting a Corporate Code of Ethical Conduct – to enter into force in 2011 – and codes specific to each local area, which shall complement the Corporate Code.
2. Partially managing the Code of Conduct before the Spanish Securities and Exchange Commission, in addition to issuing significant shareholder reports and insider information records and monitoring stock purchase prohibition periods.
3. Designing a reporting channel – to be used by employees, customers and suppliers – that prevents possible reputation damages, internal fraud or other damages to CODERE, starting in 2011.
4. Verifying ethical conduct issues or conflicts of interest derived or not from the above channel, and submitting settlement reports and/or proposals to the Compliance Committee.

C. Setting up and managing the Compliance Information System called for by CODERE, S.A.'s Compliance Plan

1. Having an internal control policy by means of the due-diligence requirement and control of key or executive staff.
2. Having an external Know-Your-Customer (KYC) control policy by means of the preliminary due-diligence control of natural persons and legal entities associated with CODERE, in particular game machine vendors, as well as the movements and operability thereof.
3. Providing other departments or units with control tools and/or providing ad-hoc support for controlling and checking companies and people.
4. Carrying out the necessary reports and information checks on reputation risks for and/or asset damages to CODERE, notifying the Compliance Committee and/or CODERE's Chairmanship where appropriate.

On the other hand, the structures overseen by the Compliance Committee with regard to the operability of local Compliance Officials have been strengthened. This has been the case in Colombia and Argentina, whose officials, together with those already operating in Panama, Italy, and Mexico, significantly boost the Corporate Compliance Department's capabilities as regards its function of executing Compliance Policies in an efficient manner.

To summarise CODERE's Money Laundering Prevention (MLP) and Know-Your-Customer (KYC) activities, as well as its MLP, customer control and suspicious activities training activities for employees and executives, the following actions were carried out in 2010 both at the corporate level and in all units and subsidiaries:

5,040 different types of due-diligence investigations were conducted on third parties

– **both natural persons and legal entities** – with whom the Company has business or contractual relations at the corporate level and in the units of the different countries in which the CODERE Group operates.

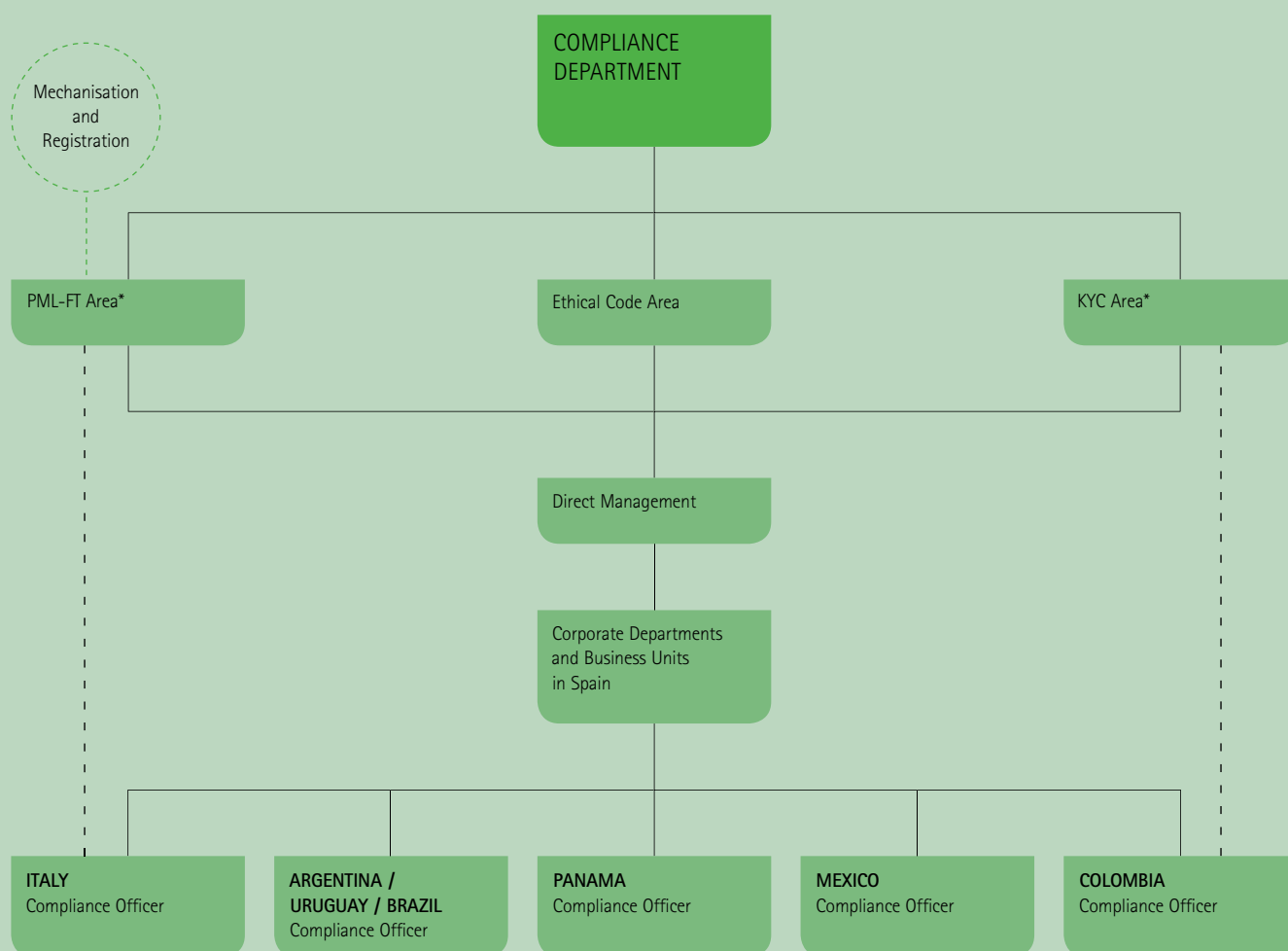
879 due diligence investigations were performed on CODERE's staff.

1,006 employees in Argentina, Panama, Colombia and Spain internally received compulsory MLP training.

22,294 gifts and transactions were controlled and reported to the appropriate Authorities, accompanied by the ID and record called for in each case; there were 4 suspicious transaction reports issued. This process was fully implemented in all business units.

