April 30, 2010

ANNUAL REPORT OF CODERE, S.A.

PURSUANT TO SECTION 4.19(a)(i) OF THAT CERTAIN INDENTURE DATED JUNE 24, 2005, AS AMENDED AND SUPPLEMENTED (THE "INDENTURE"), AMONG CODERE FINANCE (LUXEMBOURG) S.A. (THE "ISSUER"), THE GUARANTORS (AS DEFINED THEREIN) AND DEUTSCHE TRUSTEE COMPANY LIMITED, AS TRUSTEE (THE "TRUSTEE"), GOVERNING THE ISSUER'S 8 ¼% SENIOR NOTES DUE 2015 (THE "REPORT")

On our behalf, the Trustee is providing you with a copy of the Report in satisfaction of our obligation under Section 4.19(a)(i) of the Indenture to provide to holders of the Notes (as defined in the Indenture) certain information regarding Codere, S.A. and its subsidiaries (the "Codere Group"), including but not limited to audited consolidated financial statements of the Codere Group.

This document does not constitute an offer or invitation to purchase or form part of an offer or invitation to purchase any securities, and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. The Notes and the Guarantees (as defined in the Indenture) referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state of the United States and may not be offered or sold in the United States unless registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

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USE OF CERTAIN DEFINITIONS

As used in this Report, unless otherwise indicated, all references to:

- "AAMS" are to the *Amministrazione Automoma dei Monopoli di Stato*, the Italian gaming regulator;
- "Argentine peso" or "AR$" are to the lawful currency of the Republic of Argentina;
- "AWP machines" are to amusement with prize machines, which pay out cash prizes as a percentage of total wagers over a pre-determined cycle of games, and are permitted in Spain (as "Type-B machines") and in Italy (as "Comma 6 machines") to be placed in bars, cafes, arcades and bingo halls;
- the "Codere Group", "Group", "Codere", "we", "us" or "our" are to Codere, S.A. and its subsidiaries;
- "Colombian peso" or "COP$" are to the lawful currency of Colombia;
- "Consolidated Financial Statements" mean the audited consolidated financial statements of Codere, S.A. as of and for the years ended December 31, 2008 and 2009 prepared in accordance with IFRS and included in this Report;
- "dollars", "U.S. dollars", "U.S.$" or "$" are to the lawful currency of the United States of America;
- "EBITDA" (earnings before interest, tax, depreciation and amortization) are to operating profit plus period depreciation and amortization plus variation in provisions for trade transactions plus impairment test less the gains or losses on asset disposals;
- "EBT" are to Electronic Bingo Terminals installed in Mexico which are similar to U.S. Class II machines;
- "EU" are to the European Union;
- "euro" or "€" are to the lawful currency of the member states of the European Monetary Union;
- "IFRS" are to International Financial Reporting Standards (formerly known as "International Accounting Standards", or "IAS") as adopted by the European Union;
- "Indenture" are to the indenture governing the Notes, as amended and supplemented from time to time, dated June 24, 2005 among the Issuer, the Guarantors and Deutsche Trustee Company Limited, as trustee;
- "IPLyC" are to the Instituto Provincial de Lotería y Casinos de la Provincia de Buenos Aires, the gaming regulator of the Province of Buenos Aires;
- "Mexican peso" or "Mex. Ps." are to the lawful currency of Mexico;
- "Notes" refer to the €660 million aggregate principal amount of 8¼% senior notes issued by Codere Finance (Luxembourg) S.A. on each of June 24, 2005, April 19, 2006 and November 7, 2006;
- "Senior Credit Facility" refer to the senior credit facility of an aggregate maximum amount of €100 million, pursuant to an agreement dated October 19, 2007, as amended from time to time, among Codere S.A., and Barclays Bank plc, as agent, Barclays Capital, Credit Suisse International and Banco Bilbao Vizcaya Argentaria, S.A., as mandated lead arrangers; and
- "Slot machines" are to gaming devices into which a player inserts a form of currency and, based on a set of probability variables, the player either loses the wager or is awarded a prize. In this Report, we use the term "slot machines" broadly to include traditional reel spinning slots, machines with video screens, progressive jackpot machines and video lottery terminals (VLTs), which would include the AWP machines operated in Spain, the Comma 6 machines operated in Italy and the slot machines

operated in Argentina, Mexico, Colombia and Uruguay, which are similar to U.S. Class III Machines, which are electronic gaming machines that are specifically defined under U.S. federal law as a Class III gambling device, as typically permitted in U.S. casinos.

PRESENTATION OF FINANCIAL AND OTHER DATA

Unless otherwise indicated, historical financial information in this Report has been prepared in accordance with IFRS. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

We define "EBITDA" as operating profit plus depreciation and amortization plus variation in provisions for trade transactions plus impairment less the gains or losses on asset disposals. EBITDA as presented in this Report is a supplemental measure of our performance and liquidity that is not required by, or presented in accordance with, IFRS. Furthermore, EBITDA should not be considered in isolation and is not a measurement of our financial performance or liquidity under IFRS and should not be considered as an alternative to profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities as a measure of our liquidity as derived in accordance with IFRS. This non-GAAP financial measure does not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations. In addition, such measure as we define it may not be comparable to other similarly titled measures used by other companies.

