

# 2011 ANNUAL REPORT



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## LETTER FROM THE CHAIRMAN

Dear Shareholders:

During 2011 all our activities presented consolidated results that advance in all lines of analysis: our revenues have grown by 22% to €1,374.4 million; EBITDA is up 20.2% to €289.7 million and net profit surged 78.2% to €52.2 million. We should add that this level of earnings is consistent with a 15% reduction in investment to €118.7 million and the stability of our net debt level, which has raised the company's financial solvency ratios.

This performance notwithstanding, a generally bearish market has led to a 29.8% decline in our stock, closely following the performance of the small-cap index on the Madrid Stock Exchange.

Our results over this year show clearly delineated differences. Argentina, Italy and Panama have registered notable progress, while Spain has suffered the perfect storm: macroeconomic depression, the smoking ban in public places and the growth of unfair competition by illegal online gambling. Regarding this last factor, during the parliamentary proceedings for a law that includes online activities within the catalog of legal gambling, we have taken the necessary role that corresponds to the only gaming company listed on the Spanish stock exchange to contribute to a balanced implementation of new regulatory landscape. Not to mention that the opening of the online gaming market forces us to reinforce our capabilities in technology and marketing.

Each of our markets has a set course for 2012. In Spain, we expect the deployment of sports betting in the different Autonomous Communities to become a pillar on which to build a new business model, according to the possibilities offered by the new technologies and the convergence with online gaming. Italy is facing a process of consolidation, which provides many opportunities for partnerships with small and medium operators to exploit synergies for our mutual benefit. On the other side of the Atlantic, it is not surprising that Latin America combines opportunities with turbulence. This coming year we will focus our expectations on the pending development of our investments in Mexico, Colombia and Uruguay. The integration of our Mexican business, the opening of Hotel Casino Carrasco in Montevideo and the Crown Casino in the T zone of Bogota, represent our main challenges for the coming year.

I still believe in the professionalism of our teams as a key factor in our competitive positioning and the continued responsible performance of our activities, fully cooperating with the various governments to enact legislation that provides guarantees for users and responds to the public interest and assure strict compliance therewith.

Sincerely,

José Antonio Martínez Sampedro

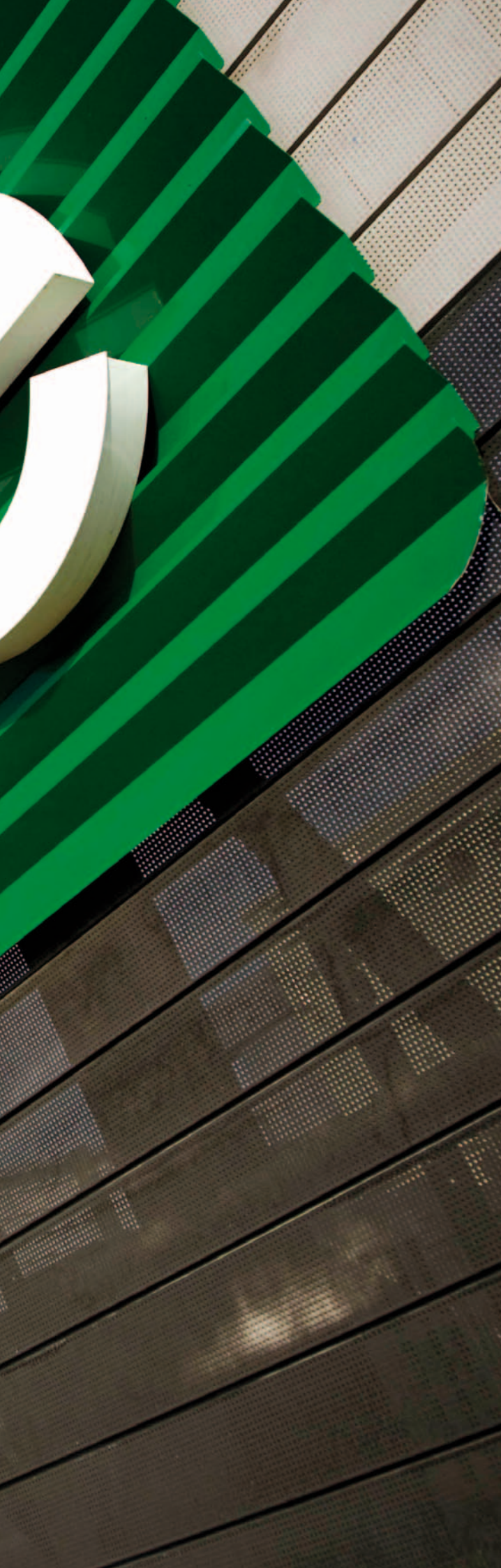




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## THE COMPANY

# CODERE GROUP

CODERE is present in eight European and Latin American countries. At December 31, 2011 the company operated approximately 57,000 gaming machines, 190 gaming halls, 798 sports betting, 3 racetracks and offered online gambling in Italy. Revenues in 2011, derived 72% from Latin America, exceeded €1,370 million. Capex for the year totaled €118.7 million. At December 31, 2011, CODERE has 20,803 employees worldwide

**CODERE is a Spanish multinational group and a key player in the private gaming sector with a presence in eight countries in Europe and Latin America and at December 31, 2011 CODERE employs over 20,800 people.**

CODERE holds a leading position in its core business areas and countries where it operates. CODERE is the only Spanish company in the gaming industry that is publicly traded, having gone public on October 19, 2007. The company continues to develop its activity in this complex industry with complete transparency and accountability.

The company is the leading gaming operator in the province of Buenos Aires (Argentina), the largest operator of gaming halls in Mexico and a leading operator in other growth markets such as Italia, Panama, Colombia, Brazil and Uruguay.

Since its founding over thirty years ago, CODERE has maintained a solid growth trend in revenues, number of employees and the services offered to customers. This success is derived from the Company's proven ability to continuously adapt to market conditions and the continuous reinvestment of earnings in new business opportunities.

The CODERE Group closed 2011 with revenues of €1,374.4 million and EBITDA of €289.7 million, exceeding guidance for the year. These results reflect the good performance of the Latin American markets and Italy. Despite the challenging global environment in 2011, the CODERE Group reported a net profit of €52.2 million, an increase of 78.2% compared to 2010.

These results represent very good business performance in a difficult macroeconomic environment, and demonstrate the strong fundamentals of the Company's business model and the benefits of geographical and product diversification.





CODERE, which went public in 2007, is the only Spanish company in the gaming industry listed on the stock exchange

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# OUR VALUES

The vision of CODERE, which integrates the economic, social and environmental aspects of sustainability, is supported on the following values which represent firm commitments by the Company: Professionalism, Transparency, Innovation, Excellence and Responsibility

**The commitments taken up by CODERE in framework of the values of the Company, far from constituting a mere statement of principles, extend to routine daily practice and are integrated into the day-to-day management of the CODERE Group in all of its areas of activity.**

**The CODERE Group considers that professional conduct in consonance with the values described is the best guarantee of its commitment to the creation of value for its shareholders and other stakeholders.**

## INNOVATION

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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.

## 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 the 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.

## 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 IN THE WORLD

## ARGENTINA

Gaming machines: 5,279  
Gaming halls: 14

## BRAZIL

Betting Shops: 7

## COLOMBIA

Gaming machines: 6,224  
Gaming halls: 50

## SPAIN

Gaming machines: 14,677  
Gaming hall: 1  
Betting Shops: 600

## ITALY

Gaming machines: 6,100  
Gaming halls: 14  
Concesión de red de terminales de juego: 1  
Online/Internet Bingo

## MEXICO

Gaming machines: 19,571  
Gaming halls: 94  
Betting Shops: 83  
Racetracks: 1

## PANAMA

Gaming machines: 3,311  
Gaming halls: 12  
Betting Shops: 81  
Racetracks: 1

## URUGUAY

Gaming machines: 1,838  
Gaming halls: 5  
Betting Shops: 27  
Racetracks: 1



## STRATEGY

CODERE continues to focus on maintaining the profitability of its business and looking for operational efficiencies. Following the efforts made in recent years, cost containment measures continue in place and the Company is promoting growth initiatives, consolidating some of its business lines. The company expects to continue to grow through to the development of the opportunities offered in the different markets in which it operates.

CODERE works with by the regulatory authorities to promote the development a legal alternatives for new gaming methods, technological innovations and channels that allow gambling to operate remotely, but with safeguards for users.

CODERE participates in these new markets alone or jointly with those that can ensure the utmost professionalism to our customers.



# CODERE BY COUNTRY

## ARGENTINA

### GROWTH IN OUR MAIN MARKET

Argentina is a key market for CODERE and continues to have strong growth potential. CODERE Argentina is the largest gaming hall operator in the province of Buenos Aires, with 14 gaming halls and 5,279 gaming terminals installed. The company continued to optimize its facilities in 2011 with the introduction of the coinless TITO (Ticket-In, Ticket-Out) system, having completed the installation in over 90% of the machines in the province of Buenos Aires, and the implementation of the Player Tracking System.

### BUSINESS AREAS

Gaming machines: 5,279

Gaming halls: 14

### START OF OPERATIONS

1991

### 2011 KEY FIGURES

Income: €553.2 million

EBITDA: €165.2 million

### 2011 MILESTONES

Implementation of the Cashier Module box in the Gaming Halls. Launch of the Diploma in Gastronomy. Refurbishment of the Lomas de Zamora, Ramos Mejia, San Martin, San Miguel and San Justo gaming halls.



## BRAZIL

### A PROMISING FUTURE

CODERE entered the Brazilian market in 2006 by partnering with leading jockey clubs in the country through a horse race betting start-up. Currently, the company manages seven betting shops under the brand name Turff Bet & Sports Bar. CODERE hopes to expand its presence in the country as new gaming modes are authorized, focusing specifically on those that add value to the business.

In 2011, CODERE Brazil outsourced the catering service in the Turff bet Bet & Sports Bars in order to provide the best possible service to customers.

### BUSINESS AREAS

Betting Shops: 7

### START OF OPERATIONS

2006

### 2011 KEY FIGURES

Income: €3.6 million

EBITDA: -€0.9 million

### 2011 MILESTONES

Opening of a new Turff Bet & Sports Bar in the state of Paraná.

**turff**  
BET & SPORTS BAR

## COLOMBIA



### CONSOLIDATION

CODERE consolidated its leadership position in this market as the largest operator of gaming machines and gaming halls in the country.

### BUSINESS AREAS

Gaming machines: 6,224  
Gaming halls: 50

### START OF OPERATIONS

1984

### 2011 KEY FIGURES

Income: €29.7 million  
EBITDA: €6.1 million

### 2011 MILESTONES

CODERE Colombia launched the new website of CrowN Casinos, [www.crowncasinos.com.co](http://www.crowncasinos.com.co), in order to build traffic and increase traffic to the halls and strengthen customer relationships. In December, the company inaugurated the new San Rafael CrowN Casino.



## SPAIN

### MOMENTUM IN A COMPLICATED ENVIRONMENT

After a difficult year, as a result of the economic environment and the anti-smoking law, the company offers sports betting in those communities where this activity is regulated, such as Navarre, Madrid, the Basque Country and Aragon, reaching a total of 600 betting shops across the country. Also, thanks to the launch of the PokerRoom and sports betting, Sala CANOE consolidated its position as the leader in multi-gaming establishments in Madrid.

### BUSINESS AREAS

Gaming machines: 14,677  
Gaming halls: 1  
Betting Shops: 600

### START OF OPERATIONS

1980

### 2011 KEY FIGURES

Income: €165.7 million  
EBITDA: €19.6 million

### 2011 MILESTONES

Start of betting operations in Aragon.



# ITALY

## ANOTHER STEP IN ONLINE GAMING

In 2011 the already important operations in Italy received a further boost from the installation of VLT terminals, the consolidation of Gaming Hall Royal Caserta and of the three AWP operators acquired during the year 2011. 2011 also brought the consolidation of the online bingo activities at [www.CODERE.it](http://www.CODERE.it) launched at the end of 2010.

## BUSINESS AREAS

Gaming machines: 6,100

Gaming halls: 14

Gaming terminal network concessions: 1

Online/Internet Bingo

## START OF OPERATIONS

2001

## 2011 KEY FIGURES

Income: €224.2 million

EBITDA: €44.3 million

## 2011 MILESTONES

CODERE Italy closed the purchase of the machine operators: FG Slot Services, Gap Games and Gaming Re during 2011.



# MEXICO

## BUSINESS DEVELOPMENT

In 2011 the CODERE Group signed a purchase option with Corporación Interamericana de Entretenimiento S.A.B. de C.V (CIE) to acquire an additional 35% of ICELA, which will make CODERE the majority stockholder once executed. The year also brought an improvement in average net win per machine in ICELA and an increase in the number of installed terminals.

## BUSINESS AREAS

Gaming machines: 19,571

Gaming halls: 94

Betting Shops: 83

Racetracks: 1

## START OF OPERATIONS

1998

## 2011 KEY FIGURES

Income: €291.5 million

EBITDA: €61.8 million

## 2011 MILESTONES

Consolidation of operations with Grupo Caliente and signing of an option to purchase an additional stake in ICELA.





## PANAMA

### IMPORTANT LAUNCH OF THE BUSINESS

In Panama, CODERE manages a wide range of businesses: gaming terminals, casinos, betting shops and a horse racetrack. The results of these areas of activity are driven by the continuous improvements executed by CODERE in the facilities to ensure excellence in customer service. Consolidation of the leadership position in casino operation in Panama after the purchase in 2010 of a 63.6% stake in six casinos operating under the Fiesta brand.

### BUSINESS AREAS

Gaming machines: 3,311  
Gaming halls: 12  
Betting Shops: 81  
Racetracks: 1

### START OF OPERATIONS

2005

### 2011 KEY FIGURES

Income: €87 million  
EBITDA: €17.6 million

### 2011 MILESTONES

Consolidation of the acquisition of six casinos.



## URUGUAY

### EXPANSION OF THE PORTFOLIO OF ACTIVITIES

CODERE concentrates its operations in Uruguay in Montevideo and surrounding areas, managing the Maroñas National Racetrack and related activities: horse betting system, entertainment rooms with gaming terminals and betting shops. The strong technological commitment made in Maroñas has made the racetrack the most modern in Latin America, also offering simulcasting, a unique simultaneous satellite TV betting system that allows the exchange of races between Europe, North America and Latin America. The portfolio of activities includes Hotel Casino Carrasco. The Hotel's rehabilitation works are currently underway and the opening is scheduled for the second half of 2012.

### BUSINESS AREAS

Gaming machines: 1,838  
Gaming halls: 5  
Betting Shops: 27  
Racetracks: 1

### START OF OPERATIONS

2002

### 2011 KEY FIGURES

Income: €20.3 million  
EBITDA: €3.9 million

### 2011 MILESTONES

Progress in the works for Hotel Casino Carrasco.



# MILESTONES IN OUR HISTORY

The CODERE Group has been active in the entertainment field in the private gaming sector for over 30 years. The company strives to maintain a leading position in key business areas and continue to grow thanks to the development of the opportunities offered by the markets where it operates

## 1980-1984

- CODERE began operations in Madrid.
- Entered into the markets in Catalonia and Valencia.
- CODERE begins its international expansion in Colombia.

## 1990-1998

- Start of the management of bingo halls in Argentina.
- Began operations in Mexico with Grupo Caliente and CIE.

## 2006

- Operations begin in Brazil.
- Launch of €160 million and €65 million bond issues.
- Acquisition of Bingo Palace and CODERE Network in Italy.
- Withdrawal from the market in Peru.
- Acquisition of Recreativos MAE in Mallorca (Spain).
- Acquisition of Promojuegos in Mexico.
- The Martínez Sampedro family buys the shares of the Franco brothers and funds ICG and MCP.
- Exchange of assets between Chile and Panama.

## 2007

- CODERE IPO.
- Acquisition of 49% of ICELA in Mexico.
- Acquisition of Maxibingo in Italy.
- Renewal of some bingo licenses in Argentina.
- CODERE and its partners are licensed for sports betting in the Basque Country.



1999

- Syndicated loan of €45 million.
- First acquisition of a bingo hall in Denia.
- Authorization of the installation of gaming machines in bingo halls in Argentina, boosting profitability.

2000

- Expansion in Chile. Award of a syndicated loan of €72 million.
- Acquisition of Bingo CANOE in Madrid.
- Acquisition of Operibérica adding 3,500 new machines to the business in Spain.

2001-2002

- CODERE awarded a contract to manage the services in 16 bingo halls in Italy.
- Monitor Clipper Partners invests €40 million in CODERE.

2003

- CODERE ESPAÑA S. L. subscribes a mezzanine credit facility for €135 million.
- Awarded the management and reopening of Hipódromo Maroñas de Montevideo (Uruguay).
- Segregation of the business: Spain and International.

2004-2005

- Start of the management of gaming machines in Italy.
- Start of the management of EBT in Mexico.
- Acquisition of Royal Group in Argentina.
- Launch of €335 million bond issue.
- Acquisition of Operbingo in Italy.

2008

- Start of the introduction of coinless systems (TITO) in Argentina.
- VICTORIA awarded the license to operate sports betting in the Community of Madrid and opens the first betting shop in Spain.
- Opening of a new casino in Panama.
- Start of sports betting operations in the Basque Country (Spain).

2009

- CODERE renews the license of the Bingo Hall in La Plata (Argentina).
- CODERE awarded the contract for the reconstruction of the Carrasco Casino Hotel in Montevideo (Uruguay).
- CODERE inaugurates the Crown Casino Palatino in Bogota (Colombia).

2010

- CODERE consolidates its position in Mexico and announces an agreement with Grupo Caliente.
- Acquisition of six casinos in Panama.
- Start of sports betting operations in Navarre (Spain).
- Launch of the first online bingo operation in Italy through [www.CODERE.it](http://www.CODERE.it) and installation of VLT in the bingo halls.

2011

- The CODERE Group signs an Purchase Option on an additional 35.8% of ICELA.
- CODERE Italy closes the purchase of FG Slot Services, Gap Games and Gaming Re over 2011.
- CODERE became the exclusive distributor of international simulating following its agreement with Jockey Club do Parana (Brazil).

- CODERE approved the group-wide Code of Ethics and Professional Conduct
- The beginning of the Hotel Casino Carrasco refurbishment works.

# 2011 MILESTONES

In 2011 CODERE undertook a series of operations that allow it to consolidate its position as the largest operator in the gaming industry in the province of Buenos Aires, largest operator of casinos in Mexico and a leading gaming operator in other growth markets: Italy, Panama, Colombia, Brazil and Uruguay. In Spain, in addition to promoting the sports betting business, the Company promotes the orderly and transparent regulation of the online gaming industry to assure the continuity of the industry

## JANUARY

**21 JANUARY:** CODERE Italy signed a Joint Venture with FG Slot Service.

**27 JANUARY:** The Code of Ethics and Professional Conduct of the CODERE Group was approved, representing the company's commitment to the principles of business ethics and transparency. This Code provides guidance for acting in the global environment in which the Company operates and reaffirms the Group's values.

## FEBRUARY

**02 FEBRUARY:** Inauguration of the VLT terminals (Videolottery) in Bingo Re in Rome (Italy).

**22 FEBRUARY:** CODERE files legal action against illegal online gambling operators in Spain.

## MARCH

**10 MARCH:** The CODERE Foundation hosted the conference "Consolidation of Online Gaming: Reality and desire" in Valencia (Spain). The event was attended by both local authorities, including the Chairman of Regional Competition Tribunal for the Valencian Community and national, including the Secretary General of the Treasury of the Ministry of Economy and Finance or the Technical Secretary General of the Ministry of the Interior.

**14 MARCH:** 68th anniversary of the Hipódromo de la Américas Racetrack (Mexico) and celebration of the 10th Edition of the Classic.

**17 MARCH:** CODERE Group Chairman, José Antonio Martínez Sampedro, appeared before the House of Representatives (Economy and Finance Committee) in Madrid during the Parliamentary procedures for Law 13/2011, the Gaming Act.

## APRIL

**15 APRIL:** Appointment of Beatrice Rangel as President of CODERE Mexico.

**27 APRIL:** Launch of the First Online Forum for the Shareholders of the CODERE Group.

## MAY

**04 MAY:** CODERE received the *GOLDEN ACE AWARD* in ELA 2011 trade fair for its contribution to the regulation of legal gambling in Mexico.

**13 MAY:** Presentation of the first quarter 2011 earnings of the CODERE Group.

## JUNE

CODERE became the exclusive distributor of international simulcasting following its agreement with Jockey Club do Parana (Brazil).

**09 JUNE:** CODERE held its Annual General Meeting in Madrid (Spain).

**16 JUNE:** Delivery of the First Latin American Economic Journalism Award organized by Fundación CODERE and IE Business School in Mexico City.

**18 JUNE:** Expansion in the Fantasía Royal Business Model in CODERE Colombia with the addition of 3 gaming halls nationally.

**30 JUNE:** CODERE Argentina received the UN's *Lifetime Achievement Award for Corporate Social Responsibility* in New York.

## JULY

**26 JULY:** CODERE Italy acquired 75% of Gaming Service SrL.

## AUGUST

**16 AUGUST:** CODERE Mexico announced the signing of an option to purchase a majority stake in ICELA (CIE).

**29 AUGUST:** Presentation of the second quarter 2011 earnings of the CODERE Group.

## SEPTEMBER

CODERE Argentina sponsors the "Diploma in Culinary Management" in conjunction with the University of Belgrano.

**1 SEPTEMBER:** Opening of the fifth gaming hall in the city of Pando, with a total of 150 gaming machines and a horse race betting book. (Uruguay).

**29 SEPTEMBER:** Sala CANOE in Madrid opened its Poker Room.

CODERE signed an agreement with Grupo Orenes to operate sports betting in the Autonomous Community of Valencia (Spain).

## OCTOBER

Sponsorship of the Cibela Conference - Latin American State Lotteries Corporation (<http://www.cibela.com/>) - held in the city of Rio de Janeiro.

**03 OCTOBER:** CODERE launched the International Security Training Plan and the first specialized course in Casino Security, held in Panama.

**05 OCTOBER:** CODERE Argentina presents the 2nd Annual Corporate Responsibility Report, CSR 2010 .

**14 OCTOBER:** CODERE and MATENCIO closed an agreement for the operation of sports betting in Valencia (Spain).

**24 OCTOBER:** CODERE Italy introduced the Responsible Gambling project: "*Non giocare dove capita, scegli il divertimento sicuro*".

**25 OCTOBER:** CODERE participated in the international iGamingSummit'11 in Madrid.

**28 OCTOBER:** CODERE Colombia launched the website of Crown Casinos.

## NOVEMBER

**07 NOVEMBER:** CODERE Mexico participated in a seminar on money laundering organized by the ACAMS (Association of Certified Anti-Money Laundering Specialists, based in Cancun, Mexico).

**15 NOVEMBER:** Presentation of the third quarter 2011 earnings of the CODERE Group.

**24 NOVEMBER:** Fundación CODERE presents the book "El Juego on line" (Online Gambling) in Madrid (Spain). The event brought together many professionals and representatives of agencies such as the National Competition Commission, Secretary of State for Telecommunications and the Information Society and the Directorate of Gaming Management of the Ministry of Economy and Finance.

## DECEMBER

**02 DECEMBER:** Launch of Crown Casinos Unicentro. Migration of the Mundo Fortuna brand.

**15 DECEMBER:** CODERE Mexico brings signature cuisine to their establishments with the dishes of the famed Mexican chef Joséfina Santacruz. Inauguration of the San Rafael Chamber in Crown Casinos in Colombia.

**21 DECEMBER:** CODERE hosts the XLIV Caribbean Classic at the Presidente Remon Racetrack (Panama), coinciding with the 55th anniversary of the Hippodrome.



# OUR ORGANIZATION

The CODERE Group is structured by geographic regions and business units. The company operates in Latin America and Europe. CODERE Europe includes activities in Spain, gaming machines, casinos and sports betting, and, in Italy gaming terminals, gaming halls and online gaming. CODERE America also centralizes the control of operations of each of the areas of activity by country

**Madrid is the home of the Group headquarters and central services, responsible for overall strategy and corporate policies, management of joint activities and coordination of the activity of the geographic business units.**

There are structured two corporate areas that provide direct management support: One covering institutional services, such as Chairman's Office, Audit, Corporate Development, Business Development, Latin America Institutional Relations and Corporate Communications, and another functional with services for Finance, Information Technology, Human Resources and Safety and Compliance. The former Corporate Compliance Division has expanded its powers assuming the responsibilities of the Asset Security, linked to the protection of people and facilities, risk control measures and all the preventive measures that allow the normal development of the activity.