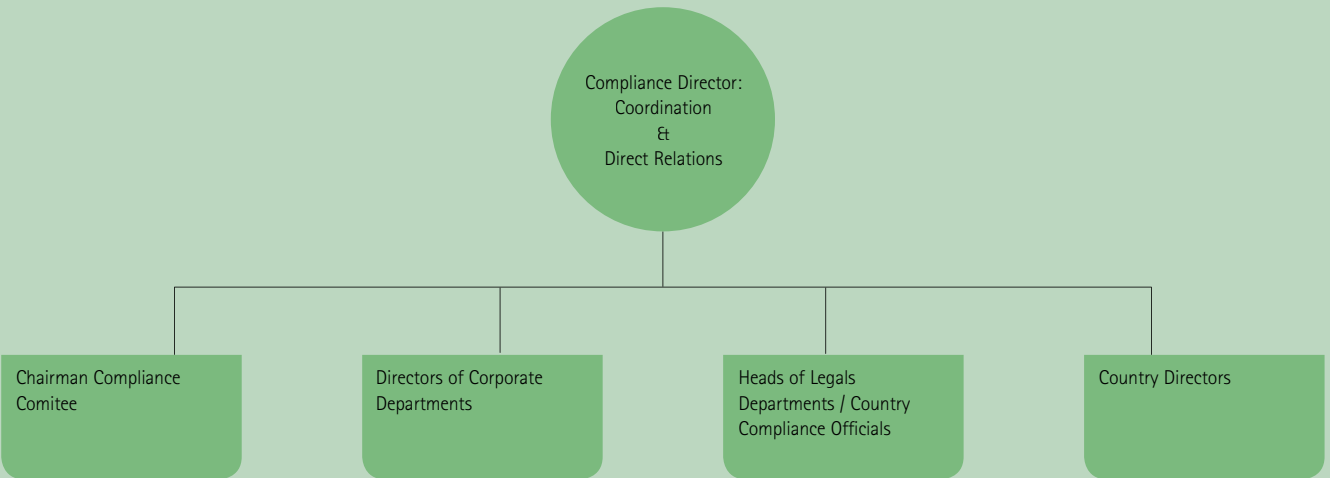
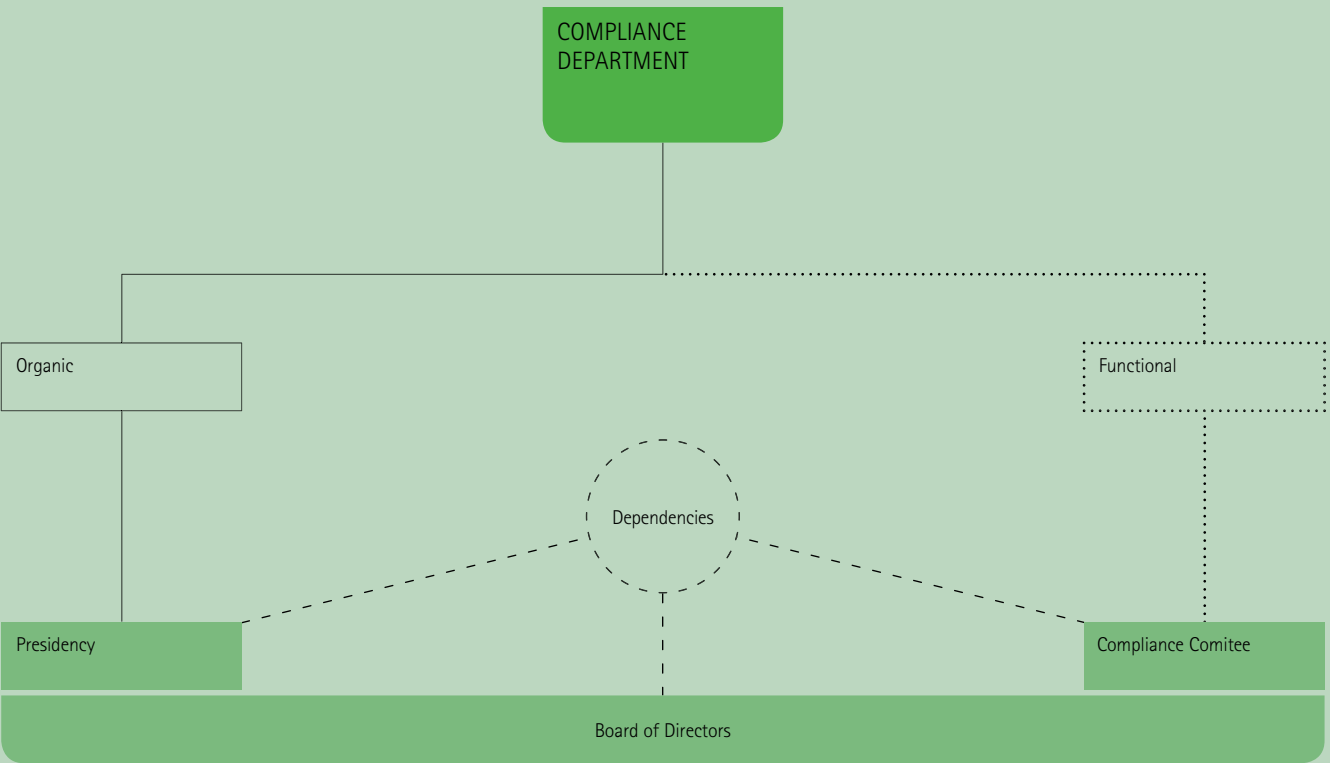
110 reporting channel/internal investigation management communications were dealt with.