Unless otherwise indicated, references to the amount of total debt outstanding as of any particular date in this Report are references to the amount of such debt recorded on our consolidated balance sheet. Such amount will be less than the nominal amount of our consolidated debt prior to the maturity date because, under IFRS, consolidated long-term debt on the balance sheet is recorded as the nominal amount of such debt, less the fees and expenses incurred in connection with the issuance of such debt, plus the accrual of such fees and expenses over the life of such debt.

FORWARD LOOKING STATEMENTS

This Report includes forward looking statements that reflect our intentions, beliefs or current expectations and projections about our future results of operations, financial condition, liquidity, operating performance for 2010 and thereafter, prospects, anticipated growth, strategies, opportunities and the industry in which we operate. Forward looking statements involve all matters that are not historical fact. Forward looking statements may be found in sections of this Report entitled ''Management's Discussion and Analysis of Financial Condition and Results of Operations'', ''Business'' and elsewhere.

These forward looking statements are subject to risks, uncertainties and assumptions and other factors that could cause our actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets we serve or intend to serve, to differ materially from those expressed in, or suggested by, these forward looking statements. You should not place undue reliance on such forward looking statements, which speak only as of the date of this Report. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this Report which may be made to reflect events or circumstances after the date of this Report, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events except as required by law.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

Our Selected Consolidated Financial Information and Other Data

The selected audited consolidated financial information as of and for the years ended December 31, 2008 and 2009 presented below has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2008 and 2009. The audited consolidated financial statements as of and for the years ended December 31, 2008 and 2009 have been prepared in accordance with IFRS and audited by Ernst & Young, S.L. and PricewaterhouseCoopers, respectively, our independent auditors.

	Year ended December 31,	
	2008[1]	**2009**
	(audited)	
	(€ in millions, except percentages)	
Income statement data:		
Operating revenue[2][3]	1,050.0	967.9
Operating expenses:		
Consumption and other external expenses	92.1	71.4
Personnel expenses	175.7	174.9
Depreciation	70.5	69.7
Amortization of intangible assets	22.1	23.1
Variation in provisions for trade transactions	2.3	3.4
Impairment loss	32.7	14.0
Other operating expenses:	549.2	490.5
Gaming and other taxes	322.3	305.3
Machine rentals[4]	4.8	6.3
Other [2][3][4]	222.1	178.9
Total operating expenses[2][3]	944.6	847.0
Gains or losses on asset disposals[2]	1.7	(4.7)
Operating profit	107.1	116.2
Financial items:		
Financial expenses	77.2	76.2
Financial revenues	10.8	7.7
Exchange gains (losses), net	11.4	10.0
Profit before tax of continuing activities	52.1	57.7
Corporate income tax	46.8	36.6
Profit after tax of continuing activities	5.3	21.1
Net income (loss) of discontinued operations	(9.5)	-
Consolidated net income	(4.2)	21.1
Minority interests	6.4	2.0
Net income (loss)	(10.6)	19.1
Discontinued Operations: Italy AWP direct operations and Italy Sports Betting[9]		
Operating revenue	7.0	-
Operating expenses	16.5	-
Operating profit	(9.5)	-
Net financial result	-	-
Profit before tax	(9.5)	-
Corporate income (loss)	-	-
Net income (loss)	(9.5)	-

	Year ended December 31,	
	2008[1]	2009
	(audited)	
	(€ in millions, except percentages)	
Balance sheet data:		
Cash and cash equivalents[6]	83.3	90.2
Working capital[7]	(54.2)	(51.8)
Total assets	1,220.7	1,199.0
Total debt[8]	761.1	750.2
Shareholders' equity	54.3	41.9
Minority interests	20.6	19.6

	Year ended December 31,	
	2008[1]	2009
	(audited)	
	(€ in millions, except percentages)	
Cash flow data:		
Net cash flow provided by operating activities	194.9	172.8
Net cash flow used in investing activities	(141.3)	(86.4)
Net cash flow provided by financing activities	(56.8)	(77.6)
Net change in cash position	(8.0)	6.9

	Year ended December 31,	
	2008[1]	2009
	(audited)	
	(€ in millions, except percentages)	
Other financial data:		
EBITDA[5]	233.0	231.1
EBITDA of discontinued operations	(1.9)	—

(1) Results for 2008 differ from those previously reported because we show results from asset disposals as a separate line item.

(2) Gains or losses on asset disposals are included as a separate line item in 2009 and 2008 and therefore excluded from operating revenues and operating expenses.

(3) We have changed the way we reflect the gains and losses on foreign exchange currency contracts. This change affects both operating revenue and operating expenses (other). Beginning in 2009, gains and losses are reflected in revenues and therefore losses are no longer included in expenses. Under the current methodology, consolidated operating revenue and operating expenses for 2008 would have been €1,048.4 million and €943.0 million, respectively.

(4) These line items for 2008 differ from those previously reported because we include €3.5 million in Machine Rentals, which were previously classified under Other.

(5) We define EBITDA as operating profit plus depreciation and amortization plus variation in provisions for trade transactions plus impairment less the gains or losses on asset disposals. EBITDA is not a measurement required by, or presented in accordance with, IFRS. EBITDA should not be considered in isolation and is not a measurement of our financial performance or liquidity under IFRS and should not be considered as an alternative to operating profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities as a measure of our liquidity as derived in accordance with IFRS. EBITDA does not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations. In addition, EBITDA as we define it may not be comparable to other similarly titled measures used by other companies.