**D. José Antonio  
Martínez Sampedro**  
CODERE's Chairman  
and President

**Chairman's  
Office**  
Pedro Echevarría  
David Jiménez Márquez

**CODERE América  
D.G. América**  
Javier Martínez  
Sampedro

**CODERE Europa  
C.O.O. Europa**  
Jaime Estalella

**Finances**  
David Elizaga

**Information  
& Technology**  
Felipe Ludeña

**Infrastructure**  
Rafael Ocejo

**Corporate  
Communication**  
Claudio Vallejo

**Human Resources**  
Rafael López  
Enriquez

**Corporate  
Development**  
Ricardo Moreno

**Business  
Development**  
Fernando Ors

**Audit  
& Control**  
Adolfo Carpena

**Security  
& Compliance**  
Serafin Gómez

**Institutional Relations  
America. President  
Argentina and Mexico**  
Beatrice Rangel

**ARG**

Alberto  
González  
del Solar

**MEX**

Arturo  
González

**BRA**

André  
Gelfi

**COL**

Diego  
Felipe  
Navarro

**PAN**

Ricardo  
Janson

**URU**

Guillermo  
Arcani

**ESP**

Jaime  
Estalella

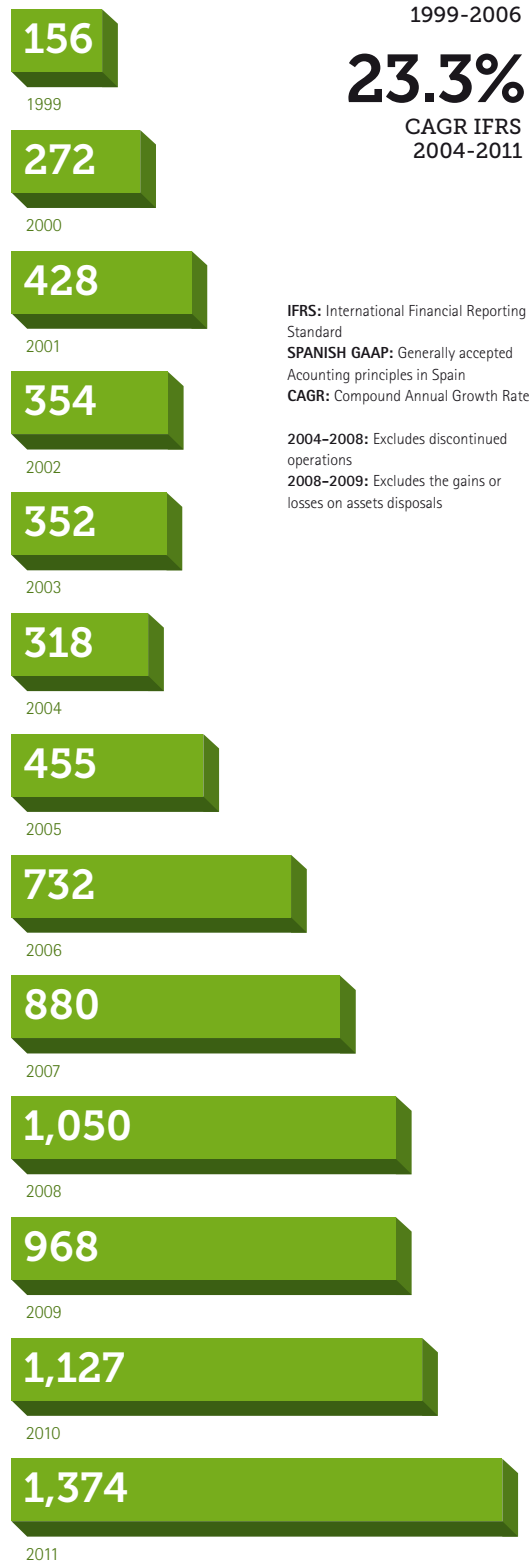
**ITA**

· Massimo  
Ruta  
· Alejandro  
Pascual



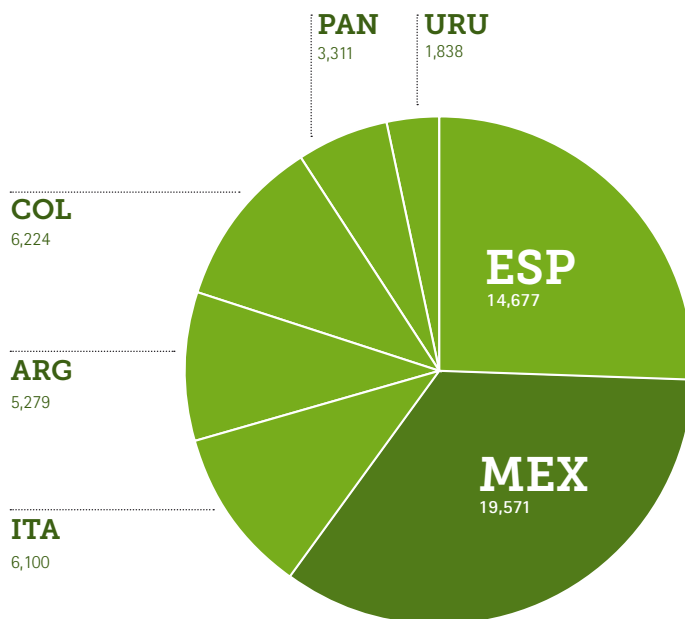
# KEY FIGURES

## REVENUES



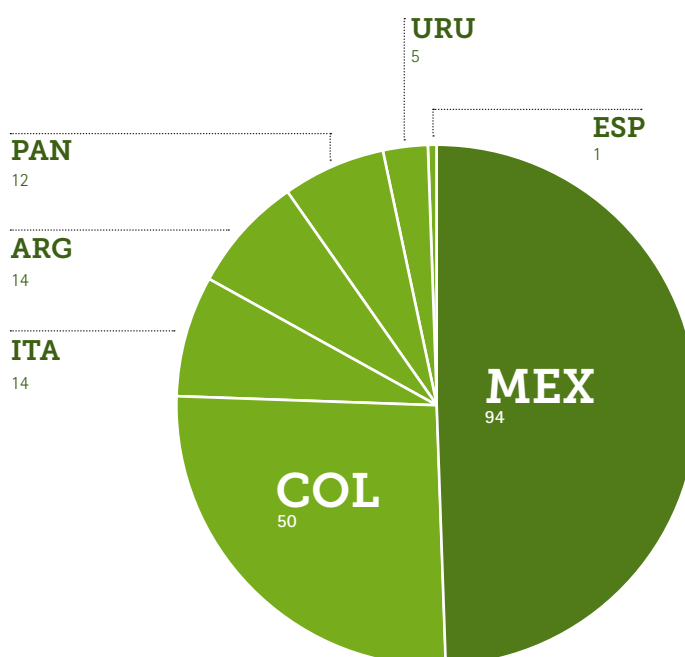
## GAMING MACHINES

**57,000**  
TOTAL



## GAMING HALLS

**190**  
TOTAL



## EBITDA

43

1999

60

2000

71

2001

76

2002

70

2003

74

2004

100.7

2005

183.6

2006

200

2007

233

2008

231

2009

241

2010

290

2011

24.4%

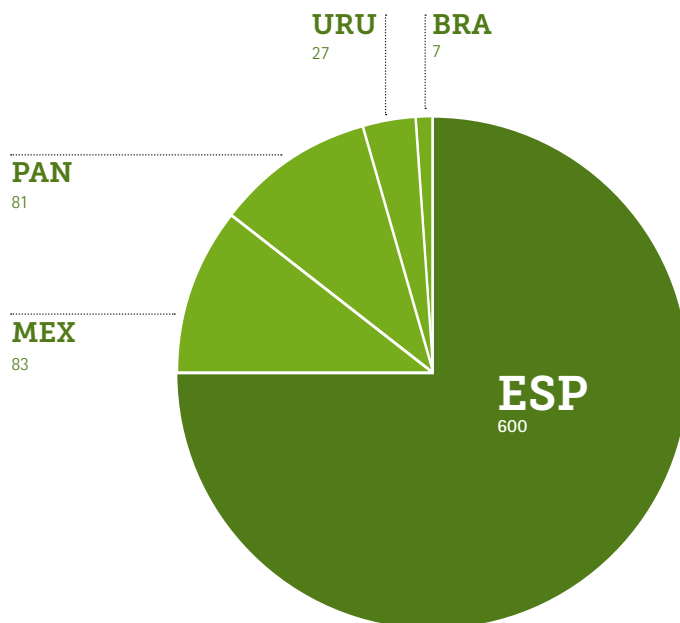
CAGR GAAP  
1999-2006

21.8%

CAGR IFRS  
2004-2011

## BETTING SHOPS

798  
TOTAL



## RACETRACKS

3  
TOTAL



## ONLINE GAMING

1  
TOTAL







## MANAGEMENT REPORT



# EXECUTIVE ANALYSIS

The CODERE Group closed 2011 with revenues of €1,374.4 million and EBITDA of €289.7 million, exceeding guidance for the year. These results reflect the growth initiatives and the good performance of the Latin American markets and Italy

**Despite the challenging global environment last year, CODERE has grown significantly in Latin America, especially Argentina and Panama and also in Italy, offsetting the results in the Spanish market and the euro's strength against other currencies, demonstrating the robustness of the business model and the benefits of the geographical diversification of the company.**

Consolidated revenues at the close of 2011 reached €1,374.4 million, a 22% increase over 2010. EBITDA reached €289.7 million in 2011, representing an increase of 20.2% over the previous year. Profit attributable to the parent company totaled €52.2 million in 2011, representing a 78.2% increase from 2010.

The growth in the number of terminals was focused in Argentina, Mexico, Italy, Colombia and Uruguay. The total number of machine increased 6.5% to 57,000 in 2011 compared to 53,519 in 2010.

At the close of 2011, CODERE operated more than 57,000 gaming terminals, 190 gaming halls, 798 betting points (15.7% more than in 2010), 3 racetracks and online betting in Italy.

In 2011 the Company continued to invest in the major markets of Argentina, Mexico, Italy and Spain and also in Panama, Uruguay and Colombia. Capex totaled €118.7 million of which €68.7 million related to maintenance, and €50 million to growth, the latter associated mainly to growth in the number of terminals in most countries and the purchase of AWP machine operators in Italy.

At the close of 2011, the CODERE Group had a cash balance of €135.7 million and an available credit line of €32 million, which provide the Company with appropriate liquidity.

The operations in Argentina, Mexico, Italy and Spain accounted for the bulk of CODERE revenues in the year, followed by Panama, Colombia, Uruguay and majority Brazil.



Argentina is  
CODERE's main  
market. Sales reached  
€553.2 million



## MARKET DEVELOPMENTS

### Argentina

Argentina is CODERE's main market and 2011 results far exceeded the previous year. Sales reached €553.2 million, a 20.0% gain over the previous year and EBIT-DA stood at €165.2 million, up 21.6% over 2010. This increase was driven primarily by the increase in the number of machines, 4.7% more than in 2010, and in the average daily net win per machine (increase of 14.4% in euros and 27.5% in local currency).

Similarly, we would highlight the implementation of TITO (Ticket In - Ticket Out) system and other coinless systems in most of the machines of ten gaming halls, representing 90.1% of the machine seats in the province of Buenos Aires.







### Mexico

Sales in **Mexico** increased 32.9%, reaching €291.5 million in 2011 due mainly to the consolidation of the operations acquired from Caliente, the average daily net win in ICELA and the increase in installed capacity. The number of terminals increased by 1.4% over the previous year while average daily net win per machine declined by 7.4% in euros and 4.4% in local currency. EBITDA declined 2.8% reaching €61.8 million.

### Italy

Sales in **Italy** in 2011 increased by 63.2%, reaching €224.2 million due to the increase in the number of VLT terminals (an increase of 135.3% over 2010), the consolidation of the Caserta gaming hall and the AWP machine operators acquired: FG Slots Services, Gap Games and Gaming Re. This growth was offset by reduced average daily net win on AWP terminals due to the introduction of VLT in the gaming halls.

### Spain

In **Spain**, the deteriorating macroeconomic environment and the entry into force of the smoking ban has caused a decrease in sales of 16.7% in 2011, exacerbated by the increased percentage of bingo prizes which went from 65% in 2010 to 71% beginning in January 2011. The sports betting business continues to grow thanks to improvements in the product and the increased number of outlets (600 at the close of 2011, up from 461 in 2010), mainly in Navarre and the Basque Country.

### Other operations

In **Panama**, revenue increased 39.6% primarily due to the acquisition of six casinos and the reopening of the Casino Colón (both in 3Q 2010), partly offset by the depreciation of U.S. dollar (currency in Panama) against the euro compared to 2010.

Operating income in **Colombia** increased by 5.1% to €28.9 million, due to the increase in the average daily net win per machine, and moderated by the depreciation of the Colombian peso against the euro compared to 2010.

Operations in **Uruguay** grew by 20.1%, mainly due to the increased number of machines installed (including the opening of the fifth hall in 3Q 2011) and their average daily net win, partially offset by the depreciation of the Uruguayan peso against the euro compared to 2010.



The operations in Argentina, Mexico, Italy and Panama accounted for the bulk of CODERE revenues in the year

# CORPORATE ANALYSIS

**CODERE is the first and, so far, the only publicly-traded Spanish company in the gaming industry and since October 2007 has earned the confidence of investors in its business project. The Company has participated in numerous conferences and roadshows, meeting the information needs of investors in bonds and equity.**

In 2011, the listed instruments of CODERE have performed relatively in line with the financial markets on which they are traded. Most of the strategic objectives for the year have been achieved, focusing on maximizing operational efficiency and growth initiatives, particularly in Argentina and Italy.

**Capex** in 2011 totalled €118.7 million, of which €68.7 million correspond to maintenance and €50 million to growth associated primarily with the increase in the number of machines in Argentina, Mexico, Italy, Colombia and Uruguay.

## INVESTOR CONFIDENCE

CODERE is the first and, so far, the only publicly-traded Spanish company in the gaming industry and since October 2007 has earned the confidence of investors in its business project.

During 2011, the Company has participated in 18 conferences and roadshows, becoming known to potential investors and meeting the information needs of investors in bonds and equity. In Europe, the company participated in the events in London, Madrid, Barcelona and Cascais and, in the United States, in New York, Chicago, San Francisco, Las Vegas, Orlando and Denver.

Prestigious business publisher, Institutional Investor also recognised CODERE's Investor Relations Director, Lily Arteaga, who was awarded "Best Investor Relations Professional" award in the Leisure and Hotel Sector in Europe. This ranking includes the most efficient professionals in terms of meeting the needs of the investor community.

## MARKET PERFORMANCE OF CODERE

Despite significant growth in revenues and EBITDA, 22.0% and 20.2%, respectively, in 2011, these results are not reflected in our market performance. The stock closed the year with a decline of 29.8%, in line with the Ibex small cap, the benchmark index, which registered an annual decline of 25%. This index consists of 30 small cap Spanish companies, including CODERE.

During 2011 the liquidity contract signed with Crédit Agricole Cheuvreux three years earlier was still in force, originally signed by CODERE to increase liquidity and promote the regularity of the share price, according to the criteria established by the CNMV. The results of this relationship have been positive, so the contract has been renewed for the next year.

CODERE's other publicly-traded instrument is our bond maturing in 2015 with an 8.25% coupon. The bond has performed more in line with the company's operating performance and the benchmark index, the iTraxx Crossover, in which the bond is included. This index measures the performance of credit default swaps or CDS (insurance against default risk) of 50 European companies. If we compare this index with the spread of the CODERE bond (the CODERE bond yield against the risk-free rate for a specific maturity) we can see how, despite fluctuations, performance during the year was similar.

CODERE's credit rating (estimated prediction of the creditworthiness of a counterparty of an obligation, a debt security or the like, or of an issuer of such securities, according to a defined grading system) by Standard & Poor's is B and by Moody's, B1. In addition, Standard & Poor's and Moody's have given the bond issue a rating of B and B2, respectively.

## BONDS / IRELAND MARKET

ISSUER	ISIN CODE	DATE OF ISSUE	ISSUE AMOUNT (EUROS)	COUPON	MATURITY DATE
CODERE Finance (Luxembourg) S.A.	XS0222159229	16/06/2005*	660,000,000*	8.25 % semiannual	15/06/2015
CODERE Finance (Luxembourg) S.A.	XS0528926354	22/07/2010	100,000,000	8.25 % semiannual	15/06/2015
CODERE Finance (Luxembourg) S.A.	USL1861KAG33	01/02/2012	300,000,000 USD	9.25 % semiannual	15/02/2019

\* The original issue was 335 million. On April 7, 2006 the issue was enlarged by €165 million, and on 31 October the issue was again expanded by another €160 million

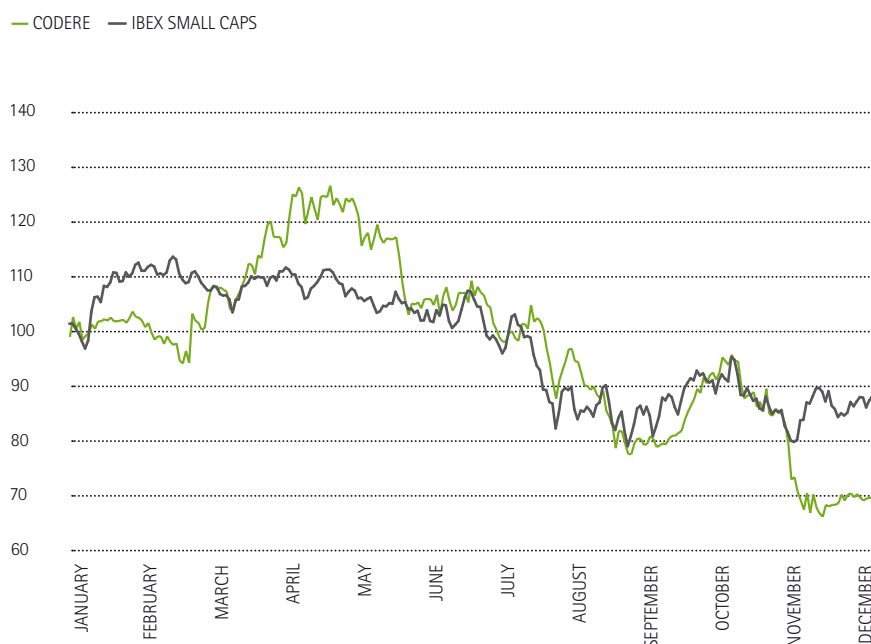
## CREDIT RATING

AGENCY	RATING	BONOS	OUTLOOK	ASSESSMENT DATE
Moody's	B1	B2	Negative	26/01/2012
Standard & Poors	B	B	Neutral	02/07/2010

## EQUITY ANALYSTS

Banco Sabadell	La Caixa
Banesto Bolsa	Link Securities
BBVA	Mirabaud
BPI	UBS
Exane BNP	
Chevreaux	
JB Capital Markets, S.V	

## CODERE VS. IBEX. 2011



## FIXED INCOME ANALYSTS

Barclays Capital	Credit Suisse
BNP Paribas	Deutsche Bank
Citigroup	J.P. Morgan
Creditsights	Merril Lynch
Crédit Agricole	Morgan Stanley
RBS	Itau BBA
UniCredit	UBS

## MAIN FINANCIAL CONFERENCES IN WHICH CODERE PARTICIPATED

CONFERENCE	DATE	PLACE
XVII Banco Santander Small&Midcap Ibérica Conference	1-2/02/2011	Madrid
Roadshow (Banesto)	1-2/03/2011	London
U.S Roadshow (CS,MS y BarCap)	17-22/03/2011	Denver, New York
HY Bond Conference-Barclays	23-25/03/2011	Orlando, FL
Pan-europe Small-Midcap Conference UBS	17-18/05/2011	London
Leveraged Finance Conference (UBS)	19/05/2011	New York
VII Foro MedCap-BME	31/05/2011	Madrid
Iberian Latam Conference BBVA	13-15/09/2011	London
2011 High Yield Conference-Barclays	15/09/2011	London
European Credit Conference- Credit Suisse	21-23/09/2011	Barcelona
VIII BPI Small & MidCap Conference	22-23/09/2011	Cascais
Credit Suisse European Gaming Conference	29/09/2011	London
Deutsche Bank and UBS Gaming Investment Forum at G2E	3-4/10/2011	Las Vegas
XIII Annual Latin America Conference-Morgan Stanley	14/10/2011	London
Roadshow (Itau)	5-7/10/2011	Chicago, New York
Roadshow (Banesto)	11/10/2011	Madrid
XIII Foro Latibex (BME)	16/11/2011	Madrid
European Credit Conference Citibank	30/11/2011	London

# COMMUNICATION

CODERE has an active policy communications with its stakeholders in Spain and in the countries where it operates. The company works closely with the media, trying to improve both the perception of gaming and the knowledge of journalists regarding this complex industry

**The CODERE Group has throughout 2011 maintained an active policy of communications to its stakeholders both in Spain and other countries where it operates. The Company has worked closely with the media, with the idea of bringing the company closer to journalists, strengthen relations with the media and provide information on this complex industry, in the midst of change, and improving their perception thereof.**

Among the topics with the most media coverage in 2011 in Spain, we would highlight the **complicated process of regulating the gaming industry**. The Company has developed several actions intended to promote the creation and development of a transparent and balanced Gaming Law to ensure the future of the industry.

The Group undertook a series of actions in February against illegal online gambling operators in Spain, also during the Parliamentary procedures for Law 13/2011, the Gaming Act, Chairman José Antonio Martínez Sampedro, appeared before Congress on March 17, 2011.

In this regard, and in relation to online gambling, we would highlight other outreach activities promoted by Fundación CODERE, such as the Seminar: **"Consolidation of Online Gaming: Realities and Hopes"** held on 24 and 25 March in Valencia (Spain) or the launch the book **"El Juego on line"**, presented on 24 November to the National Competition Commission of Madrid.

The Company also had a leading role in international fora such as the **iGamingSummit'11** held on 27 October in Madrid, with the participation of Jaime Estallera, CODERE COO Europe, in the round table **"How to compete in regulated markets: the point of view of operators"**, with online gaming as the main theme.

In relation to the **business areas of the Company**, in 2011 there were a series of important events like the inauguration of the **VLT (videolottery) Room at CODERE's Bingo RE in Rome** in February; the inauguration of the Poker Room in Sala CANOE in Madrid in September and the inauguration of the San Rafael Room in Crown Casinos in Colombia, in December, among others.

**Sportsbook** also had a starring role in 2011, especially in Spain, not only due to legislative developments in the different Spanish regions, such as Valencia, which enabled different local actions and agreements with other companies; but above all for the growing interest in this gaming mode linked to sporting events, especially football, such as the Real Madrid-Atletico Derby, R. Madrid-F.C.Barcelona duels or the major tournament matches.



Among the activities with an international impact, we would highlight the presentation of the **International Security Training Plan**, developed in Panama, and the launch of the first specific training in casino security held in October or the dissemination of the **XLIV Caribbean Classic**, which was hosted by the Presidente Remon Racetrack in Panama in December.

CODERE's work as a company that promotes **responsible gaming management** has been recognized through the *Golden Ace Award* for its contribution to the regulation of legal gambling in Mexico. The award was presented as part of the ELA 2011 trade fair in Mexico in May. Similarly, in July, the company was awarded the *Lifetime Achievement Award for Corporate Social Responsibility* by the UN in New York, an award that recognizes the CODERE Argentina's work in driving digital education in Buenos Aires.

**Economic issues** have also played a starring role in the Company's external communication, not only in relation to the CODERE's earnings, but also in relation to the different operations in Mexico, such as

the buy option on a majority stake in ICELA and the operations in Italy, such as the joint venture with FG Slot Service and the acquisition of 75% of Gaming Service SKL.

Information on CODERE was widely covered by the general, economic, financial and industry media, both nationally and internationally. Also, the various meetings and milestones were also widely covered on television and radio.

Throughout the year, and on the occasion of the various corporate events, the Group has worked on issues related to both brand positioning and the development of corporate communications instruments, such as the new audiovisual channel on YouTube, the CODERE Channel.