COMPLIANCE COMMITTEE



* PML-FT: Prevention of Money Laundering and the Financing of Terrorism

* KYC: Know Your Customer



AREAS OF RESPONSABILITY OF COMPLIANCE DEPARTMENT	
<ul style="list-style-type: none">-Compliance with gaming regulations in all geographical areas-Compliance with policies against money laundering-Internal due diligence control of managers and key personnel	<ul style="list-style-type: none">-External due diligence control of organizations or persons associated with CODERE-Institutional relations with regulators and money laundering prevention bodies-Management of Codes of Ethics and the Reporting Channel

CODERE AND SOCIETY

CODERE is an ally of Governments in channelling the gaming demand through a reliable management thereof

A RESPONSIBLE BET

CODERE carries out its activities within the sphere of entertainment, in the private gaming sector, which is subjected to intense regulation and to the necessary prior authorisation requirements. This fact benefits both the operator's legal certainty and the general interest since this is an activity subjected to oversight, control, protection of at-risk groups and payment of a certain amount of taxes to the tax authority of the countries where the activity takes place.

Throughout this time, regulation has evolved as the activity has increased. Jurisprudence has gradually cleared a path that has forced Governments to question the monopolies set up by their legislations with regard to many aspects of games of chance.

Public administrations approach the gaming sector from a dual perspective: On the one hand, its taxable side, which requires modern and updated tax regulations; on the other hand, the public order and security facet, which calls for an adequate protection of those social groups who might be affected by games of chance. The fine-tuning of all these elements has to strike a balance between the volume of activity and what social sensitivity considers to be appropriate, where government revenue derived from the taxation of games is as high as possible.

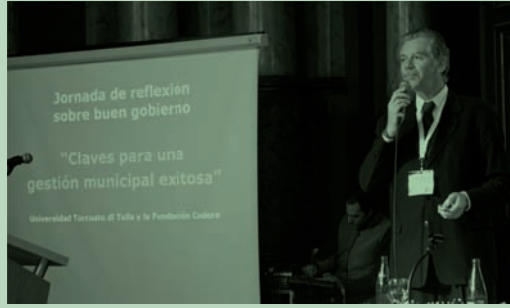
The CODERE Group places all its experience in and knowledge of the sector at the service of the corresponding authorities to reach this objective of transparency and stability. The goal is to attain a body of regulations that are capable of reconciling, in a manner as tight and balanced as possible, the increase in demand and the passion for games of chance, on the one hand, and the defence of the general interest, on the other.

CODERE acts like an ally of Governments when it comes to channelling the demand for gaming, gives users guarantees, provides tax revenue for the Administration and limits the potential social impact this activity might have through a responsible management of gaming. The company strives to minimise the potential social impact entailed by an abuse of the activity and directs all its efforts mainly towards contributing to the development of stable, transparent regulatory frameworks. Regulation must keep evolving to adapt to all these societal changes and meet the sector's emerging needs.

Online gaming is today one of this industry's sectors with better prospects from a social and economic standpoint; thus, it is necessary for Government and institutions to advance the regulation of remote gaming.

There are currently many companies bursting into the Spanish online gaming market which do not comply with any legal rules or administrative controls, do not give consumers guarantees and do not pay any type of taxes on the profits made in Spain. This situation, which favours companies outside the law, is unjust and unsustainable for the gaming industry that is subjected to the regulations currently in force.

It is undeniable that there is a need for a legislation that is common – or at least harmonised – to all EU members states and largely based on the principles of legal certainty, transparency and consumer protection, without forgoing relevant aspects such as advertising, tax revenue, authorised operators, the penalty regime and all those other features which are essential for it to be truly practical and useful.



Different moments of the Symposium at the Torcuato Di Tella University. La Plata (Buenos Aires).



THE CODERE FOUNDATION

The CODERE Foundation is a non-profit organisation set up in 2007 with the aim of promoting and participating in both national and international initiatives that enable to improve and develop public policies on games of chance and the structures on which this industry stands as well as to boost the development of the local communities where CODERE performs its activity.

THE CODERE FOUNDATION TRUST

Chairman: Mr José Antonio Martínez Sampedro
Deputy Chairman: Mr José Ignacio Cases Méndez
Member: Mr Rafael Catalá Polo
Member: Ms Beatrice Rangel
Member: Mr José Ramón Romero Rodríguez
Member: Mr Juan José Zornoza Pérez
Executive Director of the Foundation and Secretary of the Trust: Mr Germán Gusano Serrano

The CODERE Foundation is an acknowledged entity that is registered in the Protectorate of Foundations of the Ministry of Education of Spain.

As a space for thought, discussion and research revolving around the gaming sector and, in particular, private gaming and its relations with the public sector, the CODERE Foundation enters into agreements with both public and private entities, thus promoting collaboration among them. Likewise, it acts as an interlocutor before all requisite institutions in order to convey to society an accurate picture of the activity of games of chance. Furthermore, it intends to play the role of qualified representative of the gaming industry's

opinions, interests and needs before society, the mass media and public authorities.

CONFERENCES

The CODERE Foundation organises, by means of agreements with different Universities and other high-profile entities at both the national and the international level, conferences and symposiums aimed at creating spaces for reflecting on the gaming industry and introducing this sector to the top-level academic world.

Since March 2008, the CODERE Foundation and the Carlos III University have a collaboration agreement in place for sponsoring studies on games of chance from the social, political and economic point of view.

On 24 June 2010, a symposium entitled "Good Municipal Governance" was held in the Town Hall of La Plata (Buenos Aires) in collaboration with the Torcuato Di Tella University; panels, conferences and debates were organised on subject matters relating to society, ethics, democracy and the public function, among others, in order to tackle all aspects involved in the improvement of municipal government, particularly in the Latin American context.

TALKS

With the organisation of talks, the CODERE Foundation wants to set up a framework for continuous discussion dealing with current topics and promoting the exchange of ideas and points of view among the different actors that directly or indirectly take part in the gaming industry.

These talks are organised by following a common methodology that has been proven to work in other spheres of society and is based on the exchange of points of view and stances in a private setting by professionals from both legal and economic circles and representatives from the Administration and Academia.

PUBLICATIONS

The CODERE Foundation collaborates with renowned specialists to put out reference publications with the aim to promote the study and analysis of games of chance and encourage transparency and legal consistency with regard thereto. To this end, it sponsors the publication of works of interest in different areas in order to build a list of titles that reaps the fruits of assorted research work, symposiums and cycles of conferences that have taken place thanks to the CODERE Foundation and to the agreements with different entities; the goal is to issue publications that become works of reference within the gaming industry.