The reconciliation of EBITDA to operating profit is as follows:

	Year ended December 31,	
	2008	2009
	(audited)	
	(€ in millions)	
EBITDA	233.0	231.1
- Depreciation and amortization	92.6	92.8
- Impairment loss	32.7	14.0
- Variation in provisions for trade transactions	2.3	3.4
+ Gains or losses on asset disposals	1.7	(4.7)
Operating profit	107.1	116.2

(6) Cash consists of cash at banks, cash on hand and short-term deposits with an original maturity of three months or less, which are not subject to significant fluctuations.

(7) We define working capital as current assets (excluding cash and cash equivalents) less current liabilities (excluding payables to credit entities and bonds and other marketable securities).

(8) We define total debt as long term debt, plus short term debt that includes the Notes, accrued and unpaid interest.

(9) Includes the results of the Italian direct AWP operations and Italian Sports Betting JV. These business units were sold in the quarters ended March 31 and June 30, 2008, respectively.

Cash flow from discontinued operations is as follows:

	Year ended December 31,	
	2008	2009
	(audited)	
	(€ in millions)	
Net cash from operating activities	1.3	—
Net cash used in investment activities	(1.3)	—
Net cash from financing activities	(1.2)	—
Net increase(decrease) in cash	(1.2)	—

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information set forth in "Selected Financial Information and Other Data" and our Consolidated Financial Statements and accompanying notes included elsewhere in this Report.

The following discussion contains certain forward looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, without limitation, those discussed in the section entitled "Business" and elsewhere in this Report.

Overview

We are a leading gaming company engaged in the management of slot machines (slots, AWPs and EBTs), bingo halls, horse racing tracks, casinos and sports betting locations in Spain, Latin America and Italy. As of December 31, 2009, we managed 53,711 slot machines, 141 bingo halls with an aggregate of 31,068 seats, 238 sport betting locations, three horse racing tracks and seven casinos. In 2009, we generated operating revenue of €967.9 million and EBITDA of €231.1 million.

In the Province of Buenos Aires, as of December 31, 2009, we are the largest operator of bingo halls with 14 bingo venues in which we operate 4,679 slot machine seats. In 2009, our Argentina business generated operating revenue of €351.9 million and EBITDA of €110.1 million.

In Mexico, through ICELA (our joint venture with Corporación Interamericana de Entretenimiento, S.A.B. de C.V. ("CIE")), and our management services agreement with Hipódromo de Agua Caliente, S.A. de C.V. ("Caliente") and our participation in Promojuegos de México S.A. de C.V. ("Promojuegos") and Mio Games, S.A. de C.V. ("Mio" or "Mio Games"), as of December 31, 2009, we are the largest operator of gaming sites with 108 bingo halls in which we operate, 21,402 slot machines. As of December 31, 2009, we also operate 46 sports betting locations, and, through ICELA we operate a 52 hectare gaming complex in Mexico City which includes the Las Americas racetrack, an amusement park and the largest convention center in Mexico. As of December 31, 2009, CIE, Caliente, Promojuegos and Mio held licenses to build and operate an additional 64 bingo halls. In 2009, our Mexico business generated operating revenue of €193.1 million and EBITDA of €60.5 million.

In Spain, we are the second largest operator of AWP machines with 15,587 machines in over 10,822 bars, restaurants and machine halls as of December 31, 2009. We have over 25 years of experience in operating machines in Spain and have established a large portfolio of exclusive gaming sites for our machines. In 2009, our Spain AWP business generated operating revenue of €176.6 million and EBITDA of €44.5 million.

Our other operations, which generated operating revenue of €245.2 million and EBITDA of €31.0 million for 2009, include (i) AWP machine and network operations and 12 bingo halls in Italy, (ii) a bingo hall in Spain, (iii) five casinos, one racetrack and sports betting locations in Panama, (iv) bingo halls, slot machines and two casinos in Colombia, (v) a joint venture in horse racing, sports betting locations and slot machines in Uruguay, (vi) sports betting locations in Spain and (vii) sports betting locations in Brazil.

Presentation of Financial Information

The financial statements contained in this Report include our audited consolidated financial statements as of and for the years ended December 31, 2008 and 2009, prepared in accordance with IFRS.

Segment Reporting

In the discussion below we review our results of operations on a consolidated basis and on the basis of our three principal businesses, Argentina, Mexico and Spain AWP. We also have operations in Italy, Colombia, Uruguay, Panama and Brazil that are of a smaller scale or in initial stages of development, as well as bingo operations and sports betting in Spain. A limited discussion of these operations has been included below under the heading "Other Operations". In 2009, our three principal businesses comprised 36.4%, 20.0% and 18.3% respectively, of our consolidated operating revenue and 44.7%, 24.6% and 18.1%, respectively, of our consolidated EBITDA (excluding, in each case, headquarters revenues and expenses). Our operations discussed under Other Operations comprised 25.4% of our consolidated operating revenue and 12.6% of our consolidated EBITDA (excluding, in each case, headquarters revenues and expenses) in 2009. The organization of our operations into our three principal businesses reflects the manner in which our management evaluates the performance of our various businesses and, on the basis of such information, makes financial and strategic decisions regarding our operations. We believe that the organization of our operations into the foregoing businesses also enhances our ability to adapt to the different market and regulatory environments of the countries in which we conduct our operations.