OBRAS EN MONTEVIDEO

# El renacer del Carrasco

Un *joint venture* liderado por Codere ganó la licitación para restaurar el emblemático hotel y casino de Montevideo. Cómo será la operación del establecimiento en conjunto con Sofitel.

Los pasillos y habitaciones del hotel Carrasco perdieron su esplendor. Los ventanales, que supieron ser verdaderas obras de arte, se encuentran rotos o cubiertos, acosados por el paso del tiempo y la falta de atención. Sin embargo, los años de abandono que pesan sobre el histórico casino de Montevideo, no lograron quitarle su imponentia y tampoco erosionaron el fuerte significado social y cultural que este edificio de 1921 tiene para la capital Uruguaya. Es por ello que,

cuando la firma Carrasco Nóbile ganó la licitación para restaurarlo, el objetivo impuesto por las autoridades locales fue claro: volver a convertir al hotel en un motivo de orgullo para Montevideo.

"Es un ícono para la ciudad y formó parte de la historia de la mayoría de sus habitantes", explica Guillermo Arcani, director de Carrasco Nóbile. La firma, un *joint venture* entre la internacional del juego Codere (51%) y la argentina AGG (Argentinian Gaming Group, 49%), invertirá más de u\$s 60 millones

para la restauración de todo el edificio, y la puesta en marcha y operación del casino, que contará con un total de 600 slots y unas 20 mesas de juego. El hotel, por su parte, estará en manos de la cadena internacional Sofitel y tendrá 116 habitaciones y todos los amenities de un establecimiento moderno.

Arcani cree que fue la comprensión que la firma mostró por el significado del proyecto, que también se plasmó en los planes de restauración, lo que hizo que Carrasco Nóbile hoy ya esté comenzado a trabajar con la meta de abrir las puertas del hotel en mayo de 2012. "Vamos a devolverle al Carrasco su impronta original, aunque eso implique sacrificar en ciertas áreas del negocio", señala el directivo. Así, las primeras obras del proyecto se encargaron de la eliminación de construcciones adicionales que concesiones previas



64 FORTUNA / 12 de febrero de 2011

## El Louvre a través de la mirada de niños uruguayos



### SPAIN

"CODERE criticizes that online operators will be benefit by gaming law"

Expansión 05/04/2011

### URUGUAY

"CODERE continues to grow in Latin America"

Fortuna 12/02/2011



About 150 Latin American media companies participate in the 1st Annual Latin American Economic Journalism Award sponsored by the CODERE Foundation

### EMPRESAS

## La privatización de Loterías pone en pie de guerra a sus rivales

CRITICAS DE LOS EMPRESARIOS PRIVADOS / Cinos y Codere cargan contra la CPU de la empresa pública por los estatutos fiscal y regulatorios. Mientras, la Onco se mantiene a la espera de conocer más detalles.



**La privatización de Loterías pone en pie de guerra a sus rivales**

La privatización de Loterías pone en pie de guerra a sus rivales. Cinos y Codere cargan contra la CPU de la empresa pública por los estatutos fiscal y regulatorios. Mientras, la Onco se mantiene a la espera de conocer más detalles.

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ENTRETENIMIENTO. MULTINACIONAL HA INVERTIDO US\$15 MILLONES

## El consorcio español Codere abrió su cuarto casino en el mercado colombiano

**BOGOTÁ.** La línea de casinos CrowN en Colombia, administrada por la multinacional española Grupo Codere, sumará dos nuevos establecimientos entre finales de 2011 y comienzos de 2012. Después de la reciente apertura de un casino en Unicentro, el consorcio inauguró ayer otro local en Bogotá, el cuarto en su lista, específicamente en el Centro Comercial Paseo San Rafael.

Este nuevo casino forma parte de los US\$15 millones que ha invertido el Grupo Codere en Colombia durante 2011. En el caso del CrowN San Rafael, el capital requerido ascendió a US\$6 millones, suma de la cual se destinó una buena parte en el acondicionamiento del establecimiento de 1.100 metros cuadrados.

Pero esta no será la única novedad del Grupo Codere en los próximos

meses. La multinacional europea informó que prepara la inauguración de otro casino CrowN en la Zona T de Bogotá para marzo de 2012.

Con esta apertura ya son cinco los locales que opera esta compañía en el mercado local: CrowN Cali (2009), CrowN Casino Palatino Bogotá (2009), CrowN Unicentro Bogotá (2011), CrowN San Rafael Bogotá (2011) y CrowN en la Zona T de Bogotá (marzo 2012).

El casino en San Rafael, diseñado por el arquitecto Giancarlo Mazzanti, tendrá más de 130 máquinas pagamonedas, 12 mesas de juego en vivo, una exclusiva zona de Juego VIP y espectáculos permanentes.

"Colombia es uno de los mercados estratégicos de la multinacional debido al crecimiento económico que está registrando el

país", dijo el director de Líneas de Negocios de Codere en Colombia, Diego Felipe Navarro.

Aunque la división de casinos premium de la firma española, CrowN, solo está en Cali y Bogotá, la multinacional tiene presencia en otras ciudades como Cartagena y Medellín con otras marcas de juegos de azar (bingos y casinos) como Mundo Fortuna, Fantasía Royal y Stars Casino Games.

En este sentido, el Grupo Codere cerrará el año con 51 salas en más de 80 municipios del país. Navarro explicó que con las inauguraciones de locales se están creando 180 empleos, lo que les permitirá pasar de 625 empleados directos en 2010 a 805 empleos este año.

Así mismo, el gerente explicó que por sus operaciones se transferirán más de \$24.000 millones



CORTESÍA

El director de Líneas de Negocios de Codere en Colombia, Diego Felipe Navarro, destacó el potencial de los juegos de azar en Colombia.

por concepto de derechos de explotación e IVA.

"CrowN es más que un casino, es un espacio integral de entretenimiento que incorpora máquinas, bingos, mesas de juego, gastronomía y espectáculos de gran calidad, todo desarrollado bajo el concepto de Customer Ex-

perience Management, donde nos obsesionamos por ofrecerle a nuestros consumidores una experiencia de clase mundial con los más altos estándares de la categoría a nivel internacional", dijo Navarro.

VANESSA PÉREZ DÍAZ  
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## INVERSIÓN / ENTREVISTA

10 de mayo de 2011  
PÁGINA 33

## "Codere estudia salir a bolsa en Brasil o EEUU"

Entrevista con José Antonio Martínez Sampedro, presidente de Codere

Latinoamérica supone el 80% de los ingresos de la compañía de juego cotizada. La propietaria del Bingo Canoe en Madrid quiere, además, dar el salto al mercado norteamericano.

Codere está buscando oportunidades de inversión en el mercado de Casinos y Bingos en diferentes zonas de Estados Unidos.

**Economía/Mercaderes.** José Antonio Martínez Sampedro, presidente de Codere, líder empresa de juego español que cotiza en bolsa. Martínez Sampedro recuerda que el 80% del beneficio bruto de explotación (EBE) de la compañía se genera en Latinoamérica, dentro de la política de diversificación geográfica emprendida. "El 80% en juego en Latinoamérica en términos de proporción del Producto Intermedio Bruto con respecto a Europa es inferior, por lo que consideramos un gran recurso para nuestros negocios", añade.

La facturación de Codere el año pasado ascendió a 1.263 millones, destacando el buen comportamiento de su primer mercado por ingresos, Argentina. El beneficio neto fue de 293 millones, con un incremento del 5,4% respecto a 2009, mientras que el EBE ascendió a 2.443 millones de euros en 2010.

**OPN en Latinoamérica.** "Un problema que analizamos es que la deuda que acumulan nuestras filiales en Latinoamérica tiene como soporte la moneda local, lo que nos impide aprovechar la volatilidad del fiscal de dicho país, por lo que estamos estudiando seriamente la posibilidad de sa-

car a bolsa una parte de nuestros activos en la zona, especialmente en Argentina y Uruguay". En este sentido, a su juicio, la OPN "la segunda del grupo" tiene la preferencia en Madrid en 2010 "se produjeron en México, Brasil y Chile, en Estados Unidos".

Codere, que está presente en Chile, Brasil, Uruguay, Argentina, Brasil, Colombia, México, Panamá y Uruguay, tiene entre sus planes entrar en Norteamérica, a través de Estados Unidos. "Es un mercado de enorme tamaño, donde o bien se favorece un nuevo país o el juego se restringe mucho", advierte Martínez Sampedro. "Si bien en nuestra entrada natural en la zona, y podríamos hacerlo a través de bingos o casinos", matiza.

A juicio del responsable de Codere, jefe de una asociación de regulación, el juego debe estar sometido "a los mismos controles de apuestas que los casinos de apuestas controlados y no de juego de azar". Martínez Sampedro ve con preocupación la orientación que se puede dar a la nueva ley del juego online en España. "Una ley mala puede reducir las expectativas de crecer en España que tenemos", advierte.

**La inversión en 2010.** Las inversiones en 2010 fueron de 141,3 millones, de los cuales 44,5 millones corresponden a mantenimiento y 96,8 millones a crecimiento, con el último, principalmente, asociado a la compra de una casa en Panamá y a los acuerdos de franquicia de explotación de casinos en Argentina, México y Italia.

**El juego online.** De acuerdo con sus estimaciones, el EBE reportado en el primer trimestre de 2011 de Codere se encontrará en el rango de entre 64 y 67 millones, con un crecimiento de 49 millones respecto al primer trimestre de 2010 y 54 millones del primer trimestre de este mismo año. Codere explicó que el EBE se incrementó 129 millones de euros, 397 puntos de puntos, lo que supone un incremento del 40% en los últimos tres años en los distintos países en los que está presente.

**Recorrido desigual en bolsa.** La marcha de Codere en bolsa no ha mostrado todo su potencial, opinan sus responsables. Los títulos de la empresa de juego cotizan actualmente en el entorno de los 12 euros. Esto que hace año la cotización ha subido cerca del 20%, hasta alcanzar una capitalización bursátil de 605 millones de euros. No obstante, la compañía está lejos de los 21 euros por acción a los que salió a bolsa en octubre de 2007, en los peores de la crisis financiera mundial. Si bien, tampoco está cerca de los mínimos de 4,7 euros que llegó a alcanzar en julio de 2009, coincidiendo con el momento de mayor volatilidad económica. El PER estimado de la compañía (veces que el precio de la acción cubre el beneficio neto) es de 13,21, frente a los 15,3 de Latinoamérica o los 8,55 de la británica William Hill.

**Attractivo de Italia.** Otro de los movimientos de Codere en el mercado internacional ha sido la entrada en el juego online en Italia, un mercado que considera "muy atractivo, gracias a los cambios regulatorios". Y aquí destaca la asociación de los terminales de juego de Internet en las salas de bingo del país. Codere desea actualmente unos 100 de estos terminales en operación en 12 salas del país.

En España, Codere con-

**"EEUU es un mercado de enorme tamaño, donde o bien se favorece un nuevo país o el juego se restringe mucho"**

**"El juego online debería guardar similitud con la banca en regulación"**

**"Una mala ley del juego online puede reducir nuestro interés en España"**



PORTADA |

Codere

## Un trampolín hacia el compromiso duradero

Nacida en la España de los años 80 como Pyme, la firma de entretenimiento interpreta a la Responsabilidad Social Corporativa como una "forma de actuar en el mundo de los negocios". Ello supone la integración de preocupaciones sociales en las operaciones de las empresas y en las relaciones con sus interlocutores.

"Desde su fundación, en donde está ubicada nuestra casa matriz, cuando una planifica cuestiones vinculadas a los programas de responsabilidad social, dirigidos a aquellos lugares donde no llega el Estado de bienestar, puede sentirse poco responsable y preguntarse si corresponde que eso lo haga la empresa. Creo que así como las compañías son socios de alguna manera, del Estado también debemos ser socios en políticas públicas, y donde no llega el sector público deben actuar las compañías. Es lo que el género de Comunicaciones y RSC de Codere, Alejandro Alamo,



Alejandro Alamo. La responsabilidad social en el código

**"¿Cómo está estructurado el área que lleva adelante las prácticas de sostenibilidad?"**  
"Si bien desde hace años Codere gestiona acciones de Responsabilidad Social Corporativa, al igual que muchas compañías, al inicio lo hicimos en forma voluntaria y motivada por los propios empleados. Es decir, a partir de necesidades individuales hasta que más tarde surgió la posibilidad de institucionalizarlas. Hoy, más de tres años se creó la gerencia de Comunicaciones y RSC, que es la que reúne las voluntades.

Continuamos con tres grandes ejes de responsabilidad social: el primero apunta al jugador responsable y tiene que ver con los riesgos y los límites del juego compulsivo y la gestión de los riesgos en las salas de juego. El segundo eje apunta a la educación y el tercero es el de salud.

**"¿Qué objetivos formales han sido establecidos en relación a los reportes sostenibilidad?"**  
"El objetivo que tiene el informe es reflejar las acciones de la compañía y mostrar, como

Ahora, entrando directamente en el reporte, qué es la primera barrera que hay que superar para tener que ver con los distintos ámbitos. Una siempre que presenta un informe, reporte o balance, está midiendo o evaluando, y eso puede interpretarse como un modo de poner en evidencia el trabajo de cada área. Es decir, que existe cierta resistencia. Pero me parece que una vez que se plantea el reporte por escrito en la actualidad, todos entienden que el objetivo es tratar de sumar para ser un poco más consistentes en el trabajo como organización.

En ese sentido, hemos advertido que son cada vez más las áreas que quieren participar o involucrarse de manera más directa en los informes. Por otro lado, es un poco contradictorio que haya una necesidad de que los informes sean más atractivos en su contenido, más resumidos, cuando lo cierto es que cada vez son más los temas a incorporar y las áreas involucradas en participar. Entonces, hablo que promueva la información de un modo más eficaz sin perder el contenido de lo que se desea mostrar.

**"¿Entonces un conflicto los intereses económicos y los reportes sostenibilidad?"**  
"Todo depende de si uno piensa en sostenibilidad o piensa en el negocio hoy. Me parece que por ahí pasa la clave. Es la misma que cuando nos preguntan por el programa de juego responsable. Si una persona en el negocio a largo plazo, tiene que considerar las salidas de como una acción de equiparación similar a un club o un teatro, optar por el bingo requiere un presupuesto similar.

**"¿Se puede identificar o percibir una relación entre la inversión de los recursos sostenibles y los resultados o el posicionamiento de la empresa?"**

"Acordando los requisitos de eso. Siempre se hace la pregunta si el consumidor en la globalidad se fija si el producto está hecho de tal o cual manera, si la huella de carbono, entonces creo que si hay una tendencia hacia un consumo más responsable, pero no lo relacionamos con el aspecto comercial. Entonces no estoy muy convencido de que eso elevará sea lo que deseamos de compra.

Considero que, en tal caso, las prácticas sostenibles generan ganancias para la sociedad, y que esa sociedad más fortalecida, más educada, más íntegra en general de alguna manera para la compañía.

M.A.

## PANAMA

# "Security in the gaming industry, key for the CODERE Group"

Sector del Juego 04/10/2011



## SPAIN

"CODERE achieves a record of €62 million in prizes despite the crisis"

El Economista 08/03/2011

## ARGENTINA

"Online gambling is unregulated and is the same as illegal gambling"

Revista Económica 13/06/2011

## ARGENTINA

Some of the initiatives undertaken by CODERE Argentina during 2011 were subject to wide media coverage. During the year the company presented the website [www.comunidadCODERE.com.ar](http://www.comunidadCODERE.com.ar) with different CSR actions such as **"One click for one lunch"**, achieving more than 65 positive mentions in national media.

In the gaming halls segment, there were numerous events echoed by the press and hosted by prominent figures from the arts, such as the group "La Mosca" and singers Sergio Denis and Raul Lavie, among others.

Similarly, CODERE Argentina sponsored various events throughout the year. One was the traditional cycle organized by the Spanish publisher Planeta, which brings together great writers and thousands of people, bringing authors closer to their readers. **"Verano Planeta"** was declared of "cultural interest" in 2011 by the City Council of the Municipality of General Pueyrredón, which received remarkable media coverage.

Also, through donations made in partnership with ultramarathoner Sebastian Armenault, who ran 250 miles across the Sahara Desert for charity, achieving major media coverage in national print, television and radio, with about 60 news items published.

## COLOMBIA

In 2011, CODERE Colombia developed a series of events with great media impact. In the month of October as part of the digital marketing strategy in the country, the Company launched the Crown Casinos website, [www.crowncasinos.com.co](http://www.crowncasinos.com.co), seeking to generate an additional communication channel with customers to help traffic in the gaming halls.

Other activities developed throughout the year included the launch and/or updating of the Gaming Halls such as the opening of the fourth gaming hall under

## ITALY

"CODERE 2011: Cresce il fatturato investiti 22,4 milioni di euro"

Totoguida Scommesse 18/05/2011

**ARGENTINA**

**CEO**  
Palabra de

**"Se deben implementar políticas públicas para fomentar la inversión"**

La venezolana Beatrice Rangel, presidenta de la española Codere, tiene entre sus antecedentes haber ocupado el cargo de Ministra de la Secretaría de la Presidencia durante el gobierno de Carlos Andrés Pérez en Venezuela. Además, fue estratega principal del Grupo Cisneros

de Buenos Aires, y la legislación les prohíbe sumar otros centros. ¿No buscan variantes en otras partes del país?

—Nos gustaría expandirnos, es algo en lo que siempre pensamos. La Argentina tiene una economía bastante sólida y una fuente de ingresos segura ya que el fuere de sus exportaciones son básicamente alimentos. Distinta es la situación de los países que tienen un componente muy grande en su PIB de manufacturas. Estamos por ingresar en una crisis, una recesión, que será más profunda y larga que la de 2008. Esta situación llevará a muchas economías a reconvertirse, y dentro de este escenario el riesgo económico de la Argentina es menor. La única razón por la cual la Argentina no crecería sería por un freno de las inversiones. La demanda creció, pero no la capacidad industrial para generar bienes y servicios.

—¿Y cómo cree que afectará esa crisis a la Argentina?

—La recesión tendrá un impacto distinto a lo largo de América latina. De México a Colombia, hubo un impacto sensible hacia la baja del crecimiento, en tanto que en el resto será variable. Chile, por ejemplo, tiene muy diversificado su comercio, lo que es bueno. Brasil tendrá un impacto mixto porque tiene vínculos con Asia pero también con los Estados Unidos. Para la Argentina el golpe será menor porque sus relaciones comerciales más fuertes son con Asia.

—¿Habiendo entendido que está el punto más bajo hay de la economía local?

—Creo que se deben implementar políticas públicas para fomentar las inversiones, luego de un fuerte proceso de la demanda durante los últimos cuatro años, porque es necesario que crezca el poder industrial. Por otro parte, hay que tener en cuenta que el mundo está cambiando su estructura energética, la Argentina tiene las ventajas comparativas suficientes como para emerger en un posible abastecimiento mundial con mucha más fuerza en ese campo. No es que sólo tiene recursos naturales no renovables, sino que también hay energías renovables que no las está usando. El gran reto, entonces, sería resolver como heterogéneas su materia energética; si la resuelve, van un período de crecimiento muy grande para la Argentina.

Codere sumará este año ingresos totales por \$300 millones, un 10% por encima de lo que había alcanzado durante 2010

Hasta ahora las inversiones no fueron prioridad para las políticas públicas; siempre se buscó aumentar la demanda. Sin embargo con las restricciones a las importaciones se dio un impulso a la inversión en el Sur.

—Si, pero esas cosas tienen vida corta. Por lo general las políticas proteccionistas son medidas transitorias. Se puede lograr que ese sistema se consolide y comience incluso a generar demanda, pero una vez que esto ocurre esas políticas se deben cambiar por otras que permitan otro tipo de crecimiento e incluso poder especializarse en cierto nicho. Los alemanes, por ejemplo, son los únicos que logran que su nivel de productividad crezca todos los años, y hace años que en contrarrollo su nicho, el de los productos sofisticados en varios sectores como el automotor, los instrumentos médicos o los equipos de sonido. Y siempre va a haber demanda para esos productos. Yo no me atrevería a determinar cuál, pero la Argentina debería tener un nicho que le permita alcanzar otra escala.

**Un grupo que en la región también tiene intereses en el mundo hotelero**

En la región, Codere también tiene intereses en el mundo hotelero. Tras dos décadas de abandono, el Hotel Carrasco de Montevideo vuelve a resurgir. El consorcio Carrasco Noble, conformado por el Grupo Codere y AGG (también ligada al negocio del juego), invertirá \$50 millones para poner el establecimiento en condiciones y reabrir sus puertas. Será operado por la cadena Sofitel (del grupo francés Accor), dedicado al mercado de lujo. La restauración llevará unos 20 meses de trabajo', indica Guillermo Arcani, Director del proyecto y ejecutivo de Codere. El plan prevé proteger y respetar las marcas patrimoniales históricas que contiene el edificio como vitrales, molduras, vitrales, cúpulas, aberturas y pisos de roble de Estavonia. Ubicado en la rambla de la playa Carrasco, el Hotel Carrasco dispondrá de 110 habitaciones, restaurantes, sala de convenciones y spa, además de casino. Codere gestiona más de 53.453 máquinas recreativas, 140 salas de bingo, 160 salas de apuestas deportivas, tres hipódromos y seis casinos en la Argentina, Brasil, Colombia, España, Italia, México, Panamá y Uruguay.



the Premium brand, **Crown Casino San Rafael**, a modern casino located north of the city and designed by internationally renowned architect Giancarlo Mazzanti. Other representative acts included the laying of first stone of the **new Crown Casinos Zona T** (Bogotá), the fifth Crown establishment in Colombia, which was attended by members of the Company's Executive Committee, among others.

#### MEXICO

One of the most important milestones of the year was the selection of CODERE Mexico headquarters as the venue for the delivery of the **First Annual Latin American Economic Journalism Award** on June 16, 2011.

About 150 Latin American communications media participated with about 300 articles, reports, interviews and other information formats covering the First Annual Latin American Economic Journalism Award, sponsored Fundación CODERE and organized by Instituto de Empresa (IE Business School) in Mexico City.

Germán Gusano, director of Fundación CODERE delivered the Foundation's Accésit award to the Mexican

Institute of Finance Executives (IMEF), for outstanding editorial work on the gaming and entertainment sector in the country, through its Ejecutivos de Finanzas magazine.



CODERE's work as a company that promotes responsible gaming management has been recognized through various awards in 2011





## AREAS OF ACTIVITY

CODERE operates in five business areas: Gaming machines, Gaming Halls, Sports Betting, Racetracks and Online Gaming. The management of all operations conforms to the peculiarities of the eight local markets where the Company operates.

It is very important to highlight the broad and diverse regulation to which the CODERE's activities are subject depending on the country. In some cases, the company must face strict controls, with limited licenses and high taxation, while in others there is much competition and low taxes. Therefore, CODERE considers that flexibility and adaptability to the environment are key as an entrepreneurial company with global focus: multinational and multi-operator.



# GAMING MACHINES

At the close of 2011 CODERE operated 57,000 gaming machines worldwide, 6.5% more than in 2010, located in Mexico, Spain, Colombia, Italy, Argentina, Panama and Uruguay

**Gaming machines are the source of CODERE activities in the gaming industry and its main business area. At year end 2011, CODERE operated 57,000 gaming machines worldwide, 6.5% more than in 2010, located in Mexico, Spain, Colombia, Italy, Argentina, Panama and Uruguay, markets that are very different from each other and present different stages of maturity.**

## DESCRIPTION

Operation of different types of machines that offer cash prizes according to the bets made by the users. The machines are known by different names such as AWP (amusement with prize) machines, gaming terminals or slot machines.

## TYPES OF GAMING MACHINES OPERATED BY CODERE

Adapted to the characteristics of each market in which it operates.

– **AWP Machines (Amusement With Prize):** Machines that pay cash prizes as a result of a percentage of total bets on a predetermined cycle of games. In Spain, CODERE operates Type B machines and in Italy operates Comma 6A machines.

– **Casino Slots:** Casino or slot machines that in exchange for a determined bet award the user playing time and eventually a prize that will always depend on chance. CODERE operates these terminals in Argentina, Panama, Colombia, Mexico and Uruguay.

– **Electronic Bingo Terminals (EBT):** Machines incorporating games similar to those practiced by bingo cards within the licensed bingo halls. CODERE operates EBT mainly in Spain.

– **VLT (Video Lottery Terminal):** machines with cash prizes from a percentage of total hits by a random statistical system that CODERE operates in Italy.