Among the new releases in 2010 there are some titles that stand out, such as *Las Apuestas Deportivas (Sport Betting)*, a work consisting of a series of essays that analyse the main aspects of the civil, administrative and fiscal regulation of sport betting – also from a comparative law perspective – as well as the lines of action in relation to the eventual

regulation of gaming by means of electronic systems without affecting the competences of Autonomous Communities while adopting criteria and tools that afford consumers security.

Moreover, on 16 March 2010, the CODERE Foundation launched the book *Las Apuestas Deportivas* at Madrid's Palace of the Stock Exchange, in collaboration with Thomson Reuters Aranzadi. The ceremony, which was chaired by Mr Jaime Lissavetzky, Spain's Secretary of State for Sport, was attended by the Chairman of the CODERE Foundation, Mr José Antonio Martínez Sampedro, Mr Enrique Ossorio Crespo, the Vice Minister of the Treasury of the Community of Madrid, Mr Raúl Fernández de Arroiabe, the Vice Minister of Internal Affairs of the Basque Country, Mr Luis María Cazorla Prieto, the Vice Chairman of Thomson Reuters Aranzadi's Editorial Board, and Mr Alberto Palomar Olmeda, the book's editor.

Likewise, the books *Juegos de azar. Una visión multidisciplinaria (Games of Chance: A Multidisciplinary Approach)*, which deals mostly with regulation issues – placing particular emphasis on the fiscal aspect and the social impact caused by gaming, and *Ocio y juegos de azar (Leisure and Games of Chance)*, which includes thoughts on games of chance – chiefly from the point of view of leisure, were also published in 2010. These books regard sport betting not only as a



The launch of the book *Las Apuestas Deportivas* at the Palace of the Stock Exchange of Madrid.



manifestation of leisure but also of history, ethics, law or anthropology in the context of the 21st Century.

In addition, the CODERE Foundation is also responsible for or collaborates in studies, publications and reports directed towards finding out what the current situation and the future outlook of specific areas – especially those which are of strategic interest for the industry – are; these are also funded through the agreement the Foundation has with the Policy and Governance Institute (IPOLGOB) of the Carlos III University of Madrid and the collaboration with the Legal Research Institute of National Autonomous University of Mexico (UNAM).

The monograph *Una aproximación a la percepción sobre el comportamiento y las actitudes sociales respecto al juego y al juego online en España (An approach to the perception of behaviour and social attitudes with regard to gaming and online gaming in Spain)*, a sociological study conducted as part of its Leisure and Entertainment Public Policy Programme, was published in January 2010, one of the few instances where the sociological and political science dimension of online gaming has been studied in Spain in any depth.

SOCIAL ACTIONS

In order to support and contribute to the development of society in the field of education, the CODERE Foundation has been behind several initiatives in some of the countries where the Company carries out its activities:

PANAMA. On 17 March 2009, the **Laffit Pincay Jr Jockey Training Technical Academy** was inaugurated in Panama City, an educational centre approved by the Ministry of Education that was established at the only active horse racetrack existing in Central America, the Presidente Remón Racetrack. The centre's mission is to advance the horseracing industry by improving the teaching and learning level of future academy graduates. This initiative will profit Panamanian youth, who will discover that a riding career is an opportunity to better their academic and cultural development. The graduation of a new class of jockeys – after having passed all of their academic and sport subjects – took place in December 2010.

URUGUAY. Aware of the place reading has in the education of children and the immense expressive possibilities of childhood, the CODERE Foundation promoted the participation of public schools within the area of influence of the Carrasco Hotel Casino (Montevideo, Uruguay) in the 2nd Carrasco Mío Contest, with was endorsed by the Nursery and Primary Education Council of the National Administration for Public Education (CEIPANEP) and the Ministry of Education and Culture (MEC).

Likewise, 5th-year students from several public schools made drawings, illustrations, paintings and mock-ups in order to take part in the 2nd Edition of the **Un Día en el Museo** (A Day at the Museum) Contest, whose prize-giving ceremony was held on 24 November 2010 at the Zorrilla Museum of Montevideo.

The graduation of the Class of 2010 from the Laffit Pincay Jr Jockey Training Academy in Panama.

Awarding of prizes from the 2nd Carrasco Mío Contest in Montevideo (Uruguay).

Titles on gaming published by the CODERE Foundation.

CSR PROGRAMMES

Promoting the values of responsible gaming is part of CODERE's commitment to society

CSR PROGRAMMES

As members of communities, companies must behave like "true corporate citizens", observing ethical values and respecting people and the environment; they not only play an economic role but a social and environmental one as well. CODERE tries to identify the local needs and areas in the countries where it operates where its contribution may be the most valuable and sets programmes in motion directed towards helping those communities. CODERE's CSR activities fall within two areas:

- RESPONSIBLE GAMING PROGRAMMES. Actions aimed at **minimising the potential social impact of the gaming activity** to realise the mission of the Company as a business that promotes responsible gaming, ranging from the protection of players present in gaming halls to the prevention and early detection of problem gambling and pathological gambling among players and the community.

- SOCIAL DEVELOPMENT PROGRAMMES. Actions directed towards **the social development of the communities where CODERE operates**. These are programmes guided by the concept of developing the potential of communities as something vital for creating wealth in a permanent and sustainable manner.

RESPONSIBLE GAMING PROGRAMMES

The promotion of the principles of Corporate Social Responsibility puts CODERE under the obligation to not only understand, acknowledge and study the unwanted effects of its activity but also to work towards the prevention and mitigation thereof.

Promoting the values of responsible gaming is part of the CODERE's commitment to society.

Argentina

the **Responsible Gaming Programme** is the most significant line of work in CSR management and coordinates actions to encourage responsible gaming and prevent compulsive gambling, taking the peculiarities and needs of the different, related interest groups (collaborators, the teaching community, the community at large) into account.

Training Programme. It consists in the training of collaborators in basic concepts about compulsive gambling and the promotion of responsible gaming. The programme has three training levels (basic, advanced, and Responsible Gaming counsellor).

In 2010, there was training carried out at five of the Company's halls – San Martín, La Plata, Lomas del Mirador, Temperley and Lomas de Zamora – and 60 Responsible Gaming counsellors were trained, who will be in charge of giving information and advice to the public present in the halls. Additionally, CODERE supports different compulsive gambling care and treatment centres in the Province of Buenos Aires.