Our Group headquarters in Spain provides central corporate services including information technology, accounting, finance, tax, legal and strategic support to our three principal businesses and all of our Other Operations. We do not allocate any of the expenses associated with such services to the three principal businesses or Other Operations receiving such services and therefore the operating profit and EBITDA for our three principal businesses and Other Operations described below are overstated to the extent of the headquarters expenses corresponding to the three principal businesses and Other Operations.

Factors Affecting the Comparability of Our Results of Operations

As a result of the factors discussed below, our operating results for certain of the financial periods discussed in this Report are not directly comparable with the operating results for other financial periods discussed herein and may not be directly comparable with our operating results for future financial periods.

Latin American Currency Depreciation

We are exposed to foreign exchange rate risk in that our reporting currency is the euro, whereas the majority of our subsidiaries keep their accounts in other currencies, principally Argentine pesos and Mexican pesos and also Panamanian balboas (equivalent to the U.S. dollar), Colombian pesos, Uruguayan pesos, Brazilian reais and a portion of our costs and revenues are referenced to U.S. dollars. If we continue to expand our operations in Latin America, we will increase the proportion of our operating revenue that we generate in currencies other than the euro. For 2009, 36.4% and 20.0% of our operating revenue (including the gains and losses on foreign exchange currency contracts and excluding in each case headquarters revenues) was denominated in Argentine pesos and Mexican pesos, respectively, and a total of 65.5% of our operating revenue was in non-euro currencies.

During the periods under review, Latin American currencies have generally depreciated against the euro and this has had a significant impact on our financial condition and results of operations when expressed in euro. As Latin American currencies depreciate against the euro, when the results of operations of our Latin American subsidiaries are included in our Consolidated Financial Statements, the euro value of their results declines, even if, in local currency terms, their results of operations and financial condition have remained the same relative to the prior year. Accordingly, declining exchange rates may limit the ability of our results of operations, stated in euro, to fully describe the performance in local currency terms of our Latin American subsidiaries. Our Latin American subsidiaries generally generate revenues and incur expenses and liabilities in their local currency, which provides them with a natural hedge against foreign currency fluctuations.

The assets and liabilities of our subsidiaries which keep their accounts in currencies other than the euro have been translated to euro at the period-end exchange rates for inclusion in our balance sheet. Income statement items are translated into euro at the end of each month and these monthly results in euro are added to produce quarterly or annual results, as applicable.

The table below sets forth the exchange rates of the euro relative to the Mexican peso, the Argentine peso and the U.S. dollar as at the dates indicated.

	Year ended December 31,		
	2008	2009	2008/2009 % change
Mexican peso/Euro (€1.00 = Mex. Ps.)			
Period end	19.17	18.79	(2.0%)
Argentine peso/Euro (€1.00 = Arg. Ps)			
Period end	4.79	5.45	13.8%
U.S. dollar/ Euro (1€ = U.S.$)			
Period end	1.39	1.44	3.5%

The table below sets forth the average exchange rate for the years ended December 31, 2008 and 2009.

	Year ended December 31,		
	2008	2009	2008/2009 % change
Mexican peso/Euro (€1.00 = Mex. Ps.)			
Period end	16.32	18.83	15.3%
Argentine peso/Euro (€1.00 = Arg. Ps)			
Period end	4.63	5.22	12.8%
U.S. dollar/ Euro (1€ = U.S.$)			
Period end	1.47	1.39	(5.2%)

Source: Mexican Central Bank, Argentine Central Bank and Spanish Central Bank.

As at April 15, 2010, the exchange rate of the euro to the Mexican peso was €1.00 = Mex. Ps.16.50, the exchange rate of the euro to the Argentine peso was €1.00 = AR$5.25 and the exchange rate to the U.S.$ was €1.00 = U.S.$ 1.35.

In order to mitigate part of the foreign exchange risk to which we are subject, we hedge 50% of projected EBITDA from our Argentine and Mexican operations on a rolling four-quarter basis. At December 31, 2009, we had in place foreign exchange forward contracts to purchase a total of U.S.$61.8 million in exchange for Argentine pesos (U.S.$15.8 million, U.S.$ 21.0 million and U.S.$25.0 million for the quarters ended March 31, June 30 and September 30, 2010, respectively), €15.9 million in exchange for Mexican pesos (€7.9 million and €8.0 million for the quarters ended March 31 and June 30 2010, respectively) and €11.2 million in exchange for U.S. dollars (€11.2 million for the quarter ended March 31, 2010). Our Argentine peso foreign exchange forward contract which matured during 2009 amounted to a net gain of €0.5 million in 2009. Realized gains on the Mexican pesos foreign exchange forward contract which matured during 2009 amounted to €3.3 million. The realized gains have been recorded as other operating revenue in our Argentine and Mexico business. Unrealized gains and losses on outstanding forward contracts are recognized as a hedging reserve in consolidated shareholder's equity.

Colombia impairment charge

In 2009, we recorded an impairment charge of €14.0 million relating to assets in our Colombian business following a test for impairment triggered by an increase in gaming taxes adopted on January 21, 2010 and which became effective on February 1, 2010. The impairment loss is a non-cash charge to operating revenues, and does not affect our liquidity, operating cash flow, or debt service capacity. We are currently conducting a strategic review of the Colombian business.