## LOCATION

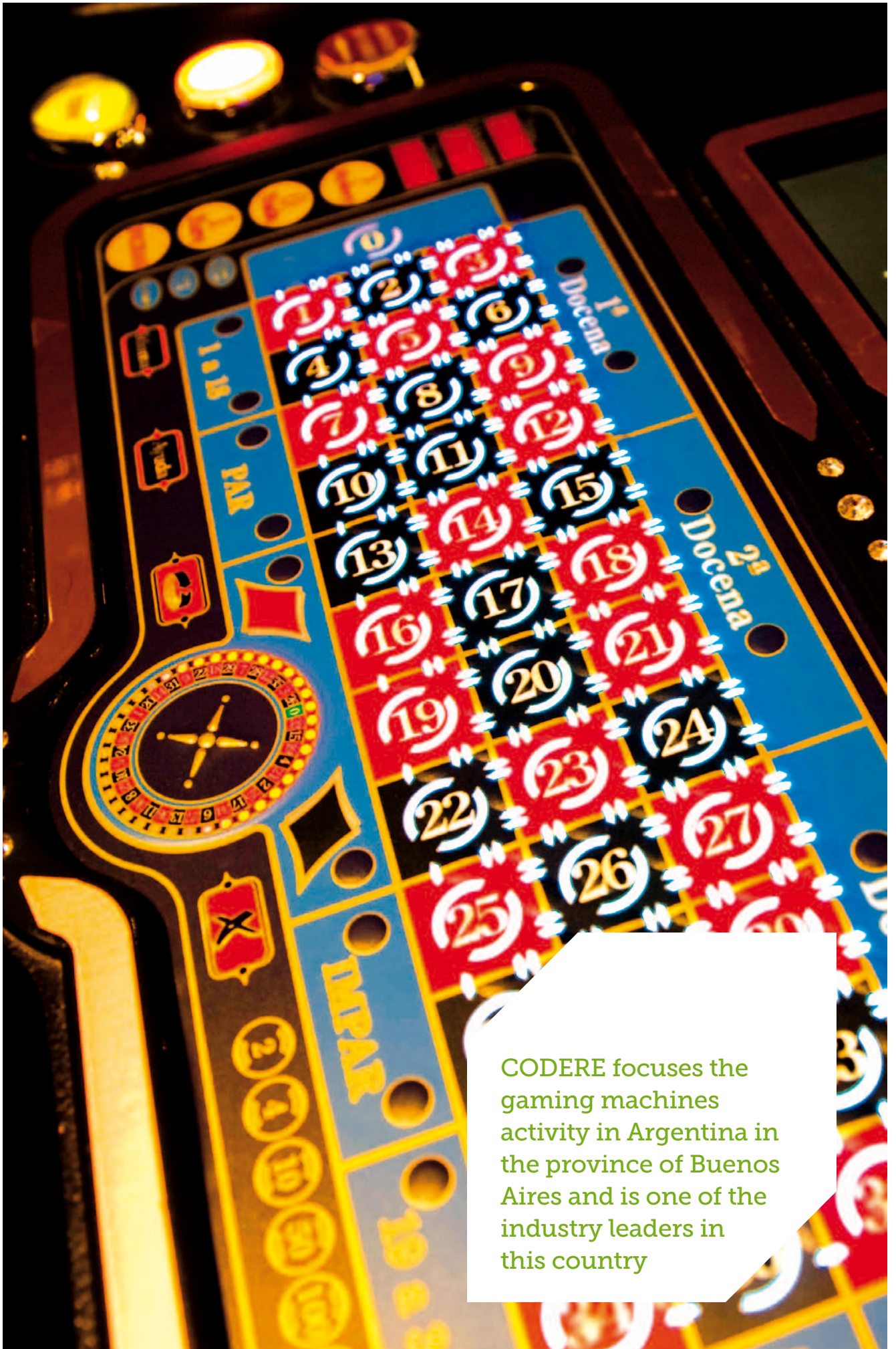
Gaming machines are located in casinos, hospitality venues, casinos and racetracks.

## ARGENTINA

CODERE focuses the gaming machines activity in Argentina in the province of Buenos Aires and is one of the industry leaders in this country, which has continued to grow during 2011. The Company operates 5,279 gaming machines in this country, a 4.7% increase over the previous year. The machines are distributed among the 14 gaming halls in the region.

Productivity in the halls has continued to increase as a result of investments made in response to growing demand. At December 31, 2011 the company had completed the installation of the TITO (Ticket In-Ticket Out) and other coinless systems in the machines of eleven halls (Lomas del Mirador, San Martin, Lanus, Moron, San Justo, San Miguel, Lomas de Zamora, Ramos Mejia, La Plata, Sol and Puerto), representing 90.1% of the machines operated by CODERE in the province of Buenos Aires.





CODERE focuses the gaming machines activity in Argentina in the province of Buenos Aires and is one of the industry leaders in this country



The installation of the TITO system in the gaming terminals is one of the factors that has contributed to an increase in average daily revenue per machine of 14.4%.

#### COLOMBIA

CODERE has been active in the Colombian gaming market since 1984, the date on which this activity was legalized, and is the second largest AWP machine operator in the country. At the end of 2011 the company managed 6,224 terminals in stores, saloons, gambling halls and casinos, up 0.7% from the previous year. Also CODERE Colombia has added a new type of game and technology through video machines, the main game of which is bingo cards.

#### SPAIN

The difficult economic environment in Spain and the entry into force of anti-smoking legislation has affected the gaming business. The average revenue per machine declined 14% over 2011. In this context, following a year of rationalization, the number of terminals declined 4.7% over the previous year, reaching 14,677 in 2011.

As already mentioned, during 2011, one of the events that has damaged the development of the business is the entry into force of the smoking ban on January 2, 2011. According to the ASEJU (Association of Licensed Gaming Companies), in the first month following the entry into force of validity of the Act declines were recorded in the sales of the legal gaming sector (halls, casinos and bingos) of about 30% on average in Spain. The hospitality sector was also affected by this legislation.

#### ITALY

CODERE operates a large network of interconnected gaming terminals in this country, the CODERE Network, as well as AWP and VLT terminals. With respect to the AWP machines, CODERE has acquired controlling stakes in local operators.

At year-end the company had a total of 6,100 gaming machines in operation in Italy, including the VLT installed in the gaming halls thanks to regulatory changes in 2009 that allowed the introduction of such terminals.

The average daily revenue per machine of the VLT business has increased by almost 50% over 2010, while



that of the AWP machines, declined nearly 13.8% due largely to their withdrawal to install the VLT.

#### MEXICO

During 2011, the number of gaming machines installed in Mexico has expanded by 1.4%, reaching 19,571 units. Average daily revenue per machine declined by 7.4%, mainly due to worse than expected performance in the Caliente establishments.

CODERE operates in Mexico in association with two leaders in the domestic market, Grupo Caliente and Compañía Interamericana de Entretenimiento (CIE), and through its own companies Promojuegos and Mio Games.

The company manages gaming terminals installed in casinos and racetracks, representing a great opportunity for business development.

#### PANAMA

CODERE operates eleven casinos, betting shops and a racetrack, all of which house the gaming machines in the country. In total CODERE Panama has 3,311 ga-

ming machines, including the machines located in the six casinos purchased in August 2010 and the reopening of the Crown Casinos Hotel Radisson.

#### URUGUAY

In this country CODERE operates five casinos under the Entertainment Maroñas brand: 18 de Julio, Montevideo Shopping, Las Piedras, Géant and Pando, for a total of 1,838 terminals.

With respect to the slots, the Company has installed an online monitoring system in 70% of the terminals (representing 80% of revenue) in addition to the installation of the coinless system. The company has also implemented a loyalty program called "Entertainment Plus" in all recreational facilities, which provides benefits to its members without any obligation to purchase or play.



### GROWTH IN THE NUMBER OF GAMING MACHINES

42,744

2006

49,581

2007

54,814

2008

49,730

2009

53,519

2010

57,000

2011

Data from 2009 and 2010 adjusted after various agreements and acquisitions made in Mexico, Italy and Panama. 2010 and 2011 data are for gaming machine posts.

# GAMING HALLS

CODERE is a leading international operator that manages 190 gaming halls in the countries where it operates, which includes: bingo halls with gaming machines, casinos, gaming machine rooms in racetracks and branded gaming halls

**CODERE is a leading international operator that manages 190 casinos in the countries where it operates. In recent years, the company has made significant investments in this segment of the gaming market and has become the leading operator in Italy, Mexico and the province of Buenos Aires.**

Gaming halls include: Bingo halls with machines, casinos, machine rooms at racetracks and branded gaming halls.

## ARGENTINA

CODERE Argentina is the largest bingo operator in the province of Buenos Aires, with 14 bingo halls in operation. At the end of the 2011, Argentina had completed the installation of the TITO system on most machines in 11 gaming halls (Lomas del Mirador, San Martín, Lanús, Morón, San Justo, San Miguel, Lomas de Zamora, Ramos Mejía, La Plata, Sol and Puerto) representing 90.1% of the machines in the Province of Buenos Aires with an increase of 85.0%.

Throughout the year, CODERE Argentina implemented a series of reforms in the following gaming halls: Lomas de Zamora, Ramos Mejía, San Martín, San Miguel and San Justo, to provide better service to customers. In July the company implemented operational Cashier Module in the Halls and, in September, presented **Diploma in Culinary Management** at Lomas del Mirador, supported and developed by the faculty of the prestigious University of Belgrano.

## COLOMBIA

CODERE is the leading bingo operator in Colombia and operates about 50 gaming halls, mostly in Bogotá, Medellín and Cali, with over 6,300 gaming terminals.

In 2011, and in order to implement digital marketing strategy in the country, CODERE Colombia **launched the website of Crown Casinos**, an attractive website designed with the aim of boosting traffic and occupancy in the gaming halls and strengthening customer relationships, reinforcing the brand image of the Company. Customers also can play virtual games and learn the various games through video tutorials on tables, machines and bingo. Thus, the website aims to transfer the Crown Casinos experience to the web, promoting the concept of *Games for Fun*.

One of the most representative moments for CODERE Colombia was the inauguration of the construction of the new **Crown Casino Zone T** (Bogotá), the fifth Crown Casino in Colombia which is projected as the best entertainment center in this category in the country.

At year end the company launched **Crown Casino Unicentro**, which migrates from the Mundo Fortuna and **Crown Casino San Rafael** brands, the fourth casino under the Premium Crown Casinos brand. This modern casino is located in mall Centro Comercial Paseo San Rafael and has over 130 gaming machines, 12 live table games, an exclusive VIP area and permanent high-level performances. Crown San Rafael was specially designed by internationally renowned architect Giancarlo Mazzanti.



## SPAIN

CODERE operates a single gaming hall in Spain, Sala CANOE. Although since its opening in 1978, bingo continues to be one of the most active leisure activities in CANOE, there is an ever greater demand for multi-product gaming, complemented by sports betting, Texas Hold'em Poker, Black Jack and electronic Roulette, as well as video bingo machines (B3), which have attracted new audiences, especially young people.

During 2011, Sala CANOE has a more modern image and launched its new logo *CANOE, more than you can imagine*, promoting the wide range of play and cuisine of the Hall.

Throughout the year, the Hall conducted various promotional and marketing campaigns on both fine dining and gaming. In May, the Hall launched the *Gran premio CANOE*, giving away a 0 km car, and, in September, presented the *Poker Room* in an event that was attended by the model Carolina Cerezuela, former tennis champion Carlos Moya and international recognized poker players.

The new Poker Room modernizes this iconic gaming hall thanks to the considerable growth in the popularity of the game in recent years. Throughout the year, the Company has developed continuous event activity in the Hall.

The company, always in the vanguard of gaming, will soon offer its customers Electronic Bingo in Sala CANOE.

## ITALY

CODERE is the leading gaming hall operator in Italy with 14 halls and 6,100 gaming machines, including video lottery terminals (VLT). Three of these halls are among the five largest in the country and one, Bingo Re, is the undisputed leader of the Italian market, the top gaming hall in profitability in the country and one of the largest in continental Europe.

Throughout the year, the company has boosted activity in the gaming halls through various activities and events. On February 10, 2011, CODERE Italy opens a VLT room at Bingo Re in Rome. The event was attended by actress and former Miss Italy Cristina Chiabotto, as guest of honor.

At the close of 2011 there were 962 VLT terminals installed in the 14 gaming halls of CODERE Italy.

The hall offers a wide range of games, including VLT and bingo, as well as dining and entertainment, which sets the hall apart from the competition. Also in 2011, the Company undertook a major cross-selling cam-



paign, building on its strong presence in casinos and online gaming, and launched highly successful marketing activities and promotions.

In October 2011, the Company launched a campaign titled *Non Giocare Dove Cápita* (Don't play just anywhere), to drive leisure and entertainment activity of the hall with a bit of humor. The success of this loyalty campaign allowed for the registration of over 1000 new customers. In October, the company launched the *Mitolottery* contest in the main gaming halls of CODERE Italy: Royal, Palace D, Cola di Rienzo, Ariston and Garbini, as well as online.

## MEXICO

CODERE is the largest gaming hall operator in Mexico. At the close of 2011, the company managed 94 halls located in the best urban sites, facilitating an influx of visitors and generating high productivity.

Throughout the year, the company carried out renovations and improvements, which have allowed for an increase in the number of gaming terminals installed.



Within the gaming halls, the company launched numerous activities and promotions for customers in 2011, including: *Tus Velitas*, *Premia tu Unión*, *Folios 3x1*, *Cliente Cumplido*, *Fiel contigo*, *Primera visita* and *Gala VIP*, among others.

We would highlight some actions such as the launch of the *Spoiled Player Club*, which starts in May in the Caliente businesses, and rewards customer loyalty by improving their gaming experience. Thanks to the Club Card, customers can earn points (emotions) and the can benefit from all the promotions and sweepstakes. In addition, there were campaigns targeted especially at VIPs, like the *Westing Fashion Los Cabos*.

In December 2011, launched **Signature Cuisine** in the Mundo E establishments and presented the *Gourmet Menu* developed by Joséfina Santacruz, one of the top chefs in Mexico, who also developed a *master class* among the kitchen staff at the Gaming Hall. The launch event was a very special occasion in which CODERE issued its **Quality Seal**, an important certification that differentiates the Company from the competition and provides the HALLs with international prestige.

In 2011 CODERE also provides important *Jerry Cash* prizes between May and December in 25 establishments of Casino Bingo 777, Bingo 777 and Caliente.

## PANAMA

Following the purchase of six casinos in August 2010, which operated under the Fiesta brand, CODERE has established itself as market leader in gaming and entertainment in Panama. This coupled with the reopening of the CrowN Casino Radisson Hotel, Colón City, allowed the Company to increase the offer to their customers starting in the third quarter. At the close of 2011, CODERE operated 12 casinos and had 3,311 terminals in operation in the country.

The excellent location of the acquired casinos (two in Panama City, one in David, Colon, Chitre and Farallon) willows CODERE to reach a greater number of players, which together with the various customer loyalty activities developed since 2010, has placed CODERE in a prime position to face the future.

In 2011 the company implemented numerous marketing and promotional campaigns in the gaming halls. One of the highlights of the year was the launch of *King Kong Cash*, on March 14th. Fiesta and Crown Casino, operated by the CODERE Group in Panama, interconnected 84 terminals online, divided among 10 casinos nationwide, increasing both the gaming experience of clients and the prizes.

Other promotions launched during the year included *Billetón*, with large prizes for players of Turff, tables, Bar Customers and Members of the CrowN Casinos and Fiesta Casino Clubs, reaching \$800,000 in prizes throughout the promotion.

In addition, in April 2011, the company implemented the MultiSite system with the *Simplificate con CrowN* campaign, which allows customers to earn points in any of the CrowN Casino establishments through the unified **CrowN Club Card**. Another commercial promotion was **MultiMoney**, targeted to members of the CrowN Casinos and Fiesta Casinos Club, which allows customers to multiply their awards by five based on accumulated points.







## 190 GAMING HALLS

**14** in Argentina, **50** in Colombia, **1** in Spain, **14** in Italy, **94** in Mexico, **12** in Panama and **5** in Uruguay

### URUGUAY

CODERE Uruguay has 5 gaming halls and about 1,840 gaming machines seats.

In 2009 Carrasco Nobile won the bid for Hotel Casino Carrasco and began the process of the reconstruction and restoration of the historic building to turn it into a luxury hotel and casino.

The Sofitel Montevideo Carrasco Casino & Spa is expected to open its doors in the second half of 2012 after completion of the works set out in the specifications and Uruguay have a luxury hotel operated by Sofitel and casino that will be an iconic entertainment venue in the region.

CODERE, in its capacity as majority shareholder in Carrasco Nobile, has led this challenging process with the Municipality of Montevideo and has established a strong link with the wider community and organizations in the area of influence of Hotel Casino Carrasco. In this framework, the company launched CSR actions such as *Carrasco Mio* and the *Alcanzar program*, and in December participated in the celebration of the *Bicentennial of Uruguay*, an event organized by the Embassy of Spain in the country.

# BETTING SHOPS

CODERE has important know-how as a sportsbook operator and extensive international experience in Brazil, Spain, Mexico, Panama and Uruguay, with a total of 798 betting shops. The Spanish market is becoming one of the engines of Group with 600 betting shops, coupled with a strong growth plan for the coming months and the momentum of its new sports betting launched in 2011 in Spain

**CODERE operates betting shops in five countries: Brazil, Spain, Mexico, Panama and Uruguay, for a total of 798 betting points. Spain was the latest country to incorporate this activity to its portfolio in 2008 and in that time has experienced rapid growth, reaching 600 betting shops and becoming a driving force in this business line.**

## DESCRIPTION

CODERE's betting shops allow players to bet on greyhound racing, horses, and other sporting events, without being physically present in them.

## TYPES OF BETS

There are many different types of bets. Here are just some offered by CODERE.

### Depending on when:

- Ante Post Closed a few minutes before or at the time the event starts.
- Live betting Remain open after the event has already begun.

### Depending on the number of bets and conditions:

- Simple bet A single bet on an event.
- Accumulator Two or more bets on multiple events. The bettor must win all of them. Can be double, triple or multiple.
- Combined. Three or more bets on various events. The bettor does not have to win all of them.

## LOCATION

Betting is a gaming mode that can be offered in multiple locations, either specific establishments or associated with other forms of gambling such as gaming halls, sports venues, racetracks, bars, hotels, etc.

## SPAIN

The CODERE Group, under the trade name VICTORIA, opened the first sports betting establishment in Madrid on April 16, 2008 and since then, the market in Spain has not stopped growing. The company maintains this leadership and is the only company, so far, active in the four autonomous communities that have regulated this form of gaming: Madrid, Basque Country, Navarra, Aragon and, soon, Valencia.

In 2011, VICTORIA registered 30% growth in the number of betting shops compared to 2010, going from 461 to 600 shops in Spain (65 in Madrid, 391 in the Basque Country, 142 in Navarra and 2 in Aragon) a figure that demonstrates the growth in this business depends mainly on the enactment of new regional regulations that open the market and the penchant for sports in the region.

Looking to the future, the Company has an ambitious expansion plan that aims, among other objectives, to further increase the number of betting terminals and establishments in the regions in which it is present and further develop inclusive brand policy with our partners.

CODERE continues to expand in Madrid and will promote its own shops and others in Navarra, Basque Country and Aragon. The Company also aims to ex-

pand into other regions such as Murcia, which will have a presence through its partners in gaming halls, bingo salons and casinos, and in Galicia, through the hospitality industry, and Valencia, where plans call for reaching 100 establishments and about 700 betting machines in the hospitality industry in 2012.

In June 2011 CODERE participated in the gaming hall product innovation trade fair organized by Asociación de Empresarios de Salones Recreativos de la Comunidad Valenciana (Anesar), together with with major companies in the gaming world, where the company presented its new sports betting terminal to be installed in own premises, gaming halls and in the hospitality channel.

#### A new machine that makes sports betting a unique experience

The new machines feature a beautifully designed 22-inch dual TFT touchscreen and stereo sound, and users can watch live sporting events like horse and greyhound racing listed in the menu on the top screen, making sports betting a unique and unmatched entertainment and gaming experience.

Also, the new machine features powerful software to manage numerous bets, has an extensive archive of sports statistics and equipment designed to facilitate the activity of the operator: Independent printer access with a capacity of up to 1,500 bets per roll, a high performance CPU for optimal image viewing and ease of handling with key elements such as hoppers, wallet and drawer.

Furthermore, for user convenience, the Company also offers the VICTORIA Card allowing clients to bet easily, accumulating awards and cash in through bank transfers or ATMs.

## GROWTH IN NUMBER OF BETTING SHOPS

Data from 2009 and 2010 adjusted after various agreements and acquisitions made in Mexico, Italy and Panama.





Alongside these developments, throughout 2011 the Group undertook numerous marketing and promotional activities to mark the opening of new premises, especially in the Basque Country, Zaragoza and Madrid. In Madrid, this included the intensity with which the main football matches of the year were experienced in Sala CANOE, such as the five Real Madrid-F.C Barcelona "Classic", Real Madrid-Atletico de Madrid derby, as well as the America's Cup, among others.

In late 2011, the Group developed the new brand image of for the sports betting business under the name CODERE Apuestas, which will be implemented at the premises starting in 2012. This new image will serve as a link between the different products of the Company in the countries where it operates and prepares for the arrival CODERE into the online world.

CODERE creates differentiated spaces and attractions that provide greater visibility to the premises, trying to create a consistent image in all gaming venues, limiting the gambling area and giving greater visibility from the outside. This promotes the brand image and makes consumers aware of a recognizable and trusted gaming brand that "plays in the best company."

The Company's know-how and its international experience, coupled with strong growth plan for the coming months and the momentum of its new terminal, strengthens the Spanish market as an driver of the sportsbook business of the CODERE Group.

## BRAZIL

CODERE has been active in sports betting in Brazil since 2006 in association with the leading horse racing clubs in the country, the Rio Grande do Sul Jockey Club (Porto Alegre), the Brazilian Jockey Club (Rio de Janeiro) and in 2011 signed an agreement with the Jockey Club do Paraná (Curitiba) - through the distribution of horse races book.

At the end of 2011, CODERE Brazil managed seven betting shops operating under the trademark Turff Bet & Sports Bar CODERE hopes to expand its presence in the country as new gaming modes are authorized, focusing specifically on those that add value to the business.

These premises offer customers betting on horse racing within Brazil and abroad. The latter uses international simulcasting and its arrival in the Brazilian market has contributed to the recovery of the turf in the country. The aim is of CODERE to promote horse racing so that the market matures and grows, attracting more public and holding higher level tourist shows. This first step should be the implementation





## 798 BETTING SHOPS

**7** in Brazil, **600** in Spain,  
**83** in Mexico, 81 in Panama  
and **27** in Uruguay

of a more structural reform to allow other sources of funding for the industry, as, for example, in Panama, Mexico and Uruguay.

### MEXICO

CODERE manages 83 betting shops in Mexico on sporting events of all kinds. Most of these points are linked to gaming halls, which offers users a wide variety of entertainment options in gaming.

### PANAMA

In Panama, CODERE is the leader in sports betting. Altogether the company has 81 betting shops operating under the brand Turff Bet & Sports Bar. They are located in the Presidente Remon Racetrack, the new Crown Casinos Radisson Colon 2000, the Crown Casinos Hotel Sheraton, the Crown Casinos Mirage Hotel Plaza, the Fiesta Casino Hotel El Panama and bookmakers. Users can bet on horse races, greyhound racing and other sports locally and internationally.

### URUGUAY

At the end of 2011 CODERE managed 27 betting shops in Uruguay that offer simulcasting. In Montevideo, the betting shops are located in 18 de Julio, Montevideo Shopping Center and Hipódromo Nacional de Maroñas (horse racing days).

# RACETRACKS

CODERE manages three racetracks: Hipódromo de las Américas (Mexico), Hipódromo Presidente Remón (Panama) and Hipódromo Nacional de Maroñas (Uruguay). The company, thanks to its industry expertise and excellent management procedures, is bringing success formulas for the revitalization of this activity

**CODERE manages three racetracks in Mexico, Panama and Uruguay. This activity, which in the late nineties was in recession in Latin America, is regaining its momentum and provides ample opportunities for growth. CODERE, thanks to its know-how in the industry and excellent management procedures, is providing recipes for success for the revitalization of this sport.**

Hipódromo de las Américas (Mexico), Hipódromo Presidente Remón (Panama) and Hipódromo Nacional de Maroñas (Uruguay) all belong to the International Federation of Horseracing Authorities (IFHA), a prestigious international body that promotes good regulation and best practices in international horse-racing matters.