Jugar X Jugar (Playing for Fun) Programme. This is an educational programme that has been up and running since 2008. In 2010, 27 gaming workshops intended for children, parents and teaching staff were taught at 9 public primary schools. The workshops emphasised the positive values that are conveyed during the different moments of the game and the importance of observing the rules and times; information on responsible gaming at the halls was handed to parents. The Programme includes the holding of a competition in which the beneficiary schools take part and whose prize is the refurbishment of a square near the winning educational centre.



Jugarse la Salud (Putting One's Health at Risk) Research Project. A study based on surveys among the different agents associated with the activity was conducted in 2009 in collaboration with the Centre for the Implementation of Public Policies for Equity and Growth (CIPPEC) to find out what the public's view of compulsive gambling was. All in all, 800 cases were revealed.

STOP Campaign for Raising Public Awareness of Responsible Gaming. In order to encourage the responsible use of the time spent on leisure activities and prevent compulsive gambling, CODERE Argentina launched the 1st Edition of its **STOP** Campaign. The campaign on responsible gaming was broadcast on TV, radio, newspapers and internet portals under the

"Si no puede parar, no puede jugar" (If you can't stop, you can't play) slogan. The initiative was extended to national and regional media throughout the year.

Launch ceremony of the Responsible Gaming Programme in CODERE Argentina.

SOCIAL DEVELOPMENT PROGRAMMES

CODERE is integrated in the communities not only by being part of the daily life of the towns where its halls are located but also by being a significant driver of the economic development of the municipalities and the social development of their residents.

Argentina

– **Corporate Volunteering Programme.** Its purpose is to channel and foster a spirit of community service through specific small-scale actions proposed by the Company and volunteering actions.

– **5th School Painting Day.** This day comprised different activities such as the works to refurbish the schoolyard and paint the facilities of the Catalina Rodríguez Public Primary School No 27, in Lomas de Zamora, which were carried out by a group of corporate volunteers.

Poster for the responsible gaming awareness-raising campaign in CODERE Argentina.



Furthermore, in collaboration with the Banfield Athletics Club, 10 pupils were awarded grants for practising different sporting activities. This Programme included an ecological action to instill caring for the environmental in kids, which consisted in the donation and planting of seven trees and the distribution of leaflets with recommendations for the caring for plants. As in previous occasions, the actor and host Gastón Pauls took part in this event as a corporate volunteer sponsor.

– **2nd Annual Meeting of Corporate Volunteers.**

A special day in recognition of the Company's volunteers, where different activities aimed at promoting teamwork, group identity and the analysis of community activities at the organisational and personal levels were carried out. At the end of the meeting, the members of the San Martín maintenance team were presented with the **2010 Commitment Award** and the Ramos Mejía Hall with the **2010 Most Supportive Hall Recognition Award**.

– **2010 Volunteering Programme.** The entire Company was convened so that employees who carry out community activities could submit their proposals, which were set to be funded by CODERE. The winning proposal was the **"playmobile"** for the Álvarez Hospital in support of IPA Argentina, a member of the International Play Association that promotes the child's right to play. The playmobile is a storage and transport system that allows to take games, toys and art supplies to the rooms of hospitalised babies and minors. The action was augmented with the preliminary training of gaming educators.

– **Nochebuena para Todos (A Christmas Eve for All) Project.** Since 2005, CODERE volunteers support nearly one hundred low-income families from the town of La Matanza. At the Lomas de Zamora Hall, volunteers prepare Christmas boxes with food, presents and Christmas messages which are then handed over at the Costa Salguero Centre, in Buenos Aires, to the heads of the community centres.

– **Green Codere.** It comprises the initiatives related to the protection and care for the environment. The Programme stresses the importance of saving energy

and improving health and safety conditions as well as of recycling materials.

– **Paper recycling.** The paper waste generated at the halls is separated and donated to Cottolengo Don Orione, an institution dedicated to the integral care of people with special handicaps.

– **Electronic equipment recycling.** A periodical donation of diverse equipment to the Compañía Social Equidad Foundation for it to be subsequently recycled and reused in the assembly of computers, which are then donated to public schools and social organisations in the country.

– **Using environmentally-friendly paper for institutional printing.**

– **Collaborators.** An in-house line of work through which the wellbeing, development and motivation of company employees are prioritised; in addition, it includes activities involving their families.

– **Vamos al Colegio (Let's Go to School)**

Programme. It consists in the distribution of school supply kits among all employees with children of school age (3-17). 2,130 kits were handed over and 30 grants were awarded (15 for the primary level and 15 for the secondary level) in 2010. Additionally, two work and careers advice meetings were held owing to a strategic alliance with the University of Buenos Aires.

– **Photography Contest.** The Company organises a Photography Contest for all employees whose purpose is to stimulate creativity, encourage independent artistic productions and publicise the best photos.



CODERE Argentina's volunteering group.



– **Christmas Card Competition.** Since 2005, the Company has been organising a competition in which employees and their children can submit Christmas drawings and messages. The winning designs are used to produce the institutional Christmas cards which are then included in the Christmas boxes that are given to company collaborators as presents.

– **Community Project.** It comprises actions related to the strengthening of the Company's local institutional presence and consists in supporting cultural and educational initiatives directed towards development at the local level.

– **Publication of CODERE's Argentina's First Corporate Social Responsibility Report.** An initiative in collaboration with all company areas through which the best practices in Argentina were collected. The Report was 78 pages long and printed on environmentally-friendly paper; an electronic version was also produced so as to be aligned with an environmentally sustainable management.

CODERE Argentina's Chairwoman, Beatrice Rangel, signs the Protocol of Accession to the Network of Companies against Child Labour, together with the Minister of Labour.

– **Accession to the Network of Companies against Child Labour.** In December 2010, CODERE Argentina's Chairwoman, Ms Beatrice Rangel, signed the **7th** Protocol of Accession to the Network in the presence of the Argentinean Minister of Labour. The goal of the Network, which is dependent on this Ministry, is to draw up and implement different kinds of initiatives for the eradication of child labour so as to comply with one of the Millennium Goals for 2015.

CODERE Argentina's CSR Report.