Change in the reporting of gains and losses on foreign exchange currency contracts

We have changed the way we reflect the gains and losses on foreign exchange currency contracts. This change affects both operating revenue and operating expenses (other). Beginning in 2009, gains and losses are reflected in revenues and therefore losses are no longer included in expenses. Under the current methodology, consolidated operating revenue and operating expenses for 2008 would have been €1,048.4 million and €943.0 million, respectively.

La Plata license renewal in Argentina

In October 2009, the IPLyC adopted Resolution 75/09, which renews the La Plata license through June 30, 2021 in accordance with Decree 3198 and Resolution 456/06. Resolution 456/06 provides for an up-front renewal fee of AR$28 million (equivalent to €5.1 million as of December 31, 2009) in connection with the renewal of the La Plata license and a canon tax surcharge of AR$66 million (equivalent to €12.1 million as of December 31, 2009) accrued and payable in 60 monthly instalments which we had been accruing since January 1, 2007. Resolution 75/09 provided the same AR$28 million up-front renewal fee, but modified the canon tax surcharge to AR$138 million (equivalent to €25.3 million as of December 31, 2009), accrued and payable in 60 monthly instalments starting November 1, 2009. Accordingly, with respect to the canon tax surcharge, in 2009 we recorded the following amounts in our Consolidated Financial Statements:

	Year ended December 31, 2009	
Reversal of the accruals according to Resolution 456/06	**AR$**	**Euro**
	(in millions)	
Reversal of Canon tax surcharge accrued Jan. 2007- Sept. 2009	36.4	6.6
Canon tax surcharged accrued Jan.- Sept. 2009	9.9	2.0
Net impact of Canon tax surcharge accrual reversal	26.5	4.6
Gross revenue tax adjustment	2.3	0.4
Net impact reflected in *Gaming and other taxes*	24.2	4.2
Adjustment to *Corporate income tax*	9.2	1.6

As provided in Resolution 75/09, in the quarter ended December 31, 2009 we also paid AR$28 million for the up-front renewal fee, plus an advance payment of 10 of the 60 monthly instalments, equivalent to AR$23 million (equivalent to €4.2 million as of December 31, 2009).

Ballesteros Litigation

On September 23, 2009, the Madrid Provincial Court issued a judgment on our appeal requiring Mr. José Ballesteros and his wife to repay Codere approximately €12.0 million of the €15.5 million we paid in connection with the Ballesteros transaction and such amount was repaid to us in December 2009. As a result, in the quarter ended December 31, 2009, we reflected a €10.2 million (net of legal fees and expenses) reversal of the €15.5 million provision recorded in 2002 regarding the potential loss of payments in connection with the Ballesteros transaction, reducing the provision in respect of loss of payments to €5.3 million. We have not made any additional provisions in connection with the Ballesteros transaction. In parallel to the repayment, we filed an appeal to the Madrid Provincial Court's judgment requesting payment of interest accrued since March 2000, the date of the initial claim, and expect the Supreme Court to issue a ruling on this appeal within three years.

For a more detailed discussion of the Ballesteros litigation, see "Business—Litigation—Ballesteros Transaction".

H1N1 flu impact

In Argentina, following the declaration of a state of emergency by Argentine health authorities, municipal authorities initiated on July 2, 2009 a number of measures intended to control the spread of the H1N1 virus, including the cancellation or limitation of public events and the closure of public venues, including gaming venues. In compliance with these measures, all 14 halls which we operate in the Province of Buenos Aires were partially or totally closed to the public for various periods between July 2 and 17, 2009 and three halls operated with capacity limitations through August 18, 2009. Most halls recovered to pre-crisis levels relatively rapidly upon reopening. We estimate that the EBITDA loss due to hall closures and reduced demand in Argentina for this period was approximately €6.0 million which has been reflected in the quarter ended September 30, 2009.

In Mexico, following the World Health Organization's declaration of the H1N1 virus pandemic, Mexican federal and state governments initiated on April 26, 2009 a number of measures intended to control the spread of the H1N1 virus, including the cancellation of public events and the closure of public venues, including gaming venues.

In Mexico City and most regions, these locations were permitted to open on a case by case basis beginning on May 6, 2009. In compliance with these measures, 71 of the 105 halls we operate in Mexico were closed to the public for periods ranging from one to 14 days, and while activity in some halls that remained open was relatively unaffected by the public concern about the pandemic, others experienced significantly lower revenues. Most halls recovered to pre-crisis levels relatively rapidly upon reopening. We estimate that the EBITDA loss due to hall closures and reduced demand in Mexico for this period was approximately €3.5 million which has been reflected in the quarter ended June 30, 2009.

Closure of Casino Colón in Panama

On December 6, 2008, we opened Casino Colón following the receipt of a written authorization by the Executive Secretary of the Junta de Control de Juegos (JCJ), the Panamanian gaming regulator. On June 1, 2009, the JCJ sent a letter ordering the closure of Casino Colón alleging that it lacks the necessary authorization from the Controller General of Panama. We closed Casino Colón upon receipt of this letter. Although Casino Colón is the only venue which had been in operation, the authorizations for three other casinos have been withheld based on similar allegations. Codere is committed to complying with all applicable regulatory requirements for the operation of the casino. As such, we are working independently, as well as with the gaming industry association, to assert our right to reopen Casino Colón. The EBITDA contribution of the casino in the quarter ended March 31, 2009 was €570,000.