## DESCRIPTION

Horse racing has evolved over time. Today, along with horse racing and betting, you can also find establishments following the racino model (combination of horse racing and casino). This new model allows the installation of gaming machines in the equestrian venues and associated establishments in order to help finance this activity.

## MEXICO

Since November 2007, following the acquisition of a 49% stake in ICELA (joint venture with CIE), CODERE has participated in the operation of the Hipódromo de Las Americas Racetrack in Mexico City.

**Hipódromo de las Américas** is an icon of social life and entertainment of the city and has become the main venue for horse racing in the country. The facilities provide visitors with modernity, comfort and safety. The facilities include stables capable of housing more than 1,500 horses, restaurants, a Jockey Club, the Royal Yak Game Room and Sportsbook betting room, among other services.







Hipódromo de  
las Américas  
stables close to  
1500 horses



The Racetrack is designed to receive about 10,000 visitors in two stands. Also, the track can hold a maximum of 14 horses per race and the 61,000 m2 infield, the largest artificial grass field in Latin America, is apt for all types of events.

During 2011 more than 1,500 races have been held at Hipódromo de las Américas.

### PANAMA

Horse racing is a passion in Panama and CODERE operates **Hipódromo Presidente Remón**, the only active racetrack in Central America, through Sociedad Hípica de Panama, S.A. CODERE has held the concession for the operation and management of the racetrack since 2005. The concession period is 20 years, renewable for a similar period.

CODERE Panama is member of the International Federation of Horseracing Authorities (IFHA), key regional organizations in the sector and the Latin American Association of Jockey Clubs and Racetracks. In 2009, the racetrack joined the South American Organization for the Promotion of Purebred Racing (OSAF - Organización Sudamericana de Fomento del Pura Sangre de Carreras).

The Presidente Remon Racetrack has capacity to accommodate over 20,000 people, including standing room, stables for about 1,000 horses and close to 300 employees. The racetrack hosts approximately 148 meets per year with an average of eight races per meet.

Next to the race track there are about 60 horse racing agencies through which, using simulcasting, the public can follow and bet on live races conducted both at home and abroad, in a friendly atmosphere with quality service. In Panama these agencies operate commercially under the brand Turff Bet & Sports Bar.

Throughout 2011 numerous major events were held at the racetrack. On the one hand, 16 trainees graduated from the Laffit Pincay Jr. Jockey Training Academy. This school, which opened on March 17, 2009, has the mission of discovering the world's next great jockeys. During the 24 month duration of the training, students are instructed in riding, while receiving academic training to ensure their complete education.

Furthermore, in December 2011 CODERE hosted the **XLIV Caribbean Classic** at the Presidente Remon Racetrack. This was the first time in 12 years that this major international competition, a leading driver of



horse racing in the region, returned to Panama. The races were held between 10th and 11th of December, including the following: *Lady of the Caribbean Cup*, *Caribbean Speed Cup*, *Fellowship of the Caribbean Cup*, *Import Invitational Cup*, and the *International Caribbean Classic*, which was won by *Heisenberg* representing Venezuela with the jockey Emisael Jaramillo.

#### URUGUAY

**Hipódromo Nacional de Maroñas** is one of the most important tourist attractions in the region. In 2003, Hípica Rioplatense Uruguay (HRU), a company born of a strategic partnership between Sociedad Latinoamericana de Inversiones and CODERE, won the bid for the management of the racetrack. Following the Racino model (combination of horse racing and casino), the activity of HRU in Uruguay is currently concentrated in the capital, where in addition to operating the racetrack, the company operates a betting system and five gaming rooms with a total of 1,838 gaming terminals.

In 2011 there were 102 meets and 1,061 races, with an average of 11 horses per race. Also during the year, the company expanded its betting distribution network throughout the country and has made progress in im-

proving infrastructure and capacity of the Racetrack to provide the best service to visitors.

Among the events held at the racetrack in 2011, we would highlight the second annual 10k marathon, *Maroñas Running*, held on April 9th and drawing over 2,000 fans. This activity, in addition to encouraging physical activity, is incorporated into the Company's social action activities.



### 3 RACETRACKS

Mexico 1

Panama 1

Uruguay 1



# ONLINE GAMING

**CODERE Interactiva, created in response to the incipient rise in the regulated online gaming market, is responsible for the launch of the online activity of the Company, with the goal of making CODERE a global gaming operator.**

CODERE Interactiva, responsible for the launch of the online activity and after more than one year of operations, continues to focus on its mission to allow CODERE to evolve out of its position as a traditional private gaming operator to become a Global Gaming Operator:

- **Multinational Operator:** Leader in Spanish-speaking regulated markets
- **Multichannel Operator:** Manager of multiple channels to cover different player profiles
- **Multi-product operator:** Traditional gaming, betting, social games, skill games, contests and lotteries
- **Innovative Operator:** new gaming community, opinion forum and creation of new content

CODERE Interactiva collaborates in and closely follows the development of legislation in those countries that are progressing towards the regulation of online gaming, both in countries where CODERE has a physical presence, and in those which are seen as potential new markets for the Group.

CODERE Interactiva continues to establish new strategic alliances with manufacturers, developers and leading media groups in the field of gaming and entertainment, for opening new markets after Italy and Spain.

## ITALY

Italy has been one of the major European countries to legalize online gambling and has become an important developing market. CODERE began operating in regulated online gambling in Italy with online bingo through the website [www.CODERE.it](http://www.CODERE.it) on November 20, 2010.

This first and successful online gaming experience in Europe opens the way for development in other countries where we operate, once the market has been liberalized and obtaining the relevant licenses.

During 2011, CODERE's activities in the Italian online marketplace focused on the creation of a technical and organizational structure to manage the new license and launch new products for the Internet.

In 2011 the Company began the formation of a local business unit, which at year end directly managed operations, and benefits from the advice and support of the Business Development Department for the implementation of strategic technical innovations. During this time, the following activities have been developed: Design and implementation of operational processes.

- Development of a first communication platform through online and offline media
- Award of the license for online operations
- Preparation of the launch of casino games, expected by summer 2012

After successful completion of the administrative approval process, and having met the necessary technical certifications, on July 7th CODERE was granted the full online license, which allows it to offer the full range of gambling authorized by the AAMS and allowing

## Convergence

### Channel



Player	Regular	Casual	Impulse
Bet	High	Functional	Entertainment
			Low

the Company to start the technical development of the games that will be offered together with Online Bingo (the next being casino games and poker).

In parallel, CODERE Italy has decided to appear on the market with a common strategy for online and offline worlds, enabling it to capitalize on the synergies between online operations, casinos and the distribution of slots and VLTs, giving consumers the image of an operator able to offer a comprehensive gaming and entertainment experience (Brick & Click).

For this reason, CODERE Italy has decided on a joint communication strategy for online and offline businesses, through:

- A single communications plan to promote the CODERE brand with the slogan "Non giocare dove capita" ("Don't play just anywhere").
- The joint management of customer service, both for the online world and the customers of the casinos
- A single website web www.CODERE.it, to offer online gaming and the promotion of business and entertainment events of the gaming halls.

## SPAIN

The gaming industry in Spain is an important contributor to the Spanish economy: representing about 1% of GDP and directly and indirectly employing over 100,000 workers, contributing more than €5,000 million to the different levels of government through taxes and other forms of revenue, and handles, in terms of amounts played in different modes authorized in Spain, more than €30,000 million a year. This highly regulated industry and with great limitations on advocacy has had to endure, for some time now, the competition of a number of online gaming companies operating illegally and not paying taxes in Spain, which, hiding behind an alleged "alegality" due the lack of specific regulation on online gaming, have generated significant economic damage to both the gaming industry in Spain and the Spanish state itself because of the lack of taxation.

Given the persistence of this unfair competition, CODERE launched in 2011 a series of actions against illegal online operators aimed at restoring legality and ensuring fair competition. Among other measures, CODERE has filed in court for the immediate cessation of the activity of illegal online operators in Spain and the elimination of their databases.

In addition, during the legislative process leading to the adoption of Law 13/2011 of 27 May, the Gaming Act, CODERE, as a representative company of the traditional gaming industry, was summoned to present its position before congress. Group Chairman, José Antonio Martínez Sampedro, appeared on March 17, 2011

before the Committee on the Economy and Finance of the House of Representatives, thereby achieving certain amendments to the Act reflecting some of the industry's claims.

During the months following the enactment of Law 13/2011, the public activity of CODERE not stop and both the company and the traditional gaming industry have reported the need to prevent the "express" licensing of online gaming that avoids the controls and rigor that have traditionally accompanied this activity. Lastly, with the arrival of the new government in Spain, the licensing process has been extended six months.

In addition, the Company continues with legal action and, in December 2011, achieved the interim cessation of the activity of a company that has operated illegally in Spain.

At year end, CODERE still committed to an adequate, transparent and competitive industry regulation, is preparing for the arrival of online gaming once the appropriate national and regional licenses are awarded, which is scheduled for 2012.







## CORPORATE GOVERNANCE

CODERE meets the standards of corporate governance to protect the interests of the Company and its shareholders and monitor value creation and the efficient use of resources.

# CODERE SHAREHOLDERS

With the IPO in October 2007 CODERE expanded its shareholder base and thereby accessed greater equity financing. At 31 December 2011, 68.5% of share capital was owned by the Martínez Sampedro family (both through their direct participation and indirectly through the company Masampe Holding B.V.). Other directors and executives hold 1.3% of capital and the free float stands at 30.2%

**Masampe Holding B.V. is the Company through which the Martínez Sampedro family participates indirectly in the capital of CODERE. The Chairman of CODERE, Mr. José Antonio Martínez Sampedro, directly and indirectly controls 63.8% of the Group.**

On June 9, 2011 CODERE held its fourth Annual General Meeting following the flotation of the Company. The meeting boasted a strong presence of the company's share capital with a total of 42,398,362 shares present or represented, equalling 77.037% of capital. Board of Directors received the majority support of the shareholders in the meeting and approved the Annual Accounts and Management Report for 2010.

Similarly, the Shareholders agreed to amend the Bylaws and Rules of the Annual General Meetings to adapt the to the new Spanish Capital Companies Act, the Sustainable Economy Act and other sundry legislation affecting the Company. Also, The Director's Remuneration Policy for 2010 was submitted to the shareholders and received broad support with the approval of 99.9% of the capital present or represented at the session.



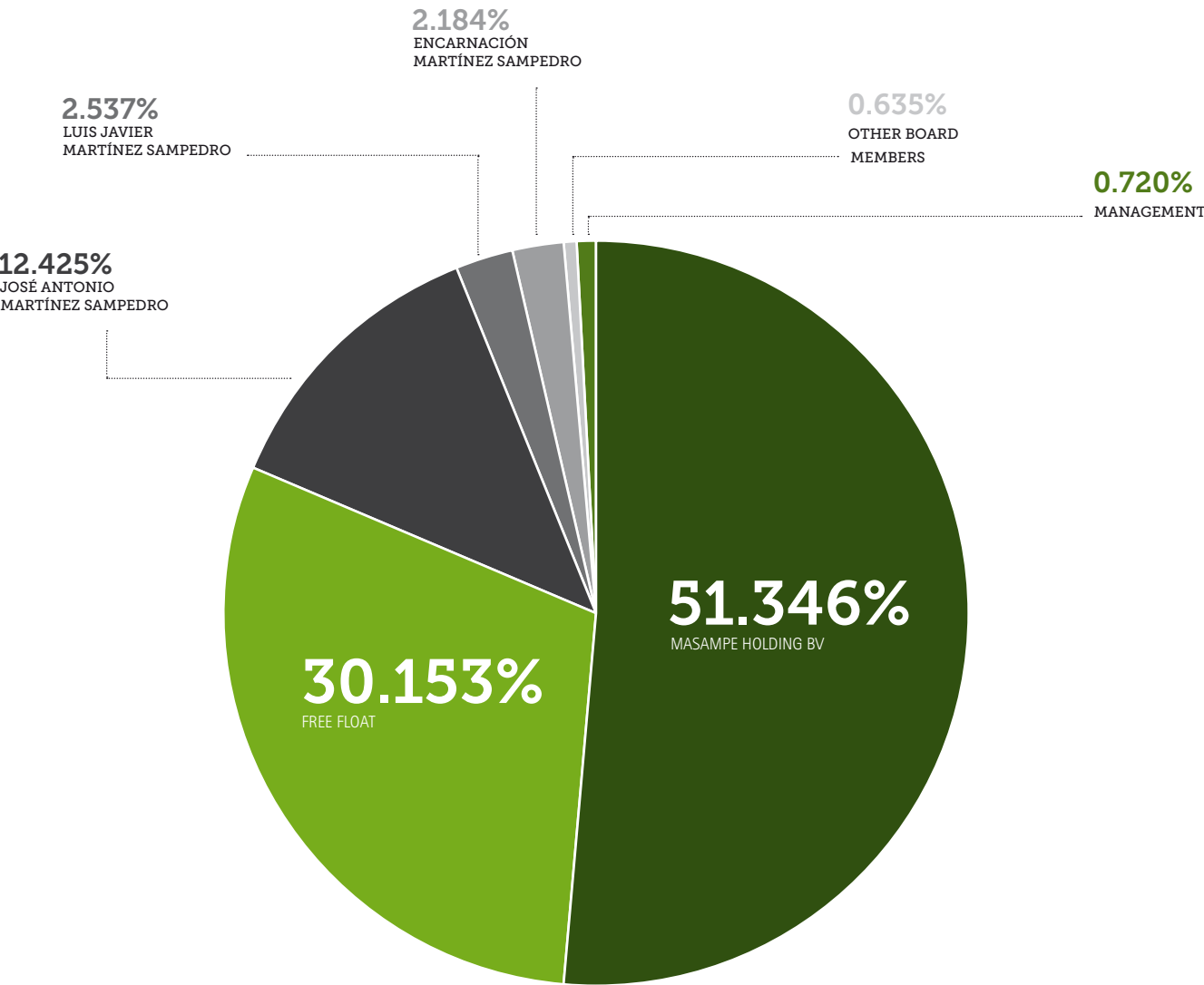
The Martínez  
Sampedro family  
is the main  
shareholder with  
68.5% of equity



# SHAREHOLDER STRUCTURE

AS OF 31 DECEMBER 2011

BOARD MEMBERS	MASAMPE HOLDING BV	MANAGEMENT	FREE FLOAT
17.781%	51.346%	0.720%	30.153%



# GOVERNING BODIES

The General Meeting of Shareholders and the Board of Directors are the highest governing bodies of the Group

**The General Meeting of Shareholders and the Board of Directors are the highest governing bodies of the Group. The Board of Directors of the company is comprised of 9 members: Mr. José Antonio Martínez Sampedro, Mr. Luis Javier Martínez Sampedro and Ms. Encarnación Martínez Sampedro are executive directors, the remaining six are external directors (three independent and three nominee) and have been designated based on their high professional qualifications.**

Among the functions and duties of the Board of Directors, without prejudice to the powers of management and representation attributed thereto, the Board sees its core mission as to approve the Company's strategy and organisation as required to put it into practice and to monitor and ensure that executive management meets the established objectives and respects the best interests of the Company.

The Board meets as often as the company's interests require it or as required under the Law or the Bylaws. During 2011 the Board of Directors met eleven times.

Under current legislation, and in particular following the recommendations on good corporate governance contained in the Unified Code of Corporate Governance approved by the National Securities Market Commission (CNMV), the Board of Directors created three committees with specific functions: Audit Committee, Corporate Governance Committee and Compliance Committee.

- The Audit Committee is comprised of four directors (three independent and one shareholder representative) and has the primary task of providing support to the Board of Directors in its financial oversight and, inter alia, to oversee the functioning of the Audit Department of the company, establishing standards for the financial control processes of CODERE and reporting on the annual accounts and other financial statements of the Group.

- The Corporate Governance Committee (which also incorporates the character and functions that the Unified Code of Corporate Governance of Listed Companies recommends for the Appointments and Remuneration Committee) consists of four members (two nominee and two independent). This committee assesses the skills, knowledge and experience of directors, and reports of the appointment and dismissal of directors and senior company executives. It also proposes and oversees the Company's remuneration policy and monitors compliance with the Internal Code of Conduct in relation to the Securities Markets, making proposals for improvement and monitoring compliance with corporate governance rules applicable in this regard.

- The Compliance Committee is comprised of four directors (one independent and three nominee). The main functions of this Committee are monitoring the Group's compliance with domestic and foreign law relating to gaming, and the evaluation of the internal control systems of the Company in relation to the gambling and money laundering requirements.

## BOARD OF DIRECTOR

NAME	POST	TYPE OF DIRECTOR	DATE FIRST APPOINTED	DATE LAST APPOINTED	DATE OF COMPLETION OF THE CURRENT MANDATE
Mr. José Antonio Martínez Sampedro	Chairman and CEO Grupo CODERE	Executive	07/05/1999	25/06/2009	25/06/2015
Masampe, S.L., represented by Mr. Fernando Lorente Hurtado	Vice Chairman of the Boards of Directors. Magistrate on voluntary leave and practicing lawyer	Proprietary	07/05/2008	07/05/2008	07/05/2014
Mr. José Ignacio Cases Méndez*	ExSecretary General of the National Gaming Commission	Proprietary	17/06/1999	25/06/2009	25/06/2015
Mr. Javier Martínez Sampedro	Director CODERE America	Executive	07/05/1999	25/06/2009	25/06/2015
Ms. Encarnación Martínez Sampedro	Director Grupo CODERE	Executive	17/06/1999	25/06/2009	25/06/2015
Mr. Joséph Zappala	Former US Ambassador to Spain (1989-1992)	Independent	20/11/2002	25/06/2009	25/06/2015
Mr. José Ramón Romero Rodríguez*	Director at Loyra Abogados, a law firm specializing in Gaming law	Proprietary	17/06/1999	25/06/2009	25/06/2015
Mr. Eugenio Vela Sastre	Chairman Grupo Cosien	Independent	17/06/1999	25/06/2009	25/06/2015
Mr. Juan José Zornoza Pérez	Head of Financial Law at the Carlos III University (Madrid)	Independent	17/06/1999	25/06/2009	25/06/2015

\* Represents or named at the proposal of Mr. José Antonio Martínez Sampedro

## MEMBERS OF THE BOARD OF DIRECTORS COMMITTEES

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





# STANDARDS OF GOOD GOVERNANCE

Standards of Good Corporate Governance are essential for the growth of the Group. CODERE focuses its Good Corporate Governance activities on two basic practices: A Control System and Rules of Compliance

**CODERE believes that the establishment of standards of Good Corporate Governance, undertaken by the Company, is essential for the development and growth of the Group. CODERE focuses its Good Corporate Governance activities on two basic practices:**

– **Control System and Procedures.** The aim is to provide the Group with a fixed organisational structure and corporate culture, applicable to all entities regardless of their area of influence, establishing formal mechanisms of action, not bureaucratisation but aimed at establishing a pattern of controlled delegation to strengthen a culture of effective management and achieve the strategic coherence of the Group.

The **Critical Operations Committee** was the first tool developed within the system to ensure the flow of information from the peripheral business centres to senior management for coordinated and coherent decision making. The Committee is comprised of the Executive Directors of the Company and reviews and approves the operations considered as critical and thus provides effective financial and legal control over the management of company's assets. Since its creation, the Committee has audited and verified more than 1,400 relevant operations.

The **Procurement Office** is the second tool implemented in order to provide a concrete structure for purchasing and contracting processes, establishing an action mechanism that promotes transparency, ensures the concurrence of suppliers and results in a reduction of acquisition costs for the company while promoting good corporate governance. Since its creation in mid-2009, the Procurement Office has managed over 480 significant procurement transactions at the corporate level, with a reduction in purchasing costs over 16% of the established budgets. In 2011 we completed the deployment of the Procurement Officers in the different geographical areas where the company operates and for the year 2012 plan to create the International Procurement Office.

– **Standards of Compliance.** These Standards are an essential piece that shows the special commitment of the Group to good business practices in the gaming sector, a highly regulated and sensitive industry. The Group's strategy is to go beyond what is required by regulations and specific legislation and operate with a true spirit of fair play and responsible gaming.

During 2011, the Board has continued the process of formulating the corporate and institutionalisation policies of the company begun in the previous year.

Specifically, the Board of Directors in the meeting held on 27 January 2011, approved the Code of Ethics and Conduct of the CODERE Group, which, along with the Compliance Plan, aims to develop and execute the vision and values of the CODERE Group and seeks to respond to the growing demand for corporate gover-

nance initiatives and practices of listed companies and corporate social responsibility of transnational or multinational corporations, forming a baseline for the monitoring of the CODERE Group. The Code reflects the commitment of CODERE, S.A. to the principles of business ethics and transparency in all areas of activity.

Similarly, the Board proposed to the General Meeting of Shareholders the amendment of the Bylaws, in order to adapt to the new numbering introduced by the Capital Companies Act in some cases, to benefit from rules that reduce administrative burdens and costs in others, and to reflect new obligations imposed by the law in others. In order to comply with the recommendations of Good Governance and with the provisions of Article 24.3. of the Regulation of the Annual General Meeting of the Company, the shareholders voted separately on each group of substantially independent articles, agreeing to the modification of the bylaws with the vote of a large majority of the capital present or represented in the AGM.

Also as a result of the indicated legislative changes, during the General Meeting held on 9 June 2011, the Annual General Meeting Regulations were amended with, as in the case of the amendment of bylaws, a large majority of the capital present or represented in the AGM, and the shareholders were informed of the Amendments to the Board of Directors Regulations agreed by that body at its meeting on 13 April 2011, sought with the aim of adapting to the new legislation.



The Standards of Good Corporate Governance are essential to the development and growth of the Group











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## INNOVATION

# INNOVATION

During 2011 the information technology department has strengthened its catalog of global IT services (SGTI) increasingly orienting its business-to-business value

**Within this catalog we would highlight the Space services, both in the area of operations and the strategic portal area, specializing in information for decision making (BI – Business Intelligence).**

In the area of operations the IT Department has developed a control system for casino table games based on Oracle's Siebel technology that allows the CODERE Group to manage that part of the business by sharing best practices among different business units and tailoring the operational aspects for each country.

Moreover 2011 has brought the maturity to the universe of products in the Space service, which allows the company to analyze the performance of slot machines in any country where CODERE operates and have an overview of the performance of suppliers of Slot machines. This vision has enabled us to create a product department within the IT infrastructure to maximize the negotiations with providers of slot machines worldwide.

But Space has not only improved the performance of slot machines, the customer universe enables us to establish customer loyalty strategies ranging from knowledge of their tastes to the management of marketing campaigns to specific customer segments. This universe not only covers the slot machines but can extend the knowledge of the customer to other products such as sports betting.

In the sports betting segment, CODERE has implemented a solution that allows real-time diagnostic monitoring of the actions of customers.

This solution combines the monitoring of betting systems with knowledge of CODERE customers, allowing the company to clearly know the impact of the systems on the business and the impact of a marketing campaign on clients.

Also, Space is prepared to extend this analysis to the Internet channel, providing a 360° view of our customers playing in our brick and mortar facilities as well as of our Internet websites.

In 2011 CODERE implemented a new global service, the "Business Video" service which allows the company to manage all the screens in a gaming establishment to display event information, promotions, etc.. The management of the content displayed in each establishment is controlled by a central system and is customized for each gaming hall. The photo shows the display in Sala San Rafael in Colombia, one of the first to implement this global service.



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







## RESPONSIBLE GAMING



# RESPONSIBLE GAMING

Enhance the values of responsible gaming is part of the commitment assumed by CODERE with society. CODERE's Responsible Gaming policy relies on strict regulatory compliance wherever the Group is active and the development of the communities in which it operates

**CODERE'S commitment to Responsible Gaming is based on strict regulatory compliance and the development of the communities wherever the Company operates. Similarly, the Company's commitment to Corporate Social Responsibility has been integrated into the Group's business strategy and the development of its businesses.**

CODERE's activity takes into account its relationship with the various stakeholder groups -regulators, customers, shareholders and employees- who are the drivers of our growth and allow the company to be properly valued, all of whom are the targets of our Corporate Social Responsibility policy.