– **Signing of the cooperation agreement for the implementation of the Puente Digital (Digital Bridge) Programme.** An initiative derived from the successful education digitisation experience that took place in 2008 at a Villa Soldati school, in Buenos Aires, and which was set in motion in collaboration with the Compañía Social Equidad Foundation. The Puente Digital Programme – launched in 2010 in the presence of the Clinton Global Initiative – was ratified by means of the subsequent signing of the cooperation agreement with the Foundation to provide equipment and train beneficiary schools in the Province of Buenos Aires during 2011.



– **Specific donations in the Public Health Care sphere. Support consignments.** In Christmas and New Year's Eve support consignments were sent in benefit of the Niño de San Justo Municipal Hospital. The \$12,000 (ARS) donation was used to purchase different supplies. Additionally, on Christmas' Eve, toys were donated to all hospitalised kids. **Donating equipment.** A latest generation ecograph was donated for the carrying out of studies by the Gynaecology Service of the Eva Perón Hospital, one of the reference care and prevention centres for the diagnosis and treatment of breast pathologies in the Province of Buenos Aires.

– **Sponsoring sporting and cultural events.** Support is given to municipal exhibitions related to the development of local economies.

Mexico

Different charitable activities in which CODERE México employees took an active part were organised throughout 2010, such as the donation of toys and clothing for Christmas presents in support of the Domus Alipio Foundation or the making of piñatas for the Orizaba Veracruz Shelter.

Likewise, some events of interest were organised at different halls during 2010. In May, the Caliente Group – for which CODERE manages certain halls – launched the book *De qué se ríen las hienas... y otros misterios del cerebro* (*What do hyenas laugh about... and other mysteries of the brain*), written by the journalist and neuropsychologist Tere Vale, at the Interlomas Hall. The goal of the book, published by Planeta, is to try and help to know human beings better through the understanding of animal behaviour. The foreword was

written by the Mexican scientist René Drucker Colín and the presentation was hosted by the journalist and sexologist Irene Moreno and the announcer Enrique Lazcano and moderated by Daniel Mesino, an editor at Planeta.

In September 2010, the Caliente Group and CODERE presented the writer Juan José Cuadros' book *Mujeres mexicanas a la vanguardia* (*Mexican Women at the Forefront*). The text portrays 200 prominent women from the worlds of politics, journalism, article and charity, among others, who are, in the author's opinion, worthy representatives of the country; its publication coincides with the 200th Anniversary of the Independence of Mexico. Some of the Mexican figures mentioned in the book are the journalists Lolita Ayala, Adriana Pérez Cañedo y Cristina Pacheco, the politicians Beatriz Paredes (from the Institutional Revolutionary Party) and Josefina Vázquez Mota (from the National Action Party), and the actresses Tongolele and Anabel Ferreira.

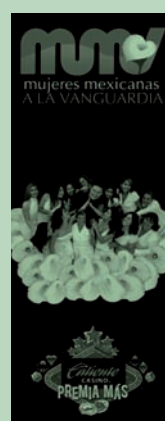
Panama

By means of its Corporate Social Responsibility Programme, CODERE Panamá contributes to advancing the education of the country's children and youth. To this end, it backed Panama's Ministry of Education (MEDUCA) with the donation of 400 laptops valued

CODERE México's Christmas present distribution campaign.

Poster for the meeting and presentation of Tere Vale's book *De qué se ríen las hienas... y otros misterios del cerebro* at the Interlomas Hall (Mexico).

Event and poster of the launch of the book *Mujeres mexicanas a la vanguardia*.





at more than \$220,000. On 15 December 2010, the CODERE Panamá Group presented the Minister of Education, Ms Lucy Molinar, with the gift voucher. Currently, CODERE Panamá employs almost 2,800 people directly, and indirectly around 5,000 Panamanian families that live from the agricultural activity associated with horseracing. CODERE Panamá reaffirms its confidence in the country and its people with important investment projects for the next few years.

Uruguay

Several Corporate Social Responsibility activities in connection to health, education, housing and youth employment were carried out during 2010.

The actions directed towards improving the quality of life and the social development in the area of influence (the Ituzaingó quarter) of the Maroñas National Racetrack were set in motion.

Health. Promoting sporting activities and collaborating with the primary health care infrastructure.

Maroñas Health Care Centre. An establishment belonging to public health care system that was built and fitted out by HRU in 2003. The provision of equipment and the maintenance of its building infrastructure continued throughout 2010.

2nd Edition of the Maroñas Running Event. In this occasion, 1,500 athletes entered the sporting event, who ran 10 km spanning the Racetrack's grounds and some of the surrounding borough's streets.

National Oncology Institute. Money was collected for the purchase of a vehicle (for moving patients under treatment).

Education. Several training, restoration and cooperation activities were set in motion together with different educational centres.

– Schools Nos 129 and 186: their ceilings and bathrooms were painted and repaired over several days.

– School No 330: an organic vegetable garden was planted in cooperation with the Logros Foundation.
– School No 205 and Secondary School No 13: green areas were recovered and kept.
– F. Roosevelt School: its canteen was enlarged to seat over 80 pupils with different disabilities.

Housing. Collaborating in the construction of emergency housing for families at severe risk of social exclusion in association with the "Un techo para mi país" (One Roof for My Country) Project.

– Money collection campaign: funding for twenty emergency apartments was collected.

– Housing construction: five emergency apartments were built.

Youth employment Committed to the promotion of youth employment, HRU offers 780 direct jobs, 280 of which are performed by youngsters aged 18-29. Furthermore, HRU has agreements with organisations from civil society and the State:

– INJU (MIDES): The **Primera Experiencia Laboral (First Job Experience)** Programme, thanks to which more than 80 young persons were given employment.

– COCAP/GURISES UNIDOS/PROJOVEN: the Company collaborated in the "Aprendiendo a trabajar con caballos" (Learning to work with horses) Programme.

– **Italia Lavoro** Programme: the Company collaborated with the work placement programme.

– CARDIJN/PROJOVEN Programme: the Company collaborated with the work placement programme in the restaurant sector.

– Cooperativa Docente/Projovent: the Company collaborated with the work placement programme for tertiary students and up.

– FORGE Foundation: the Company participated in the work experience programme for secondary school students.