Italy network service fee provision reversal

The AWP network concession in Italy requires a 0.8% fee on amounts wagered (coin-in) to be paid to the relevant Italian regulatory agency (AAMS), and stipulates that part of this fee, up to a maximum of 0.5%, can be returned to concessionaires which make specific investments to improve the network. Each year the AAMS issues the list of parameters to be used to evaluate these improvements and in turn, pay back the 0.5% on amounts wagered, or a portion thereof. For several years, the European Union contested the AAMS payment as government aid, but the Italian government maintained the fee was a bailment which the concessionaires were paying in advance to guarantee their commitment to improve network performance, and in late 2008 the AAMS published a decree which defined the payment as a bailment. As a result, in 2008 we recorded a decrease in costs associated with the implementation of this fee, but also recorded a provision of €6.0 million pending the publication by the AAMS of the guidelines governing the amount and timing of the payment. In 2009, following the publication of these guidelines and the payment of the fees corresponding to 2007, we reversed €5.9 million of the provision related to the fees due for the 2007 and 2008 fiscal years.

Non-recurring items

In addition to the items mentioned above, we recorded non-recurring gains associated with the partial reversal of provisions associated with the cancellation of tax contingencies in Colombia (–see “Business—Litigation—Tax Contigencies”) (€2.6 million) and the partial reversal of a provision following the renegotiation of the agreements with the Jockey Clubs in Brazil (€1.1 million) and non-recurring losses associated with restructuring expenses in Spain AWP, Spain Bingo, Mexico ICELA and Corporate Headquarters (€3.9 million) and others (€2.0 million).

Key Factors Affecting Our Results of Operations

General Factors

Regulation

Our operations are highly regulated and many of the factors that affect our results of operations are prescribed by applicable regulation. These factors include the minimum payout ratio, such as in the case of gaming machines in many of the markets where we are present, gaming taxes, maximum wager, minimum average gaming time, and the number of gaming machines that we may install in bars, restaurants and our bingo halls. Furthermore, our operations are affected by regulations not specific to the gaming industry, such as the introduction of smoking bans or limitations, and limitations to the hours of operations of the location in which we operate gaming activities. These factors are generally fixed by regulation and may be favorably or unfavorably modified only as a result of the legislative process in the applicable country, region or municipality. As a result of the highly regulated nature of the gaming industry, we are required to focus on the limited number of factors that are within our control, to improve our results of operations.

In addition, our results of operations are dependent upon the granting and timely renewal of the necessary licenses by the gaming authorities in the countries in which we operate. Gaming authorities in such countries have the authority to deny, revoke, suspend or refuse to renew licenses we or our partners or clients hold and impose fines or seize assets if we or our partners or clients are found to be in violation of any of these regulations, any of which could have a material adverse effect on our business, financial condition and results of operations.

Macroeconomic Factors and Demographics

Gaming is a form of entertainment and, as such, competes with other forms of entertainment for the discretionary spending of the local population. In general, countries and regions with higher GDPs will tend to have higher levels of discretionary spending that can be directed to gaming and other forms of entertainment. Similarly, although we believe gaming tends to be more resilient than other forms of entertainment, when a country or region experiences a decline in GDP or a rise in inflation, spending on gaming may also decline. Demographic changes may also affect our results of operations. In addition, changing social habits in the countries in which we operate, such as longer working hours that result in a decrease in time spent on entertainment, may adversely affect our results of operations.

Competition

Consolidation of smaller gaming companies or the appearance of a new competitor, including illegal operators, close to the area of one of our key gaming sites could significantly affect our results of operations. In many of the countries and regions in which our businesses are located, the number of gaming sites in a given area is limited by regulation. However, illegal operators are, by nature, not controlled by regulation and their existence will depend on the desire or ability of regulators to regulate the activity. If such regulations were to be modified to allow for an increased number of gaming sites close to the location of our gaming sites, our clients could choose to visit our competitors' sites rather than our own. A decrease in visitors to our gaming sites could result in lower operating revenue and, in certain cases, our eventual closing or relocating of our gaming sites.

For more information on our competitors in the markets in which we operate, see "Business".

Argentina

Our Argentina business principally operates bingo halls with slot machines. The operating results of the Argentina business's bingo operations are subject to factors such as the availability of larger cash pools and the number of players in the halls which affect card sales. In addition, certain features of the Argentine regulatory scheme give rise to different economic considerations for the Argentina business's bingo business. Argentine law requires that gaming licenses be nominally awarded to Argentine non-profit organizations which, in turn, enter into agreements with gaming operators such as us. Accordingly, we are required under law to pay a percentage of amounts wagered to the non-profit license holders and have negotiated with such entities a payment of approximately 2.0% of amounts wagered. With respect to prize payouts, Argentine law requires payment as prizes of at least 58% of amounts wagered, and gaming taxes on bingo of 21% of amounts wagered.