CODERE develops strategies that go beyond what is required by the competent business management and provide intangible reputational gains that allow us to obtain a clearly differentiating competitive advantage. Moreover, given that the company's activity may have a social impact, CODERE requires its managers, employees and partners to fully cooperate with regulators and users to professionally respond to their concerns.

On January 27, 2011, CODERE approved the group-wide Code of Ethics and Professional Conduct, which reflects the Company's commitment to the principles of business ethics and transparency in all areas of activity.





CODERE is not only a  
business opportunity  
but also a  
development  
opportunity for the  
countries where it  
operates

# CODERE'S COMMITMENT TO PEOPLE

CODERE promotes the highest excellence in the development of Human Capital. The company is actively aspiring to become the best place to work by attracting, developing and retaining the best professionals

**Aware of the importance of the quality of the team for best results, the CODERE Group's commitment to people is one of its main assets. This is why the Company goes far beyond the legal requirements in its labor relations, developing a responsibility strategy focusing on three specific areas: Quality employment, worker health and safety, and training and professional development.**

CODERE is a company that combines a wide variety of cultures and stands out for the innovation and quality of its services as the basis of customer relationships. The Company places special interest in training, know-how, integration and human qualities of people as one of the fundamental pillars for the development of the Group.

Professionalism, transparency, service excellence, innovation and accountability are the performance standards of a highly qualified management team, supported by a team of people dedicated to the business and backed by a group of shareholders with extensive experience in the gaming sector.

Throughout its more than 30 years of existence, the company has distinguished itself by consistently creating and maintaining quality jobs, and has continued to grow, in number of employees, despite the complex global environment. At December 31, 2011, the CODERE Group employed 20,803 people among managers and supervisors, specialists, sales staff, collectors, technicians, administrative staff, assistants and others.

The Company applies proactive human resource management policies to ensure that all workplaces are totally free of any situation of discrimination and promoting equal opportunities for everyone. Also, since most of CODERE's activity takes place in countries with very different social and work environments, the Company pursues a policy of absolute respect for local laws on labor and social conditions in each of these countries.

## OCCUPATIONAL RISK PREVENTION

The main objective of the Company's Occupational Risk Prevention Policy is to achieve the best possible health and safety of all CODERE employees in the performance of their professional activities and, simultaneously, assure compliance with legislation on the Prevention of Occupational Risks. To this end, the Prevention Plans followed in 2011 were oriented to the development of a **fully integrated ORP management system** for all labor and business processes applying to all hierarchical levels of the Company.

## CODERE's Occupational Risk Prevention Policy.

fferent business and work processes.

supervisors in the different work centers.

new Sports Betting Shops.

training to adapt to the pace and availability of par

vices or work in our workplaces.

chines, procedure for Holdup risk prevention).

maintaining the quality of the services provided.

Protected Areas, among other projects.





## SELECTION, TRAINING AND DEVELOPMENT

### PROFESSIONAL GROWTH

The **Selection, Training and Development** area continues with the challenge that was proposed in 2010 to achieve the **highest excellence in the development of CODERE's Human Capital**, but also in 2011 assumed the pivotal role of becoming a strategic partner of Company's operations in all its enclaves.

During the course of this year, the area has positioned itself as an ally in the challenge to drive the company towards its new vision as a leader in Leisure and Entertainment Industry in the medium and long term, by injecting potential through the attraction of talent, training programs and development projects for the professionals. To this end, the area promotes secure new growth drivers of the Organization in the new gaming technologies, marketing strategies and development of new CODERE gaming products.

To drive growth and progress of operations, the Company has established a new work paradigm based on the **elimination of borders and implementation of global connectivity**. In this way the area will launch new models for talent searches through pioneering tools in social networking that have provided the necessary tools to the Company to support the different selection processes worldwide. In 2011, the Human Resources department also developed the **CODERE Jobs Website**.

These sources of talent have been useful for the one hundred sixty-five new hires made in 2011, up 20% over 2010. In addition, in 2011, The company has continued in its commitment to the internal promotion of high-potential people when vacancies arise through internal mobility processes, with a total of twenty employees changing positions and thereby favoring the dynamic profile of the professionals of the Company. In addition, for the third consecutive year, Human Resources has worked with the staff of Sala CANOE in the celebration of the Christmas Cup with the addition of a group of waiters hired for the event.

### A COMMITMENT TO THE FUTURE

The area Training & Development area of the Human Resources Department is constantly striving to attract and provide the first opportunity to university students to start their professional career through the various teams of the Company through the **CODERE Internship Program**.

Within its plan to attract top talent, CODERE continues to expand its framework agreements with major universities and business schools nationally and internationally, and to renew its presence in major job fairs held in Spain.

In February, CODERE participated in the **Professional Training Employment Trade Fair** sponsored by the Community of Madrid, in order to consolidate the brand image of the Company as a successful employer and approach trades sector specialists whose profiles are key to the Company's operations in Spain. Moreover, in the month of October, and for the sixth consecutive year, CODERE was invited to the **IE Business School Job Fair**, a leading international business school that promotes the positioning of the Company as a guaranteed and successfully company where people can develop an attractive career.

Among the international projects, and assuming the role of partner in global operations, The Company supports the project of Hotel Casino Carrasco in Uruguay in the search for executive profiles strongly linked with the strategy of Business Start-Up.

The Human Resources Department promotes employee training as a vehicle for the development of the Company, positioning itself as a partner in building their skills and abilities. The company has invested €199,208 with a return on investment of €51,109 or 26% through the FTFE bonuses, and we have given a total of 6,235 training hours to a population of 457 people.

Following the new policy to adapt to new working methods, **the Company promotes interactive and distance learning** through learning E-learning platforms and telephone classes, while strengthening the group's classroom training, applying this model to the **Language Training Plan** for the group of students from CODERE Spain and Corporate. This new format has proved successful and students support the methodology of opening schedules and physical locations.

In terms of training in 2011, the Company has resumed active and empathic listening to the operation, achieving a closer approach through tailored courses. Also, from January to March the company undertook twenty-six **specific Customer Service Improvement Operational Excellence training actions** given in seventeen CODERE workplaces throughout the Spanish territory, offering 2,112 hours of teaching for a group of 264 people dedicated to the direct operation of Type-B machines.

Moreover, throughout 2011, there have been other training actions on competencies, standards and compliance, auditing, product development in sports betting, infrastructure, legal, IT systems and risk prevention.

But without doubt one of the most important duties for HR is to ensure the **development and advancement of employees**, creating a work environment

that meets their professional growth needs. To do this, in 2011, the Company took the initiative to seek channels of contact with people, to generate ways of improvement, career paths and achieve progress for both Human Capital and the Business. For this purpose the Company has launched two major projects, the **CODERECOaching Program**, focused on supporting and developing the people who manage the Company, and performance evaluation **180° Evaluation**, a revamped version of the existing model that has been enriched to provide a voice for the first time to employees and the terms of direct managers, who manage people in day to day and it was important to know how we can help in their functions through the assessments made by their direct links.

As for People Development, Human Resources continues to provide unconditional support to the subsidiaries through **Performance Evaluations and Talent Reviews** in Latin America, to know and value the human potential of the Group.

In 2011 we would highlight, above all, the ambitious **CODERE Young Professionals program**. The program was first created in 2007 in Spain and transferred to countries like Argentina and Panama because of the huge success obtained in the growth of its members on path of the company and the promising future. In 2011 the company launched the III Promotion of these young talents in Spain, incorporating changes that have enriched the essence of the program, making it more challenging, demanding and professional, in order to continue creating a pool of young CODERE employees who will be the engine that boost to the Company in the future.

## INTERNAL COMMUNICATIONS

CODERE consolidates policies and programs to develop internal communication channels to enable the em-

ployee to know all relevant information of the Company, and inviting them to actively participate, providing opinions and making suggestions for improvement.

## REDESIGNING COMMUNICATION CHANNELS

In January 2011 the Company presented the new **Intranet in Spain** which, in addition to a more attractive design, incorporates a number of innovations that enable more intuitive use to work together through **job sites**, interact with other areas of the Company through the **Departments** tab, find information about internal events with **Unique People**, availability of standards at headquarters through **Help Guide** and keep informed of any corporate developments through the reserved space in **CODERE News**.

This channel serves as a meeting place to quickly and easily find updated information relevant to the employee, such as relevant external information, news from Management, Human Resources or any other area interested in publicizing general policies.

In addition, throughout the year, the Company has promoted the use of **Conferences** in order to publicize the organization's mission and functions of different departments, with relevant speakers such as Jaime Estalella, CCO Europe and Beatrice Rangel, Chairperson of CODERE Mexico and CODERE Argentina.



Corporate volunteer activity  
"An evening of bowling" with  
residents of Apadema

Below: CODERE Group employees

Right: Diploma in Culinary Management. CODERE Argentina



CODERE stands out for creating and maintaining quality employment and for continued growth despite the complex global environment

#### CODE OF ETHICS AND PROFESSIONAL CONDUCT

In 2011, CODERE introduced its **Code of Ethics and Professional Conduct**, which reflects the Company's commitment to the principles of business ethics and transparency in all areas of performance, linking all CODERE professionals and requiring mandatory compliance, without prejudice to the relevant regulations and internal rules of the various entities in the Group.

In addition, The Company created a **Complaints Channel** through which shareholders, employees, partners, suppliers and other stakeholders have the opportunity to communicate any actions that breach the Code.

The Internal Communications Department carried out a campaign that allowed employees from all countries to know the Code of Conduct, supported by Corporate Safety and Compliance.

Compliance with the Code will help to make decisions, act with professionalism and integrity and create value for the various stakeholder groups of CODERE, such as shareholders, employees, customers, suppliers, partners and society.

#### CONCILIATION, LEISURE AND SOCIAL ACTION

Since 2007 CODERE Spain has been executing the CONECTA, a Shared Leisure and Social Action umbrella

program for leisure and sports and social activities and collaborations with NGOs.

In 2011, The company held the Corporate Volunteer activity **"An evening of bowling,"** through which, Corporate Headquarters employees shared a day of play with APADEMA residents, a non-profit association for the care and promotion of adult people with intellectual disabilities.

The Group's proposal for the Christmas season was "Christmas for everyone." Employees worked with the Food Bank of Madrid donating a kilo of non-perishable products and thereby obtaining a total 217 kilos of food. In addition, children attending the Children's Party, brought toys wrapped in gift paper, acting as invisible friends of the children of Spanish Red Cross. With this gesture, the little ones learn from the hand of their parents the value of solidarity and generosity.

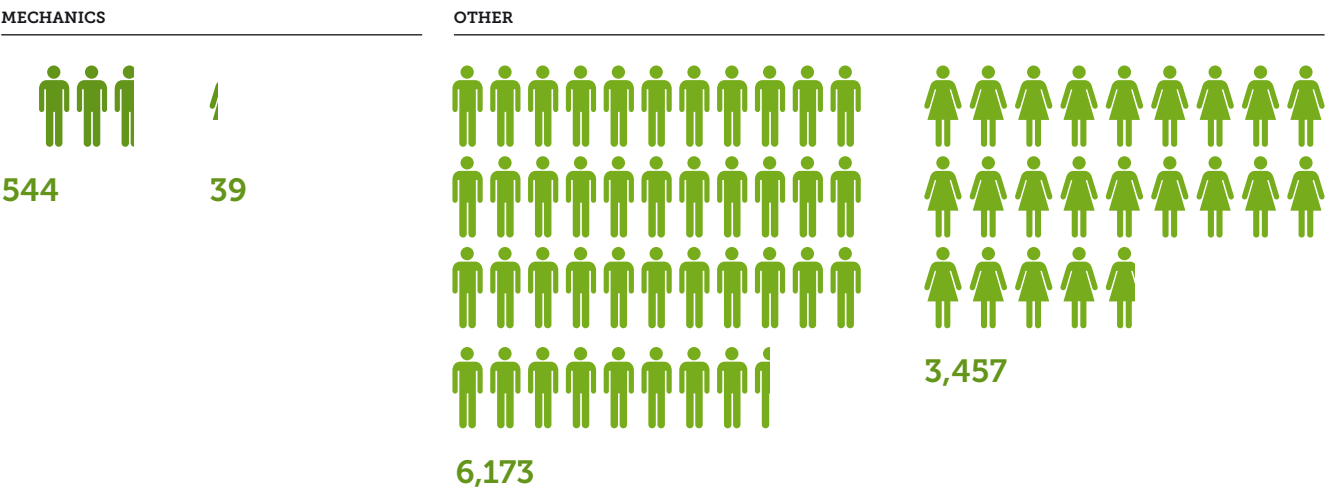
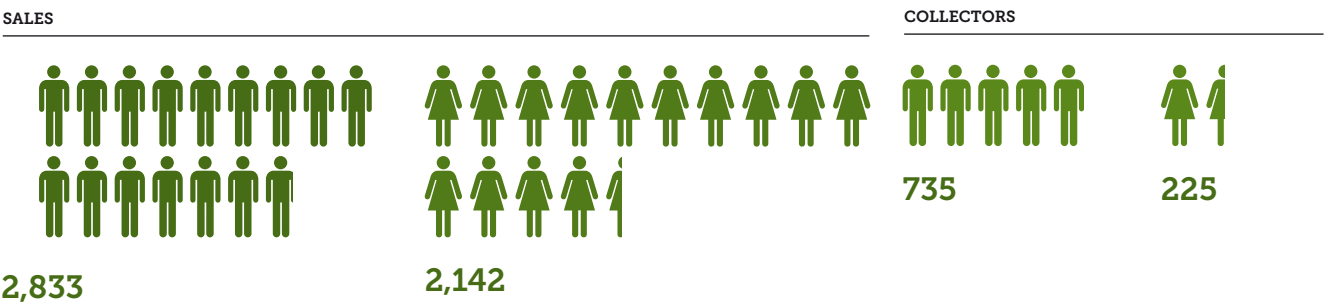
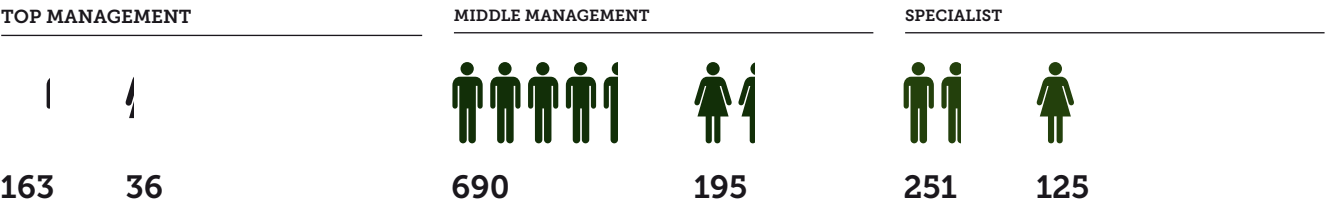
During the summer, the children of employees had the opportunity to attend camp Micropolix. Each morning, they accompanied their parents to the office and then began their journey to a city tailored to them and where activities were conducted in English, combining entertainment and learning.

#### ARGENTINA

CODERE Argentina developed numerous projects with the Group's employees promoted by the Human Resources Department.



WORKFORCE BREAKDOWN  
BY GENDER



## STAFF EVOLUTION



Since 2008, the Company offers **summer camp** for the children of the employees of all gaming halls, paid for by CODERE Argentina. During 2011 over 200 children enjoyed swimming lessons, soccer, recreational activities and tournaments coordinated by professionals in each discipline.

In 2011, the Company also created the **Culinary School** coordinated between the Operations Division and Human Resources Department. The presentation of the **Diploma in Culinary Management** took place at Sala Lomas del Mirador and was supported and developed by the faculty of the prestigious University of Belgrano.

Throughout the year, **"Coupon Benefits"** were installed in each gaming halls and central offices providing information on all the current discounts available to employees. The Company also announced the entry into force of new employee benefits such as **"Kindergarten Plus"** or **CODERE Loans**, which allows employees of operational and administrative levels access credit under favorable terms to meet their individual priority needs. In total, two hundred and two employees accessed this program in 2011.

Similarly, and associated with indicators of the employee satisfaction survey, the Company presented a **comprehensive review plan aimed at developing employees** both at work and personally.

### BRAZIL

**Employee training:** Periodically CODERE Brazil provides those responsible for the management of betting shops with executive education courses and coaching with the main aim of developing people and applying their knowledge in the Company.

### MEXICO

One of the most important projects developed in 2011 by the Human Resources department of CODERE Mexico occurred in April, when the Federal Commission on Competition gave permission for CODERE Mexico to acquire the largest number of Caliente establishments, assuming the management of the personnel, about 3,000 employees, of LIFO, OEDSA, CANTABRIA, and from this date, carrying out the HR processes in each of the establishments.

In October, the Company held a seminar titled **Creating Added Value** with a duration of 2 days. This meeting was led by Dr. James E. Austin, Professor Emeritus at Harvard Business School, with the main objectives:

- Understand the concepts of Strategic Corporate Social Responsibility, value sharing and collaboration.
- Identify the relevance of these concepts to CODERE's operations.
- Share experiences and smart practices of the CODERE Group.

- Formulate actions to strengthen operations in Mexico. Attendees at this event were our Chairperson Beatrice Rangel, and the management of CODERE Mexico, CODERE Argentina and AMH.

In November, the Human Resources Department organized an integration event with a **contest of Offerings**, which had to have a theme related to the department to which the team belonged. Thanks to this event, which ended with an awards ceremony, the Company achieved the greater integration of employees.

In the month of December, the Company held the traditional **New Year's Eve Party**, at which the employees enjoyed a great time with the traditional Piñata and a visit from Santa Claus.

## PANAMA

Throughout 2011, CODERE Panama launched several activities targeted to its employees. On the one hand, the Company developed **Recognition Days** based on the seniority of those employees who have been with the Company over ten years, as well as recognizing customer service, with delivery of 184 *Star Certifications* distinguishing the operational staff that work directly with the customer.

Similarly, in order to improve the model of **HABITS**, the Company strengthened the responsibilities and functions to be fulfilled by employees for customers. To this

end, CODERE Panama launched training workshops in July for directors, casino managers and support areas. Starting in October 2011 the training was also extended to the operational areas for employees of Fiesta Casino Hotel El Panama, Fiesta Casino Hotel Soloy and the Fiesta Casino Hotel Nacional.

CODERE Panama has developed sporting activities to promote coexistence among the employees of the Group. Between February and May, the *CODERE Softball League 2011* took to the field and was attended by over 200 employees. In July, the Company held the *CODERE America Cup 2011* a Corporate Soccer League, which was attended by about 250 employees and achieved high involvement and following by players and fans.

In May, CODERE Panama hosted, as host country, athletes from Argentina, Colombia and Panama participating in the **Media Maratón Internacional**. For several days, in addition to sports, leisure and tourism activities were organized with a visit to the Panama Canal and the Mi Pueblito resort.

Among the many events held in 2011 we would highlight the integration day *Family Day* (March 20), where families could enjoy swimming pools, trampolines, clowns, cotton candy, talent contests and raffles, among other activities, which was held in the capital, Chitre and Chiriquí.

At the end of year, the company launched the activity *Painting Our Christmas Values 2011*, a painting competition for children from 0 to 12 years, with the closing ceremony being held at the Presidente Remon Racetrack.

## URUGUAY

HRU launched several activities in 2011 such as **support for young Uruguayans** to join the labor market, the continuation of the policy of promoting youth employment and aid to the inhabitants of surrounding areas of the Maroñas National Racetrack to improve their quality of life, and improvement activities in schools, health centers and community centers.



Above: CODERE in the IE Business School International Job Fair in Madrid

Right: A contestant in Carrasco Mio. CODERE Uruguay





# COMPLIANCE

The Compliance Policy evidences our special commitment to the laws against fraud and money laundering, as well as to the values of honesty and integrity in corporate business practices and compliance with the internal code of conduct

**CODERE has established a strict compliance policy that integrates the highest international standards and requirements for ethical conduct.**

## CODERE COMPLIANCE POLICIES 2011

CODERE always keeps in mind that it operates in a particularly sensitive industry, gaming. This is a sector that has undergone varying degrees of public perception throughout its history, shifting from the absolute prohibition, with negative consequences, to the highest standards of regulation and management, through intermediate periods of existence in a legal vacuum.

As the industry leader, CODERE believes that it should take on the challenge of establishing guidelines for excellence with authorities, suppliers and customers, including all of them in its global strategies in corporate social responsibility and corporate culture. These guidelines take the form of a strict compliance policy that integrates the highest international standards on ethical requirements and the prevention of money laundering.

## CODERE'S COMPLIANCE POLICY

CODERE applies the 2004 Basel II Framework as the basis for its Compliance policies and the full scope of the Compliance Function as an **independent function** that identifies, advises, warns, monitors and reports on compliance risks in organizations, such as the risk of receiving sanctions for legal or regulatory violations, the risk of financial or reputation loss due to the failure to comply with applicable laws, regulations, codes of conduct or standards of good practice (together "laws, regulations and standards").

CODERE requires of itself and its partners and suppliers, complete adaptation to the regulations of the gaming sector in each country in which it operates, and scrupulous respect for all financial, fiscal and labor laws, regulations and standards in force in each area where the Group operates.

The Compliance Policy evidences the special commitment of CODERE to the laws against fraud and money laundering, as well as to the values of honesty and integrity in corporate business practices and compliance with the internal code of conduct, all of which takes shape in the following strategic objectives:

- Establish the activities and mechanisms needed to implement a conscious culture of compliance throughout the company as an indispensable tool to help reach and maintain the level of excellence that CODERE aspires to.
- Cooperate in identifying and establishing the highest standards of ethical conduct and compliance with applicable laws in the development of CODERE's business activities.
- Achieve the proactive participation of all executives and employees in CODERE's Compliance policies in the various activities and geographical areas in which the company operates, setting minimum coordination mechanisms and requirements among the various agents.
- Identify, evaluate and control the main Compliance risks, defined as those which can result in legal sanctions, material financial loss or loss of reputation as a

result of possible violations of the laws, regulations and self-regulatory standards of the company or of the codes of conduct applicable to CODERE's business activities.

#### **SPECIFIC RISK COVERED BY THE COMPLIANCE DIVISION**

**Reputational Risk:** Possibility of losses due to negative publicity regarding the company and its business practices, whether true or not, intentional or not, resulting in a potential loss of customers or revenue or subjecting the company to prosecution.

**Operating risk:** The possibility of losses due to the inappropriateness or failure of business processes, personnel, internal systems (fraud or internal actions), or because of external events.

**Legal risk:** Possibility of losses due to sanctions, fines or being forced to pay damages resulting from breach of rules or regulations.

**Strategic risk:** Possibility of losses due to the company being disqualified by the controlling authority to develop the relevant products or services or the failure to adapt to changing business conditions or requirements in the gaming sector.

#### **IMPLEMENTATION OF THE CODERE COMPLIANCE POLICY**

In 2005 the CODERE Board of Directors approved the Company's Compliance Plan, which contains the practical rules of conduct of the Group in this area and created a Compliance Committee chaired by an independent director. In 2006 the Board established the Corporate Compliance Department and during 2010 continued to strengthen the processes in the following areas of action, which coincide with what the new Spanish law on the Prevention of Money Laundering and the Financing of Terrorism (Law 10/2010):

##### **A. Implement and manage the International Policies on the Prevention of Money Laundering in CODERE, S.A.**

1. Identification of recipients of awards and monitoring of suspicious transactions (STRs).
2. Reconciliation of reports to control and/or gaming authorities. Contribution on evidence on fraudulent payments or transactions.
3. Execution of Mandatory Education and Training Plans on the Prevention of Money Laundering for CODERE Group employees.
4. Represent CODERE with the money laundering prevention and gambling authorities.
5. Update and implement the company regulations on the Prevention of Money Laundering in each country as well as any as are required for the parent company of the CODERE Group (Spanish, European and FATF).

##### **B. Implement and manage the Code of Ethics and Conduct evidencing the use of best business and CSR practices in CODERE, S.A.**

1. The Code of Corporate Ethics and Conduct entered into force in 2011, superseding in 2012 the specific local codes in the different geographical areas.
2. Management Code of Conduct partial to the stock market, with reports of significant holdings and insider registers monitoring periods of prohibition of sale of shares.
3. Design of a complaint channel for use by employees, customers and suppliers to avoid reputation damage, internal fraud or other damage to CODERE, beginning in 2011. Implementation planned in 2012 in accordance with corporate standards.
4. Verification of ethical conduct or conflicts of interest arising or not from the previous channel, elevating reports and/or proposals to the Compliance Committee.