– Objetivo Empleo (Job Objective) Programme: the Company collaborated with the work placement programme.

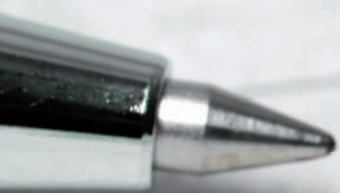
Brazil

CODERE Brazil collaborates with the Cavalo Amigo Centre, an organisation that has a team of psychologists, speech therapists, audiologists, physiotherapists and physical educators who help children and adolescents with special care needs as part of the social responsibility programme.

In 2010, CODERE took part in the horse therapy programme for developmentally challenged kids by helping the little ones Maria Eduarda and Rodrigo Benites in the city of Porto Alegre (Rio Grande do Sul).

CODERE Panamá's donation to the Minister of Education, Ms Lucy Molinar, for the purchase of laptops for children and youth.

Growth



CODERE S. A. and subsidiaries: extract from the Consolidated Annual Accounts and Consolidated Management Report or the fiscal year ending December 2010. CD attached contains the complete Consolidated Annual Accounts

AUDITORS' REPORT



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

To the Shareholders of Codere, S.A.:

We have audited the consolidated annual accounts of Codere, S.A. (parent company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2010, the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes to the consolidated annual accounts for the year then ended. As explained in Note 2, the Directors of the company are responsible for the preparation of these consolidated annual accounts in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with the legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated equity and financial position of Codere, S.A. and its subsidiaries at 31 December 2010 and the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

The accompanying consolidated directors' Report for 2010 contains the explanations which the parent company's directors consider appropriate regarding the Group's situation, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated directors' Report is in agreement with that of the consolidated annual accounts for 2010. Our work as auditors is limited to checking the consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Codere, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Antonio Vázquez
Partner

25 February 2011

PricewaterhouseCoopers Auditores, S.L., Paseo de la Castellana, 43, 28046 Madrid, España
T: +34 915 684 400 F: +34 913 083 566, www.pwc.com/es

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CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2010 AND 2009 (Thousands of euros)

ASSETS	NOTE	12.31.10	12.31.09
NON-CURRENT ASSETS		1,200,543	922,620
Intangible assets	7	244,762	201,354
Intangible assets and rights		333,547	272,723
Depreciation and Provisions		(88,785)	(71,369)
Tangible fixed assets	8	411,197	353,256
Slot machines		257,203	223,401
Land and buildings		200,647	181,099
Leasehold improvements		121,658	84,142
Technical installations and machinery		56,154	41,299
Other tangible fixed assets		117,281	107,250
Depreciation and Provisions		(341,746)	(283,935)
Goodwill	10	289,544	263,149
Long term financial investments	11	217,591	67,711
Loans and receivables		209,584	58,373
Held to maturity investments		7,304	8,385
Other financial assets		703	953
Deferred tax assets	12	37,194	37,025
Other deferred assets		255	125
CURRENT ASSETS		223,604	276,418
Inventories	14	9,745	9,457
Accounts receivable	15	95,870	145,716
Trade receivables		27,396	75,795
Income tax assets		3,619	4,116
Other accounts receivable		64,855	65,805
Short term financial investments	16	24,963	25,862
Held to maturity investments		1,531	1,218
Other loans and investments		23,432	24,644
Other short term investments		2,425	5,178
Cash and cash equivalents	24	90,601	90,205
TOTAL ASSETS		1,424,147	1,199,038

The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2010 AND 2009 (Thousands of euros)

SHAREHOLDERS' EQUITY AND LIABILITIES	NOTE	12.31.10	12.31.09
Shareholders' equity attributable to equity holders of the parent	17	106,404	41,845
Share capital		11,007	11,007
Additional paid-in capital		231,280	231,280
Legal reserve and Retained earnings		(99,721)	(117,031)
Revaluation reserves		4,765	4,879
Translation differences		(70,258)	(107,373)
Profit/(Loss) for the year attributable to equity holders of the parent		29,331	19,083
Minority interests	17	26,631	19,624
TOTAL SHAREHOLDERS' EQUITY		133,035	61,469
Non-current liabilities		964,627	875,668
Deferred revenues		544	784
Non-current Provisions	18	30,253	31,158
Long-term debt	19	891,056	811,067
Payable to credit entities		60,975	68,475
Issued senior notes		747,690	657,766
Other accounts payable		82,391	84,826
Deferred tax liabilities	12	42,774	32,659
Current liabilities		326,485	261,901
Accrual accounts and others	18	4,354	3,919
Payable to credit entities	19	37,259	20,294
Bonds and other marketable securities		4,112	3,604
Other non-trade payables	19	169,586	132,931
Trade accounts payable	19	92,032	88,195
Income tax liabilities	17	19,142	12,958
SHAREHOLDERS' EQUITY AND LIABILITIES		1,424,147	1,199,038

The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009 (Thousands of euros)

	NOTE	2010	2009
Operating revenues		1,126,509	967,925
Net revenues from gaming activities		1,123,642	952,178
Other revenues		2,867	15,747
Operating expenses	23	(986,288)	(847,001)
Materials used and other external expenses		(74,770)	(71,406)
Personnel expenses		(204,434)	(174,918)
Depreciation and amortization		(99,806)	(92,798)
Variation in operating provisions		(1,028)	(3,353)
Other operating expenses		(606,242)	(490,551)
Impairment of assets		(8)	(13,975)
Gains or losses on asset disposals		3,501	(4,730)
CONSOLIDATED OPERATING PROFIT		143,722	116,194
Financial revenues	23	8,648	7,723
Financial expenses	23	(77,905)	(76,159)
Exchange gains (losses), net		1,012	10,040
CONSOLIDATED INCOME/(LOSS) BEFORE TAXES		75,477	57,798
Corporate income tax	21	(45,359)	(36,681)
CONSOLIDATED PROFIT/LOSS FOR THE YEAR OF CONTINUING OPERATIONS	3	30,118	21,117
Profit/(loss) of discontinued operations	23	1,323	-
CONSOLIDATED PROFIT		31,441	21,117
Minority interests		2.110	2.034
Equity holders of the parent		29.331	19.083
Basic and diluted Profit per share (in euros) of continuing operations	23	0.57	0.38
Basic and diluted Profit per share of discontinued operations (in euros)	23	0.02	-
Basic and diluted Profit (Loss) per share of continuing operations attributable to equity holders of the parent (in euros)	23	0.51	0.35