As in the case of the Spain AWP business (described below), the key factors that affect the results of operations of our Argentina business's slot machine operations are the number of installed slot machines and the average daily net win per slot machine. The factors that most significantly affect the number of our installed slot machines are the number of bingo halls that we are able to open in Argentina or our ability to expand or relocate existing halls and Argentine regulation that limits the number of slot machines to one for every two bingo seats in any given bingo hall. The average daily net win per slot machine is most significantly affected by our ability to select high production slot machines and efficiently rotate our portfolio of slot machines. We believe our ability to select attractive, high production slot machines results from our experience in the slot machine business and our sufficient size that enables us to test numerous machines at one time. The Argentina business principally purchases its slot machines. The Argentina business's slot machine operations are also affected by the payment of an average of approximately 0.1% of amounts wagered to the non-profit organizations. In addition, Argentine regulations require a higher minimum percentage of prize payouts of our slot machines of 85% of amounts wagered (we currently pay on average 92%), compared to 70-75% in Spain. Gaming taxes are 34% of net win.

The license renewals in Argentina result in additional up front payments and a canon tax surcharge which have affected results, and which we expect to affect results in the coming years. As of the date of this Report, and since 2007, we have renewed six licenses, and we expect two additional licenses to be renewed in 2010. See "Business—Argentina" for additional detail regarding these license renewals.

Mexico

Our principal business in Mexico is the operation of bingo halls in which we operate electronic bingo terminals (EBTs) and slot machines as well as traditional (paper based) bingo. We also operate sports books, and following our acquisition of 49% of ICELA in November 2007, we operate a 52 hectare gaming complex in Mexico City which includes the Las Americas racetrack, an amusement park and the largest convention center in Mexico. The bingo hall operations of our Mexico business are affected by many of the same factors as our Argentine bingo business such as the availability of larger cash pools, the number of players in the halls, and in particular by factors affecting bingo card sales. Our Mexico business's bingo hall operating revenue is also significantly affected by the locations of the halls. In general, the most desirable locations for bingo halls are in city shopping malls because of their accessibility by car or public transportation and their perception of security.

As in the case of the Spain AWP and the Argentine slot machines business, beyond regulatory changes, the key factors that affect the results of operations of our Mexican slot machine operations are the number of installed machines and the average daily net win per machine. The factors that most significantly affect the number of our installed machines are the number of halls that we are able to open and our ability to expand or relocate existing halls. The average daily net win per machine is most significantly affected by our ability to select high production machines and efficiently rotate our portfolio. We believe our ability to select attractive, high production machines results from our experience in the slot machine business and our sufficient size that enables us to test numerous machines at one time. The Mexican business has purchase as well as lease arrangements for its machines.

The Mexican bingo operations, both paper-based and machines, are also affected by the payment of gaming taxes. The taxes applicable to the gaming businesses were originally set by the regulator under the terms of gaming licenses requiring the operation of capital intensive and unprofitable horse racetracks, and had until two years ago been low, at 0.25% and 2.0% of amounts wagered, in the case of CIE and Caliente, respectively. The latter also applied to other gaming operators. Nevertheless, the Mexican government approved a federal tax on net win from gaming activities, denominated IEPS, of 20% as of January 1, 2008. This tax has been increased to 30% as of January 1, 2010. Under the legislation, the totality of fees currently paid to the Secretaría de Gobernación ("SEGOB"), which represent 0.25-2.00% of amounts wagered, are credited against this amount. In addition, up to 4% of state and local taxes, which currently vary between 0-6% of net win, is also credited against the new tax.

The sports books which we operate in Mexico do not assume any financial risk for the bets placed at our sites. The financial risk is assumed by Caliente as we only act as agent for Caliente and receive a commission on all betting regardless of the outcome. Therefore the key factor affecting the sports books operating revenue is the volume of betting by visitors to Caliente's sports betting locations. Betting volume is principally affected by traffic at the bingo halls and the ability of the books to attract betting, which is most significantly affected by the number and type of sporting events and races on which betting is made available and the availability of televised simulcasts of such events displayed on televisions throughout the site.

Spain AWP

The key factors that affect the results of operations of our Spain AWP business are the number of our installed AWP machines and the average daily net win per AWP machine. The factors that most significantly affect the number of our installed machines are our ability to enter into new agreements, or renew existing agreements, with site owners and our ability to identify and undertake acquisitions. In addition to regulation, the average daily net win per AWP machine is most significantly affected by our ability to select high producing AWP machines and to efficiently rotate our AWP machine portfolio. In many cases, our success in entering into agreements with site owners depends on our making exclusivity payments or loans and advances to the site owners, which payments, loans and advances are customary in the market. The likelihood of such payments being required, and the magnitude of such payments, is generally a function of the competition for any given site, with centrally located, high traffic sites attracting the most interest from our competitors. In cases where there are a number of gaming operators bidding on a site, we will generally be required to make higher exclusivity payments or loans or advances to the site owner, increasing our operating costs. We capitalize exclusivity payments and amortize them over the length of the contract with the site owner, which averages five years.

Critical Accounting Policies

Our Consolidated Financial Statements and the accompanying notes contain information that is pertinent to the discussion and analysis of our results of operations and financial condition set forth below. The preparation of financial statements in conformity with IFRS requires our management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Estimates are evaluated based on available information and experience. Actual results could differ from these estimates under different assumptions or conditions. We believe that, in particular, the critical accounting policies and estimates discussed below involve significant management judgment due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, revenue and expense amounts. For a detailed description of our significant accounting policies, see Note 2 of our Consolidated Financial Statements.