##### **C. Implement and manage the Compliance Information System required by the Compliance Plan**

1. Internal control policy and control requirements of due diligence on executive personnel and key managers.
2. External Know Your Customer (KYC) Control Policy through prior due diligence and control of natural and legal persons related to CODERE, particularly providers of gaming machines, and the movements and operation thereof.
3. Provide management tools to other departments or units and/or provide specific support for monitoring and verifying companies and individuals.
4. Prepare the required reports and accurate information on reputational risks and/or property dam-



age to CODERE, reporting, where appropriate, to the Compliance Committee and/or Senior Management of CODERE.

Moreover, the structures supervised by the Compliance Committee have been enhanced regarding the operation of local compliance officers. This was the case in Mexico, Colombia and Argentina, which together with the existing structures in Panama and Italy, transcendently enhance the capabilities of the Corporate Compliance Department in its role of efficiently carrying out the Compliance policies effectively.

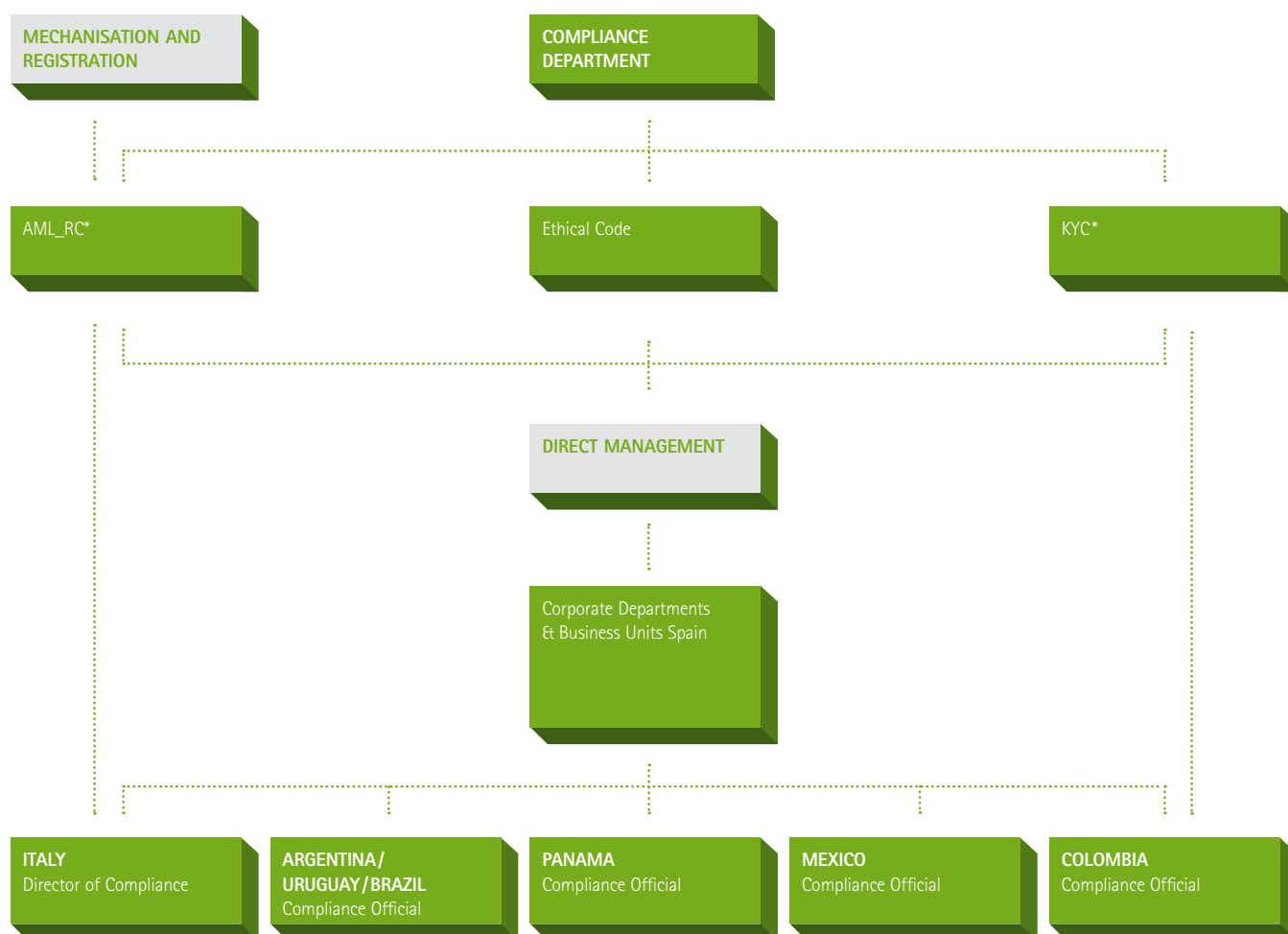
Below we have included a summary of the activities of the Prevention of Money Laundering (AML) and Know Your Customer (KYC) and AML training of employees and executives and control of customers and suspicious transactions carried out in 2011, both on the corporate level and in all business units and subsidiaries:

Among the corporate and business units of the various countries where the CODERE Group operates, we have performed 5,054 Due Diligence processes of various types on third parties with whom the group has business or contractual relations, both individuals and businesses.

We have performed 921 Due Diligence processes on CODERE personnel. We have internally provided mandatory AML training to 969 employees in Argentina, Panama, Colombia and Spain.

The control and reporting of awards and transactions to competent authorities, with the identification and registration required in each case, totaled 27,423 cases, in addition to 28 reports of suspicious transactions. This process has been carried out in full in all business units.

## COMPLIANCE COMMITTEE

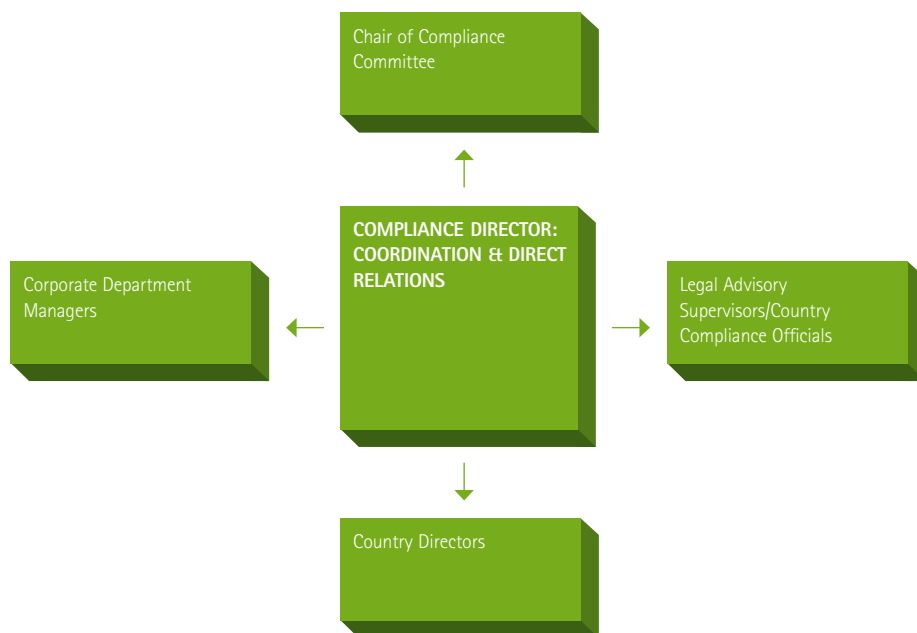
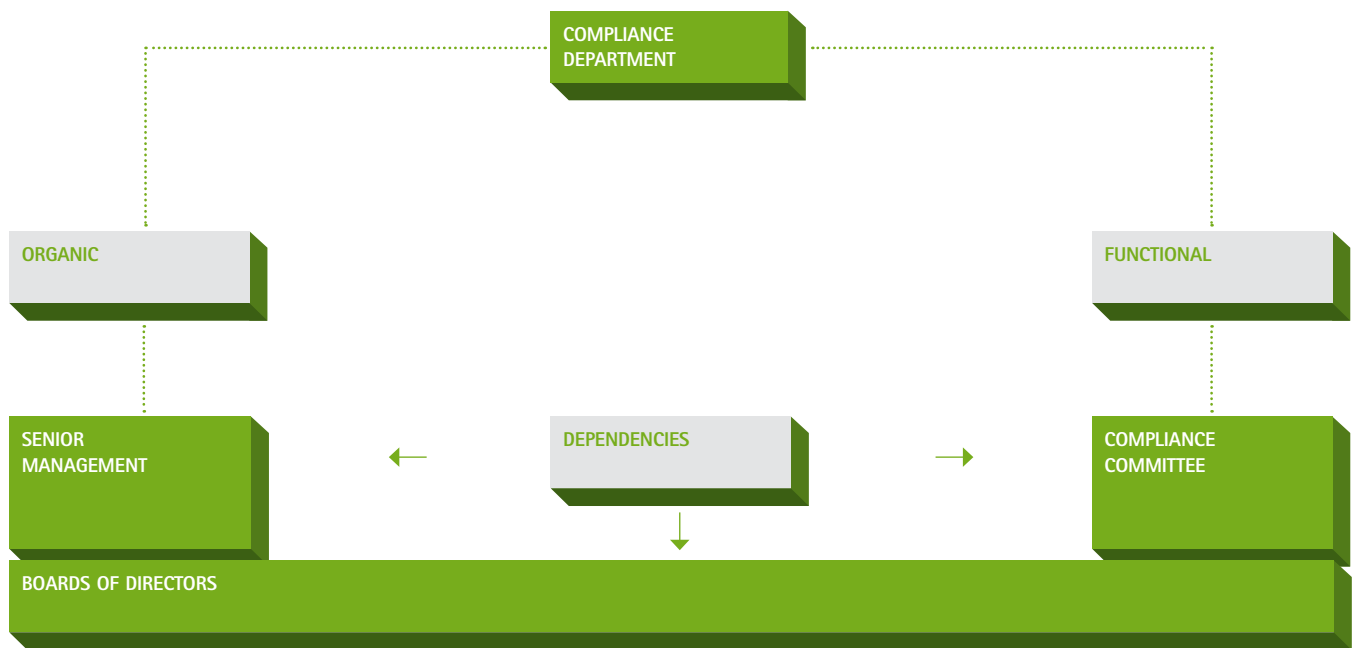


\*AML-RC: Anti-Money Laundering and Regulatory Compliance

\*KYC: Know Your Customer and Third-Party Transactions



## MANAGEMENT OF THE COMPLIANCE POLICY



### COMPLIANCE DEPARTMENT AREAS OF RESPONSABILITY

- Compliance with gambling regulations in all geographic areas in which the Group operates.
- Compliance with anti-money laundering policies

Internal control requirements of due diligence on executive personnel and key managers.

- External control requirements of due diligence on natural or legal persons related to CODERE.
- Institutional relations with anti-money laundering regulators and agencies.
- Management of Ethical codes and complaints channel.

# CODERE AND SOCIETY: FUNDACIÓN CODERE

As a space for reflection, debate and research on the gaming industry and, in particular, on private gaming and its relationships with the public sector, Fundación CODERE reaches agreements with both public and private entities, promoting collaboration between them. The Foundation also acts as a partner with all the institutions necessary to convey a faithful image of gaming to society

**The CODERE Foundation is a non-profit organization that was founded in 2007 with the mission of promoting and collaborating in initiatives, both national and international, to enable the improvement and development of public policy on gambling and structures in which this industry is based, and to promote the development of the local communities in which CODERE operates.**

## FUNDACIÓN CODERE BOARD

**Chairman:** Mr. José Antonio Martínez Sampedro

**Vice-Chairman:** Mr. José Ignacio Cases Méndez

**Member:** Mr. Rafael Catalá Polo

**Member:** Ms. Beatrice Rangel

**Member:** Mr. Juan José Zornoza Pérez

**Executive Director and Secretary to the Board:** Mr. Germán Gusano Serrano

Fundación CODERE is an organization recognized and registered in the Foundation Protectorate of the Spanish Ministry of Education.

As a space for reflection, debate and research on the gaming industry and in particular on private gaming and its relationships with the public sector, the Fundación CODERE reaches agreements with both public and private entities, promoting collaboration between them. The Foundation also acts as a partner with all the institutions relevant to convey a faithful image of gaming to society. It also aims to play the role of qualified representative of the views, interests and needs of the gaming industry with the general public, the media and public authorities.

## SEMINARS

Fundación CODERE, through agreements with various universities and other high-level national and international entities, conducts seminars and meetings aimed at creating opportunities for reflection on the gaming industry and to introduce this industry to the higher levels of academia.

On 24 and 25 March 2011 The Foundation held the conference *The Consolidation of online gaming: Realities and Hopes* at the headquarters of Fundación Universidad-Empresa ADEIT in Valencia, in collaboration with the University of Valencia, conducting an analysis, reflections and discussions on the gaming activity in Spain and mainly addressed the situation of gaming operators and gaming channels under the new regulation pending approval at the time.

Moreover, on August 29 in Buenos Aires (Argentina), the School of Government of Torcuato Di Tella University (Buenos Aires) and Fundación CODERE, in collaboration with the Spanish Chamber of Commerce

in Argentina, held a conference focus on local governments and how they face the challenges of sub-national democracies. The event was attended by renowned specialists in local democratic processes and participation of the citizenry in public policy.

### ROUNDTABLES

Fundación CODERE has established, through the organization of roundtables, a framework for ongoing dialog, encouraging the exchange of ideas and positions among the various actors directly or indirectly involved in the gaming industry and addressing current issues. The organization of these roundtables apply a common methodology, proven in other areas of social organization, which is based on the exchange of views and positions in a private environment of professionals from academia and the legal, economic and business fields.

### PUBLICATIONS

In order to foster and promote research, analysis, transparency and legal certainty in relation to games of chance, the Foundation collaborates with renowned specialists to produce leading publications. The Foundation sponsors the publication of works of interest in different areas, in order to establish an editorial collection of the fruits of several research projects, conferences and lecture series which have been developed by the Fundación CODERE and the agreements with various entities, with the aim of creating reference publications in the gaming industry.

The new titles released in 2011 include *El Contrato de Juego y Apuesta en el ámbito civil (Gambling and Betting Contracts in Civil Law)*. Gambling and betting have become daily activities. When they have a purpose beyond entertainment, the law intervenes to

protect participants. This paper studies gambling as contracts in Civil Law.

On November 23, 2011 the Foundation presented the book *El Juego On Line (Online Gaming)*, published in collaboration with Thomson Reuters Aranzadi, to the National Competition Commission of Madrid. The meeting, which was chaired by Mr. Joaquin Garcia Bernaldo de Quiros, President of the National Competition Commission and Mr. Juan Junquera Earlier, Secretary of State for Telecommunications and Information Society, was attended by Ms. Inmaculada Vela Sastre, Director General of the Organization of Gaming (Ministry of the Economy and Finance), the President of the Fundación CODERE, Mr. José Antonio Martínez Sampedro, Mr. Javier Moscoso del Prado, President of the Editorial Board of Thomson Reuters Aranzadi, and Mr. Alberto Palomar Olmeda, Director of the book.

This is a work that examines all the issues underlying the online gaming and, largely, on the regulation of gaming, which had been divided as a result of the appearance of various legal actors. This new regulation has implications for trade, taxes, government and of all kinds that are reflected in the new legal framework that is the central target of that study.

Also, in 2011 the books were launched *Nuevos escenarios en el juego de azar: globalization*, (New scenarios in games of chance: globalization) which is the second volume of the Fundación CODERE Conference Collection analyzing the interventions during the week from 2 to 6 July 2007, at the summer courses of Complutense University in El Escorial (Madrid), and the *Jornada de reflexión sobre Buen Gobierno municipal* (Day of reflection on Good Municipal Governance)



Conference "The consolidation of Online Gaming: Reality and desire" in Valencia (Spain).





Left: Ricardo Janson, President of CODERE Panama at the 2011 graduation ceremonies at the jockey school, Academia Técnica de Formación de Jinetes Laffit Pincay Jr



The Foundation promotes initiatives that contribute to the development of society in the educational field

offering the reader, in collaboration with Torcuato Di Tella University in Buenos Aires, providing useful and updated information on the process of transformation of local democracy and its contribution to the improvement of various public policies that affect the immediate surroundings of citizens.

The Foundation is also undertakes and collaborates in the preparation of studies, publications and reports aimed at understanding the current situation and future outlook of specific areas, especially those that are of strategic interest to the industry under an agreement held since 2008 with the Institute of Policy and Governance (IPOLGOB) of the Carlos III University of Madrid. In May 2011, The Foundation launched the *Second Report on the social perception of games of chance in Spain*, a sociological study carried out under the Public Policy Program on Leisure and Entertainment, allowing comparisons with the previously completed in a time of substantial change of the two existing gaming channels: In person and virtual. Fundación CODERE also sponsors a section of the quarterly sports and entertainment law magazine *Revista Aranzadi de Derecho de Deporte y Entretenimiento* on subjects related to Gaming Laws.

#### LATIN AMERICAN ECONOMIC JOURNALISM AWARD

Fundación CODERE sponsors the LATIN AMERICAN ECONOMIC JOURNALISM AWARD organized by Instituto de Empresa (IE Business School) that recognizes the work of disseminating economic culture in the media (newspapers, magazines, blogs, websites, radio or television). The Foundation also awarded the Accesit Award for the best journalistic work on "Innovation in the entertainment, leisure and tourism industry," endowed with €2,500.

The first edition in 2011 involved more than 300 articles, 200 journalists and 150 media companies in

the region, with the presence of professionals from practically every country in the region. The award particularly valued those projects related to "innovation", given the importance that this type of information is gaining in the media as a reflection of the pulse of business and financial culture in Latin American society.

The report "Negócios movidos a Ideias" by the journalists Rafael Barifouse and Raquel Salgado published in magazine EPOCA NEGOCIOS (Brazil) in December 2010 was the winner at a ceremony held in Mexico City. The IECO supplement of the CLARIN newspaper in Argentina was named the most outstanding publication in terms of dissemination of economic culture at the grassroots level. The Spotlight Award went to the Mexican Institute of Finance Executives (IMEF), an institution that, through its *Ejecutivos de Finanzas* magazine has been covering the gaming sector in Mexico.

Due to the wide acceptance and success of the event the Foundation is planning a second edition in 2012 with prizes in other categories and more funding, particularly valuing articles related to entrepreneurial activity, an important engine of economic and social development in Latin America in recent years.

#### SOCIAL ACTIONS

In order to support and contribute to the educational development of society, the Foundation has promoted several initiatives in some of the countries where it operates:

##### PANAMA

On March 17, 2009, the CODERE Foundation opened the **Academia Técnica de Formación de Jinetes Laffit Pincay Jr.** a school for jockeys approved by the Ministry of Education and located at the only active race track in Central America, Hipódromo Presidente Remón.

The school aims to elevate the horse racing industry by improving the standard of teaching and learning of the future graduates of the academy. The initiative will benefit Panamanian youth who consider jockeying an professional alternative to improve their academic and cultural development. As in previous years, this year a new class of 16 young jockeys graduated, having passed their academic and sports subjects.

## URUGUAY

Fundación CODERE, recognizing the importance of reading in a child's education and of the immense possibilities of expression in childhood, promoted the participation of the public schools in the area of influence of the Hotel Casino Carrasco (Montevideo, Uruguay), with the support of the Early and Primary Education Council of the National Administration of Public Education (CEIPANEP) and the Ministry of Education and Culture (MEC), in the 3rd Annual **Carrasco Mío** Competition.

Fifth grade students from various schools drew pictures, illustrations and paintings in poster form to participate in the third edition of "The Louvre in my neighborhood", with the great creativity and materials and techniques chosen by the children surprising the jury. The awards ceremony was held on December 2, 2011 at the Center for Local Economic Development in Montevideo (Uruguay) with the participation of the French Embassy, the Embassy of Spain and representatives of educational institutions in Uruguay, as well as the members of jury.

In all three editions, 900 children participated in motivational talks in each of the proposals by specialists in the disciplines which the contest awarded. More than

350 children presented their work and three schools benefited from the award received one of their respective students.

Also in Uruguay, in mid-2011, young people in socially vulnerable situations received education and training to access stable jobs at the Casino Carrasco, under the **Alcanzar** initiative. The initiative is the brainchild of Carrasco Nobile, and was co-designed by the Guriés Unidos organization, with the sponsorship of the National Institute of Employment and Vocational Training (INEFOP), and the collaboration of Municipal Local Economic Development Center (CEDEL) and the CODERE Foundation.

The goal of the initiative is to improve levels of employment and social integration of a group of youths in the area of influence of the Hotel Casino Carrasco through a strategy of academic training and job preparation. The young people who access this knowledge and specific skills, can perform various tasks within the historic resort hotel when it reopens in 2012.

The **Alcanzar** project also conducts an individual and permanent group accompaniment to monitor the development of the education and training of the participants, through a mentoring process with the team led by Carrasco Nobile and other members of the program.

Below: Germán Gusano, director of the Fundación CODERE during the awards ceremony of the First Latin American Economic Journalism Award in Mexico



# CODERE AND SOCIETY: CSR PROGRAMS

The CSR activities of CODERE focus on two areas: promoting responsible gaming programs in order to minimize the potential social impact of gambling activities, and through the development of Social Development Programs in communities where the company operates in order to create permanent and sustainable wealth

**Companies, as members of a community, should act as "true corporate citizens," applying ethical conduct and respect for people and the environment and not only play an economic role, but also a social and environmental one.**

The CODERE Group expresses its firm commitment to the principles of Corporate Social Responsibility as an integrating framework for its policies and actions with professionals, clients, vendors, suppliers, shareholders and all other stakeholders with which it interacts.

In this regard, the CODERE Group, faithful to the business objective of generating wealth and prosperity for society, adopts responsible business ethics to harmonize the creation of shareholder value with sustainable development of its business under the principles of environmental protection, social cohesion, development of a favorable framework for labor relations and constant communication with key stakeholder groups in order to meet their needs and expectations.

CODERE seeks to identify local needs and areas where its contribution can be the most valuable in those countries where it operates and implements specific programs to help these communities. The CSR activities of CODERE focus on two areas:

- RESPONSIBLE GAMING PROGRAMS. Actions to **minimize the potential social impact of gambling activities** to fulfill the mission of the Company as a Responsible Gaming promoter, ranging from protection of players attending the gaming halls to preven-





tion and early detection of gambling problems and pathological gambling.

- **SOCIAL DEVELOPMENT PROGRAMS.** Measures aimed at the **social development of the communities where CODERE operates.** These programs are guided by the concept of developing community potential as a key to creating permanent and sustainable wealth.

### RESPONSIBLE GAMING PROGRAMS

Promoting the principles of Corporate Social Responsibility places an obligation for CODERE to not only to understand, recognize and study the unwanted effects of their activity, but also to work to prevent and mitigate them.

Enhancing the values of responsible gaming is part of the commitment assumed by CODERE with society for the future.

### ARGENTINA

**Responsible Gaming Program:** This is the backbone of most important CSR management effort and is articulated through actions to promote responsible gambling and the prevention of gambling problems, considering the characteristics and needs of different stakeholders (employees, education community, general society).

**Training Program:** This consists of the training of employees in the basics of compulsive gambling and the promotion of responsible gaming. The program consists of three skill levels (basic, advanced and the training of the Responsible Gaming Board).

In 2011 training was received by all the gaming halls of the Company in La Plata and Buenos Aires province, achieving the training of 115 Directors of Responsible Gaming, who are involved in providing information and advice to the customers of the halls. Additionally, the company supports pathological gambling care and treatment centers in the province of Buenos Aires.

**Jugar X Jugar Program:** In 2011 the company implemented a strategic review of the "Play for the sake of Playing" program, which began in 2008, which led to a change in the scope of application, the dynamics and the beneficiaries. The company conducted volunteer training through an NGO dedicated to protecting and promoting children's right to play, which transmitted playful strategies for recreational activities in a children's hospital. The parents of hospitalized children were also informed about the program and began working at the household level.

**Public Awareness Campaign for Responsible Gaming "STOP 2":** In order to prevent compulsive gambling, CODERE launched in 2011 the second STOP

campaign providing the public with an analysis of the question, "Can you stop?". This campaign was disseminated in all media and in the Gaming Halls and promotes responsible use of leisure time.

### ITALY

In October, CODERE Italy introduced the Responsible Gaming project at the Palazzo dell'Informazione Piazza Mastai in Rome. The project, strongly supported by the Company for the Prevention of Compulsive Gambling and Safe Gaming, included a series of workshops with various gaming agencies, associations and research institutes.