The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

CONSOLIDATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS 2010 AND 2009
(Income and expensed recognised in Equity) (Thousands of euros)

	NOTE	2010	2009
CONSOLIDATED PROFIT/LOSS FOR THE YEAR		31,441	21,117
Hedging	20	(989)	(15,970)
Translation differences		36,662	(11,687)
OTHER CONSOLIDATED COMPREHENSIVE INCOME NET OF TAX EFFECT		35,673	(27,657)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		67,114	(6,540)
Attributable to Equity holders of the parent		65,457	(8,291)
Attributable to Minority Interests		1,657	1,751

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The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED DECEMBER 31, 2010 (Thousands of euros)**

	NOTE	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	REVALUATION RESERVES	TRANSLATION DIFFERENCES	RESULTS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	SHAREHOLDERS' EQUITY	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2009		11,007	231,280	(117,031)	4,879	(107,373)	19,083	41,845	19,624	61,469
Consolidated Profit / (Loss) for the year							29,331	29,331	2,110	31,441
Other consolidated comprehensive income for the year				(989)		37,115		36,126	(453)	35,673
Total Consolidate Comprehensive income				(989)		37,115	29,331	65,457	1,657	67,114
Reversion of Revaluation Reserves				114	(114)					
Variation of the perimeter and Business Combinations										
Acquisitions of minority interests	6			(1,631)				(1,631)	820	(811)
Business Combinations	6								6,585	6,585
Reserves of treasury shares	17.c			(184)				(184)		(184)
Provision for put options	18.2			800				800		800
Profit of treasury shares				117				117		117
Dividends*									(2,055)	(2,055)
Transfer of results to retained earnings				19,083			(19,083)			
Total variation in equity				18,299	(114)		(19,083)	(898)	5,350	4,452
Balance at December 31, 2010		11,007	231,280	(99,721)	4,765	(70,258)	29,331	106,404	26,631	133,035

*Correspond to dividends distributed to minority interests of spanish subsidiarie. The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED DECEMBER 31, 2010 (Thousands of euros)**

	NOTE	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	REVALUATION RESERVES	TRANSLATION DIFFERENCES	RESULTS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	SHAREHOLDERS' EQUITY	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2008		11,007	231,280	(86,463)	4,987	(95,969)	(10,570)	54,272	20,663	74,935
Consolidated Profit / (Loss) for the year							19,083	19,083	2,034	21,117
Other consolidated comprehensive income for the year				(15,970)		(11,404)		(27,374)	(283)	(27,657)
Total Consolidate Comprehensive income				(15,970)		(11,404)	19,083	(8,291)	1,751	(6,540)
Provision for put options	18.2			194				194		194
Reversion tax effect of capital issuance costs 2007				(3,731)				(3,731)		(3,731)
Reversion of Revaluation Reserves				108	(108)					
Reserves of treasury shares	17.c			(13)				(13)		(13)
Acquisitions of minority interests	6			(586)				(586)	(470)	(1,056)
Dividends*									(2,320)	(2,320)
Transfer of results to retained earnings				(10,570)			10,570			
Total variation in equity				(14,598)	(108)		10,570	(4,136)	(2,790)	(6,926)
Balance at December 31, 2009		11,007	231,280	(117,031)	4,879	(107,373)	19,083	41,845	19,624	61,469

(*) Correspond to dividends distributed to minority interests of spanish subsidiaries. The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

CONSOLIDATED CASH FLOW STATEMENT (Thousands of euros)

	NOTA	2010	2009
Consolidated Income (Loss) before taxes		75,477	57,798
Financial results		68,245	58,396
Expenses that do not represent cash movements:		121,553	124,409
Depreciation and amortization		99,806	92,798
Impairment of assets		8	13,975
Other operating expenses		21,740	17,636
Income that does not represent cash movements		(9,565)	(1,762)
Working capital from operating activities		(16,969)	(21,205)
Corporate income tax paid		(39,410)	(44,781)
NET CASH FROM OPERATING ACTIVITIES	24	199,332	172,855
Payments for Capital expenditures		(111,908)	(97,380)
Proceeds from divestments of Capital expenditures		199	-
Payments for Long term loans		(20,739)	(27,946)
Proceeds from Long term loans		28,685	41,378
Payments for Investments		(54,330)	(11,435)
NET CASH USED IN INVESTING ACTIVITIES	24	(158,093)	(95,383)
Bonds issue		95,008	-
Drawings under Senior Debt		64,475	58,492
Repayments Senior debt		(48,475)	(105,432)
Other debt repayments		(1,070)	(773)
Variation in financial debt		14,930	(47,713)
Bank loan received		5,473	37,781
Bank loan repayments		(32,026)	(3,980)
Variation in other bank loan		(26,553)	33,801
Dividends Payments		(2,268)	(1,475)
Other financial debt received		4,228	15,850
Other financial debt repayments		(68,243)	(949)
Variation in other financial debts		(64,015)	14,901
Payments for equity instruments		(2,043)	(1,863)
Proceeds from equity instruments		1,978	1,849
Net investment in equity shares		(65)	(14)
Interest income		3,100	1,781
Interest expenses		(70,905)	(68,421)
Cash effect in exchange rates		4,717	(1,482)
NET CASH FROM FINANCING ACTIVITIES	24	(46,051)	(68,622)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(4,812)	8,850
Reconciliation			
Cash and cash equivalents at beginning of period		90,205	83,292
Net cash and cash equivalents effect of exchange rate changes		5,208	(1,937)
Cash and cash equivalents at end of period		90,601	90,205

The accompanying Notes are an integral part of these IFRS-EU Annual Accounts

Dirección de Comunicación
Avda. de Bruselas 26
28108 Alcobendas (Madrid). España
Tfno: +34 91 354 28 26
Fax: +34 91 354 28 87
comunicacion@codere.com
www.codere.com

Dirección creativa, diseño y producción
Erretres

D.L.: M-22800-2011