The seminar presented CODERE activities in the field of prevention of compulsive gambling behavior and scientific support submitted by the association Primo Consumo and activation of the Green Number (Toll Free in Italy) for compulsive gamblers, with specific training and assistance to the players regarding gambling. The moderator of the event was the deputy director of Tg1, Gennaro Sangiuliano.

### SOCIAL DEVELOPMENT PROGRAMS.

CODERE is integrated in the communities not only part of the daily life of the place where our businesses are located, but also as an important engine for the economic development of the municipalities and the social development of its inhabitants.

### ARGENTINA

#### Education

This is a line of work that involves all initiatives related to supporting and promoting public education. In addition, these endeavors involve the corporate volunteers whose goal is to channel and foster a spirit of community service among employees.

**Digital Bridge Program:** This is an initiative that was implemented in partnership with Fundación Compañía Social Equidad. The program was presented in 2010 at the Clinton Global Initiative and in 2011 was implemented in four schools in the province of Buenos Aires with the aim of reducing the digital divide in education, working with public schools in the installation of technology rooms and enabling technology teachers in the use of ICT.

**VI School Painting Day:** This initiative took place at Moron Public Elementary School No. 4 of the Republic of Uruguay. With the participation of corporate volunteers, painted the main hall of the school, the auditorium and all the blackboards. Shelves and books were donated to the library, as well as physical education equipment. Additionally, a month-long campaign was launched to recycle materials, with all the material collected having been donated to the Garrahan Children's Hospital Foundation.

**We Go to School Program:** The program consisted of the distribution among all employees with school-age children (3 to 17 years) of a kit of school supplies. In 2011, 2,365 kits were delivered and 60 scholarships were awarded (30 for primary school children and for 30 secondary).

**Talent Program:** This initiative corresponds to the creation of a scholarship program for employees who develop artistic, sports and cultural activities. 10 scholarships were awarded over 10 months.

#### *Health*

This is a line of work that attempts to cooperate with public hospitals outside the area of influence of CODERE.

**Public Health Support Program:** This consists of carrying out specific actions that link social marketing of sporting achievements recognized a ultramarathoner by donating equipment for various hospitals. The first donation of the year was an artificial respirator for the intensive care area of Thompson Hospital in the town of San Martin, which was linked to the 250km race across the Sahara. The second annual grant was an artificial respirator and a defibrillator for Hospital San Juan de Dios in La Plata, thanks to the South Pole 50km charity race.

#### *Region of*

Includes all actions related to the strengthening of local institutional presence and is related to the transparent management of our business and support for local development initiatives, including topics related to culture, education and environmental stewardship.

#### **Second Social Responsibility Report of CODERE**

**Argentina:** The report was prepared in collaboration with all areas of the Company and presents the best practices of CODERE Argentina. The report, printed on recycled paper, features a digital version to follow the principles of environmentally sustainable management.

**CODERE Green Program:** This encompasses all the initiatives generated by the different areas of the Company for the care and protection of the environment. The program focuses on energy savings, improved hygiene and safety, as well as the recycling of materials.

**Paper Recycling:** The paper generated in the Company is selected and donated to Cottolengo Don Orión, an institution dedicated to comprehensive care of people with special needs.

**Recycling of electronic equipment:** Various electronic materials are donated regularly to Fundación

Compañía Social Equidad for recycling and reuse in the assembly of PCs that are donated to public schools and social organizations in the country.

**Recycling of vegetable oil:** A pilot project was implemented in Sala San Miguel. All the oil used in kitchens is collected and donated to the municipality for subsequent conversion into biodiesel to supply the town's police vehicles. Institutional documents are also printed on recycled paper.

#### **Joining the Corporate Network Against Child La-**

**bor:** In December 2010 the company signed the 7th Protocol of Membership in the network under the Ministry of Labor, Employment and Social Security of the Nation and in 2011 initiated various working committees.

#### **BRAZIL**

##### **Help for children and adolescents with special health care needs – Institución Cavalo Amigo**

Since 2009, and within the social responsibility program, CODERE Brazil has collaborated with the **Cavalo Amigo Center**, an organization that has a team of psychologists, speech therapists, physiotherapists, teachers and physical educators dedicated to helping children and adolescents with special health care needs.

CODERE participated in the development of the equoterapia program for handicapped children, helping two young people in the city of Porto Alegre (Rio Grande do Sul). In the past year the investment reached R\$ 19,200.00.

#### **Support of the ABBR institution in the purchase**

**of wheelchairs:** In January 2010, CODERE Brazil signed an agreement with ABBR (Associação Brasileira Beneficente de Reabilitação) in Rio de Janeiro for the donation of the proceeds from the sale of "Racing Forms" to ABBR. This grant was used to purchase wheelchairs for people without resources in treatment by the institution. In 2011, R\$ 22,665.90 was raised, which bought 140 wheelchairs.

#### **ITALY**

CODERE Italy collaborates with various social projects and supports the fight against genetic diseases through the Telethon Foundation, a nonprofit organization whose overall objective is to advance research into a cure for muscular dystrophy and other genetic diseases.

Also, at Christmas time, the Company supports the **Peter Pan Association**, replacing the Christmas presents for a donation to this organization to pro-

vide homes for the free accommodation of the families of children with cancer who require hospital care in the capital.

## PANAMA

CODERE Panama launched many initiatives throughout 2011, both jointly and individually. In January, the company donated four incinerators (two fixed and two mobile), valued at \$490,000, to the Ministry of Safety to advance the fight against drugs. The ceremony was attended by Richard Janson, President of CODERE Panama and José Raul Molino, Minister of Public Safety.

Committed to the Health of Panamanian society, CODERE Panama launched two blood donation campaigns on February 1 and another in September, both called, *"Donate Blood and Save Lives"* to benefit the Santo Tomas Hospital and the Blood Bank of the specialties for children with pediatric cardiovascular problems.

In addition, **4 ambulances** were donated to different Members of the National Assembly: Miguel Fanovich, Dana Castaneda, Mario Lazarus, and Raul Hernandez, with the aim of improving the mobilization system in health centers, inland hospitals and marginalized sectors of the country.

**Support and Protection of infants**, is another commitment of CODERE Panama. Thus, through participation in the race *"Carrera 24 Horas de Relievo por la Vida"*, the Company helps raise funds for the foundation **Friends of Children with Leukemia and Cancer** (FANLYC). Also, to support this activity, the company sponsored two children from this foundation, with the aim of providing all the support necessary.

**The Environment and Global Warming**, are also part of the social awareness concerns of the Company. To this end, the CODERE volunteers took part in reforestation projects to help protect water reserves, such as **Cerro Cara Iguana in the District of Anton, Cocle province**. In July 2011, these activities were carried out with residents and representatives of the National Environmental Authority (ANAM). The action ended with the planting of 600 Espave seedlings and the donation of utensils for school meals, sports equipment and organic compost.

During the month of December, CODERE volunteers brought moments of joy and excitement to six communities in different points in the country. Hundreds of smiling faces were the emblem that characterized this activity, where employees stood out with the giving of gifts, donations and participating in various



Above: Jugar x Jugar (Play for the sake of Playing) program developed by CODERE Argentina

Below: CODERE Brazil collaboration with the Cavallo Amigo association



children's games. Over 500 children benefited from these activities named *"Share Love on Christmas."*

## URUGUAY

Throughout 2011, various Corporate Social Responsibility activities were developed in relation to Health, Education, Housing and Youth Employment. This included actions aimed at improving the quality of life and social development in the area of influence of the Maroñas National Racetrack (Ituzaingó).

The 2011 CSR Program maintains, since 2003, its two main areas:

- **Barrio Ituzaingó:** Helping the inhabitants to improve their quality of life.
- **Youth Employment:** Promoting youth employment.

Some of the institutions benefited this year were:

### SCHOOL No. 186-129

(Guerra y Gral. Flores – 400 children):

- Different activities were developed such as the reconstruction and refurbishment of boys and girls bathrooms, thanks to the sale of collaboration bonds during the ceremony "Distinciones Maroñas 2010" and the contribution of HRU SA. The school received equipment such as a refrigerator and a microwave, with contribution of Microsules during the celebrate the awareness campaign about the school during the awards ceremony "Distinciones Maroñas".



- The periodic fumigation of school facilities, and basketball hoops and balls for the promotion of recreational and sports activities, as well as donations of toys and books, received from the employees, to collaborate with the library. The area of marketing donated materials for the development of arts and crafts for children.

- Similarly \$10 was donated for each ticket sold during the GP José Pedro Ramírez International Equestrian Day 2012, in order to paint the rooms and furniture of the school with the help of corporate volunteers.

#### **CAIF LIBEMOR**

(Santos esq. Guerra – 118 children):

- Two rooms were reconditioned, allowing the enlargement for 25 new positions thanks to support from HRU in the delivery of \$10 per ticket sold for the GP Ramírez International Equestrian Day 2011.
- In addition, thermal conditioning was installed with the donation of \$10 per entry received during Maroñas Running 2011.

#### **KINDERGARTEN No. 233**

(Mendoza and Gral Flores 256 children):

- Donation of basketball hoops and balls and tasks carried out for the reconditioning of the floor of the psychomotor rehabilitation room.

#### **CENTRO DE SALUD MAROÑAS**

(Guerra esq. Shaw):

- As well as providing the health center with materials for the Psychomotor Clinic, other tasks were carried out such as the regular fumigation of the facilities, placing screens on all doors and windows and the thermal conditioning of 6 rooms.
- In addition, equipment was purchased for the Otolaryngology and Podiatry Clinic and the provision of

the celebration of Grandparents Day for clinic patients.

- All these actions were financed with company funds, maintaining the commitment to this health center since 2003 and helping them to provide primary health care to everyone in the neighborhood and its surroundings.

#### **SCHOOL NO. 205, OBRA LUIS MORQUIO**

(Mendoza y Gral. Flores – 437 children and Adolescents):

- This project, launched in 2011, helps children and adolescents with different degrees of intellectual disability, and provides them with the means to develop their occupational skills necessary to access the labor market.

- To this end, the company has donated tools and materials (kitchen, blender, fryer, carpentry materials, garden machinery, trucks, hair dryers and various hairdressing implements, sewing machines, among others), for the Carpentry, Pottery, Barber, Sewing, Agricultural, Food and Environment workshops, to allow for greater use of job training

- Additionally and as part of the celebrations of the eighth anniversary of the reopening of the Hippodrome, visits were organized in order to show customers and neighbors the services offered by the School and the skills they promote. The company also endowed the staff with computer infrastructure.

#### **ONG CASA LUNA** (Aparicio Saravia esq. Gral Flores-teen parents/mothers with children under 2 years).

- The mission of the organization is to respond to the growing situation of adolescent maternity / paternity in the country, with an interdisciplinary approach to its different dimensions, and offering support to adolescents and their families to prepare a life plan complementary to maternity/paternity.



**Corporate Social Responsibility programs are deeply rooted in the CODERE Group**

Left: Alcanzar group visits the Hotel Carrasco in Uruguay

Above right: CODERE Group employees

Below right: Sporting activities CODERE Panama

- In 2011 Casa Luna aided more than 25 parents/ mothers under 18 years of age. They provide workshops for the development of initiatives such as the production and sale of women's accessories and candles. The company collaborated in the installation of an outlet for these products as part of the celebrations of the Triple Crown.

#### **LICEO No. 13**

(Etchegoyen esq. Guerra):

- Parking lot A of the Hippodrome is was used Monday through Friday for teachers and authorities of the center.
- In addition, over 1,000 pieces of clothing were donated (uniforms, used clothing donated by employees and customers) for the tag sale regularly held this institution and for the "wardrobe" of the institution (loan to mothers/fathers and children).

#### **CONSULTORIO DE MEDICINA FAMILIA IMM (Parroquia Santa Rita, Besares esq. Mariano Estepé)**

- Bars were installed in the health clinic to improve security.



- This has been possible thanks to the contribution of the Company, and a large part of HRU staff who worked as volunteers to help their community and environment.

#### **MAROÑAS FIRST WORK EXPERIENCE PROGRAM**

- One hundred and twenty young people were trained to work in the Gran Premio José Pedro Ramirez 2012. Of these, 50 developed their first work experience, having entered mostly from agreements with State Agencies (Public Employment Centers, and Employment Objective Program and INJU-MIDES) and Social Organizations (Fundación Forge, Programa Cardijn). This initiative of HRU SA is part of its policy to promote youth employment.

#### **THE "WE BET ON YOUR CAREER" PROGRAM**

- In 2011 the company continued to support young Uruguayans to join the labor market. In this context, HRU SA, through an agreement with the NGO CODOF (Cooperativa docente para una formación Integral) and PROJOVEN (INEFOP), executed a new edition of the "We Bet on Your Career" program.

- Labor practices were carried out in the gaming halls of HRU SA where 20 youths were initiated as "Promoters" and "Coffee - Waiters". In December 2011, 10 of these young people worked in the Entertainment Facilities in part-time positions, combining their school work with a quality job, and making it possible for several of them to enter the labor market in other.
- During 2011, among the total permanent and temporary workers for the Grand Prix José Pedro Ramirez 2012, 287 new employees between 18 and 25 years of age were hired, this implies that 75% of new hires were youth between 18 and 25.











## AUDITORS' REPORT

CODERE S. A. and subsidiaries: extract from the Consolidated Annual Accounts and Consolidated Management Report of the fiscal year ending December 2011. 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 2011, the consolidated income statement, the consolidated statement of other comprehensive income, 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 Parent 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 2011 present fairly, in all material respects, the consolidated financial position of Codere, S.A. and its subsidiaries at 31 December 2011 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 2011 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 2011. 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

29 February 2012

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# CODERE, S.A. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2011 AND 2010 (THOUSANDS OF EUROS)

ASSETS	NOTE	31.12.11	31.12.10
<b>NON-CURRENT ASSETS</b>		<b>1,264,037</b>	<b>1,219,654</b>
Intangible assets (*)	7	361,583	268,467
Tangible fixed assets	8	479,624	411,197
Goodwill (*)	10	306,493	284,950
Long term financial investments	11	67,574	217,591
Loans and receivables		49,974	209,584
Held to maturity investments		4,497	7,304
Other financial assets		13,103	703
Deferred tax assets	12	48,535	37,194
Other deferred assets		228	255
<b>CURRENT ASSETS</b>		<b>301,481</b>	<b>223,604</b>
Inventories	14	11,528	9,745
Accounts receivable	15	127,423	95,870
Trade receivables		22,174	27,396
Income tax assets		6,697	3,619
Other accounts receivable		98,552	64,855
Short term financial investments	16	22,021	24,963
Held to maturity investments		1,275	1,531
Other loans and investments		20,746	23,432
Other short term investments		4,817	2,425
Cash and cash equivalents	24	135,692	90,601
<b>TOTAL ASSETS</b>		<b>1,565,518</b>	<b>1,443,258</b>

The accompanying Notes are an integral part of these consolidated Annual Accounts

(\*) The balance at 31 December 2010 has been changed due to the final accounting of the business combinations executed in 2010



**CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2011 AND 2010  
(THOUSANDS OF EUROS)**

SHAREHOLDERS' EQUITY AND LIABILITIES	NOTE	31.12.11	31.12.10
<b>SHAREHOLDERS' EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	17	<b>115,547</b>	<b>106,404</b>
Share capital		11,007	11,007
Additional paid-in capital		231,280	231,280
Legal reserve and Retained earnings		(73,889)	(99,721)
Revaluation reserves		4,577	4,765
Translation differences		(109,580)	(70,258)
Profit/(Loss) for the year attributable to equity holders of the parent		52,152	29,331
<b>Minority interests (*)</b>	17	<b>51,150</b>	<b>38,778</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>166,697</b>	<b>145,182</b>
<b>Non-current liabilities</b>		<b>1,005,570</b>	<b>971,591</b>
Deferred revenues		540	544
Non-current Provisions (*)	18	44,219	29,653
Long-term debt	19	872,538	891,056
Payable to credit entities		59,658	60,975
Issued senior notes		758,090	747,690
Other accounts payable		54,790	82,391
Deferred tax liabilities (*)	12	88,273	50,338
<b>Current liabilities</b>		<b>393,251</b>	<b>326,485</b>
Accrual accounts and others	18	2,931	4,354
Payable to credit entities	19	45,567	37,259
Bonds and other marketable securities		3,730	4,112
Other non-trade payables	19	191,779	169,586
Trade accounts payable	19	119,489	92,032
Income tax liabilities	19	29,755	19,142
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,565,518</b>	<b>1,443,258</b>

The accompanying Notes are an integral part of these consolidated Annual Accounts

(\*) The balance at 31 December 2010 has been changed due to the final accounting of the business combinations executed in 2010

**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010  
(THOUSANDS OF EUROS)**

	NOTE	31.12.11	31.12.10
<b>Operating revenues</b>		<b>1,374,333</b>	<b>1,126,509</b>
Net revenues from gaming activities		1,369,053	1,123,642
Other revenues	23	5,280	2,867
<b>Operating expenses</b>	23	<b>(1,212,271)</b>	<b>(986,288)</b>
Materials used and other external expenses		(63,323)	(74,770)
Personnel expenses		(261,819)	(204,434)
Depreciation and amortization		(125,614)	(99,806)
Variation in operating provisions		2,112	(1,028)
Other operating expenses		(759,512)	(606,242)
Impairment of assets	10	(4,115)	(8)
Gains or losses on asset disposals		(1,440)	3,501
<b>CONSOLIDATED OPERATING PROFIT</b>		<b>160,622</b>	<b>143,722</b>
Financial revenues	23	16,890	8,648
Financial expenses	23	(86,486)	(77,905)
Exchange gains (losses), net		3,145	1,012
<b>CONSOLIDATED INCOME/(LOSS) BEFORE TAXES</b>		<b>94,171</b>	<b>75,477</b>
Corporate income tax	21	(58,380)	(45,359)
<b>CONSOLIDATED PROFIT/LOSS FOR THE YEAR OF CONTINUING OPERATIONS</b>		<b>35,791</b>	<b>30,118</b>
Profit/(loss) of discontinued operations	23	-	1,323
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>35,791</b>	<b>31,441</b>
Attributable to minority interests		(16,361)	2,110
Attributable to equity holders of the parent		52,152	29,331
Basic and diluted Profit per share (in euros)	23	0.65	0.57
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	0.95	0.51

The accompanying Notes are an integral part of these consolidated Annual Accounts

**CONSOLIDATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS 2011 AND 2010**  
**(INCOME AND EXPENSES RECOGNISED IN EQUITY) (THOUSANDS OF EUROS)**

	NOTE	2011	2010
<b>CONSOLIDATED PROFIT/LOSS FOR THE YEAR</b>		<b>35,791</b>	<b>31,441</b>
Hedging	20	-	(989)
Translation differences (*)		(38,082)	36,274
<b>OTHER CONSOLIDATED COMPREHENSIVE INCOME NET OF TAX EFFECT</b>		<b>(38,082)</b>	<b>35,285</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(2,291)</b>	<b>66,726</b>
Attributable to Equity holders of the parent		12,830	65,457
Attributable to Minority Interests		(15,121)	1,269

The accompanying Notes are an integral part of these consolidated Annual Accounts

(\*) The balance at 31 December 2010 has been changed due to the final accounting of the business combinations executed in 2010



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011**  
(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, 2010 (**)		11,007	231,280	(99,721)	4,765	(70,258)	29,331	106,404	38,778	145,182
Consolidated Profit / (Loss) for the year		-	-	-	-	-	52,152	52,152	(16,361)	35,791
Other consolidated comprehensive income for the year		-	-	-	-	(39,322)	-	(39,322)	1,240	(38,082)
Total Consolidate Comprehensive income		-	-	-	-	(39,322)	52,152	12,830	(15,121)	(2,291)
Reversion of Revaluation Reserves		-	-	188	(188)	-	-	-	-	-
Variation of the perimeter and Business Combinations		-	-	-	-	-	-	-	-	-
- Acquisitions of minority interests	6	-	-	(1,489)	-	-	-	(1,489)	12,536	11,047
- Business Combinations	6	-	-	-	-	-	-	-	17,417	17,417
Reserves of treasury shares	17.c	-	-	(671)	-	-	-	(671)	-	(671)
Provision for put options	18.2	-	-	(1,444)	-	-	-	(1,444)	-	(1,444)
Profit of treasury shares		-	-	(83)	-	-	-	(83)	-	(83)
Dividends (*)		-	-	-	-	-	-	-	(2,460)	(2,460)
Transfer of results to retained earnings		-	-	29,331	-	-	(29,331)	-	-	-
Total variation in equity		-	-	25,832	(188)	-	(29,331)	(3,687)	27,493	23,806
Balance at December 31, 2011		11,007	231,280	(73,889)	4,577	(109,580)	52,152	115,547	51,150	166,697

(\*) Correspond to dividends distributed to minority interests of spanish subsidiaries

(\*\*) The balance at 31 December 2010 has been changed due to the final accounting of the business combinations executed in 2010  
The accompanying Notes are an integral part of these consolidated 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	(841)	35,285
Total Consolidate Comprehensive income (**)		-	-	(989)	-	37,115	29,331	65,457	1,269	66, 726
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	-	-	-	-	-	-	19,120	19,120	
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)	17,885	16,987
Balance at December 31, 2010		11,007	231,280	(99,721)	4,765	(70,258)	29,331	106,404	38,778	145,182

(\*) Correspond to dividends distributed to minority interests of spanish subsidiaries

(\*\*) The balance at 31 December 2010 has been changed due to the final accounting of the business combinations executed in 2010  
The accompanying Notes are an integral part of these consolidated Annual Accounts

**CONSOLIDATED CASH FLOW STATEMENT**  
(THOUSANDS OF EUROS)

	NOTE	2011	2010
Consolidated Income (Loss) before taxes		94,171	75,477
Financial results		66,450	68,245
<b>Expenses that do not represent cash movements:</b>		<b>143,002</b>	<b>121,554</b>
Depreciation and amortization	7.8	125,614	99,806
Impairment of assets	13	4,115	8
Other operating expenses		13,273	21,740
Income that does not represent cash movements		(887)	(9,565)
Changes in working capital from operating activities		(16,651)	(16,969)
Corporate income tax paid		(53,793)	(39,410)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>24</b>	<b>232,292</b>	<b>199,332</b>
Payments for Capital expenditures		(105,686)	(111,908)
Proceeds from divestments of Capital expenditures		1,327	199
Payments for Long term loans		(17,909)	(20,739)
Proceeds from Long term loans		19,129	28,685
Payments for Investments		(13,684)	(54,330)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>24</b>	<b>(116,823)</b>	<b>(158,093)</b>
<b>Bonds issue</b>		<b>0</b>	<b>95,008</b>
Drawings under Senior Debt		64,662	64,475
Repayments Senior debt		(54,662)	(48,475)
<b>Other debt repayments</b>		<b>11,072</b>	
Other debt repayments		(4,717)	(1,070)
<b>Variation in financial debt</b>		<b>16,355</b>	<b>14,930</b>
Bank loan received		11,799	5,473
Bank loan repayments		(12,117)	(32,026)
<b>Variation in other bank loan</b>		<b>(318)</b>	<b>(26,553)</b>
<b>Dividends Payments</b>		<b>(2,255)</b>	<b>(2,268)</b>
Other financial debt received		3,456	4,228
Other financial debt repayments		(7,833)	(68,243)
<b>Variation in other financial debts</b>		<b>(4,377)</b>	<b>(64,015)</b>
Payments for equity instruments		(2,506)	(2,043)
Proceeds from equity instruments		1,791	1,978
<b>Net investment in equity shares</b>		<b>(715)</b>	<b>(65)</b>
<b>Interest income</b>		<b>4,394</b>	<b>3,100</b>
<b>Interest expenses</b>		<b>(78,191)</b>	<b>(70,905)</b>
<b>Cash effect in exchange rates</b>		<b>(2,734)</b>	<b>4,717</b>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>24</b>	<b>(67,841)</b>	<b>(46,051)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>47,628</b>	<b>(4,812)</b>
Reconciliation			
Cash and cash equivalents at beginning of period		90,601	90,205
Effect of exchange rate fluctuations on cash and cash equivalents		(2,537)	5,208
Cash and cash equivalents at year end		135,692	90,601
	<b>24</b>	<b>47,628</b>	<b>(4,812)</b>

The accompanying Notes are an integral part of these consolidated Annual Accounts



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