Consolidation principles

We consolidate subsidiaries from the date on which control is transferred to the Group and cease to consolidate subsidiaries from the date on which control is transferred out of the Group. We consider as subsidiaries and consolidate by the global consolidation method (i) companies in which we have a direct or indirect holding of over 50% and in which we hold a majority of the voting rights or (ii) other companies in which we have a holding of 50% or less, but where pursuant to shareholders agreements we are entitled to exercise control over the direct management of such companies.

Companies in which we have joint control of the company's activities pursuant to a contractual agreement are consolidated by the proportional consolidation method, which involves recognizing a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in our consolidated financial statements on a line-by-line basis. In 2008 and 2009, the companies we consolidated by the proportional consolidation method are listed in Note 2(c)(3) of our Consolidated Financial Statements.

Companies in which we have a direct and/or indirect ownership interest of less than 50% and more than 20% and in which we do not hold a majority of the voting rights or exercise effective control over such companies' management but over which we have significant influence are carried by the equity method. The investments in such companies would be recorded on our consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of such companies, less any impairment in value. Our consolidated income statement reflects the share of the results of operations of such companies. As of December 31, 2008, there were no companies consolidated into the Group using this method. In 2009, Desarrollo Online Juegos Regulados, S.A. was the only company consolidated using this method.

Transactions and balances eliminated in consolidation of the financial statements of foreign companies

The reporting currency of the Codere Group is the euro. The financial statements of consolidated companies of which the functional currency is not the euro are translated to euro at the year-end exchange rates in the case of assets and liabilities, at the average exchange rates for the transaction of each month in the case of revenues and expenses, and at the historical exchange rates in the case of equity items. The conversion differences under this criteria and the translation at year end are included in the caption "Shareholders' equity" of the equity section of our consolidated balance sheet.

Intangible assets

The intangible assets acquired by the Group are stated at cost less accumulated amortization and impairment losses. Exclusivity or installation rights are capitalized at acquisition cost and amortized over the term of the related contract, which generally ranges from three to ten years. Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Gaming licenses are amortized during their useful lives. Likewise, the only intangible assets that the Group have with an indefinite lifetime are the non-redeemable installation rights and the brands, which are not amortized. For those intangible assets having finite useful lives, amortization is charged to the consolidated income statement on a straight-line basis over the relevant estimated useful life. Intangible assets are amortized from the date they are available for use. The amortization rates applied are as follows:

	Annual Depreciation Rate
Computer software	20%
Installation rights	10% - 33%
Gaming licenses	2.5%-6.6%
Leasehold assignment rights	10% - 20%
Client portfolio	4.5%

Tangible fixed assets

Tangible fixed assets are carried at cost except for land and buildings, which are valued at fair value on independent appraisals using this value as cost. We regularly review the fair values recorded to ensure that the amounts do not differ significantly from current market values. This revaluation of such land and buildings is recognized directly in equity. A decrease in carrying amount arising on the revaluation of such land and buildings is first charged as an expense in the consolidated income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. Depreciation on revalued buildings is charged to income.

Leases under terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Subsequent expenditure on capitalized tangible fixed assets is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expended as incurred. Non-removable installations in bingo halls and casinos are depreciated over the shorter of the term of the related lease contracts or the depreciation period used for such assets.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each component of the Tangible fixed assets. The elements are depreciated from the date they are available for use. Land is not depreciated. The depreciation rates applied are as follows:

	Annual Depreciation Rate
Slot machines	10% -40%
Amusement machines	10% - 40%
Other installations, tools and furnitures	7% - 30%
Information processing hardware	10% - 30%
Transport equipment	10% - 30%
Land	2% - 3%
Buildings	10% - 30%
Technical installations and machinery	7% - 30%

Financial expenses related to loans directly attributable to acquisition, construction or production of tangible assets, in the terms and conditions included in the revised IAS 23 (which came into effect in 2009), are recorded as part of the cost of that asset. There were no assets acquired under this category acquired in 2009.

Goodwill

All business combinations are accounted for by applying the purchase method of accounting. Goodwill represents the difference between the acquisition cost and the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment. The goodwill is assigned to the Group’s cash generating units which coincide, in general, with the operating segments, which correspond to geographical areas (except the division for activities in Spain and Italy), as the cash generating units which make up the lines of activity (slot machines, bingo and casinos), do not provide sufficiently detailed information for individual analysis, since normally several different kinds of operations coincide in the same location; for example, slot machines may be installed in bingo halls and casinos (Note 3 to our Consolidated Financial Statements).

Financial investments

Financial investments classified as held for trading are stated at fair value, with any resultant gain or loss recognized in the consolidated income statement. The fair value is the quoted price of the financial investments at the consolidated balance sheet date. Loans and receivables and financial investments where the Group has the positive intent and ability to hold to maturity, are stated at amortized cost less impairment losses. Other financial investments held by the Group are classified as available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity. When these investments are sold, the cumulative gain or loss previously recognized directly in equity is then recognized in the income statement. If an available-for-sale investment does not have a quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate, the investment is measured at cost less impairment losses. In the consolidated balance sheet, loans and accounts receivable maturing in under 12 months from the balance sheet date are classified as current and those maturing over 12 months from the balance sheet date as non-current. The Group records provisions for impairment on loans and accounts receivable when there are circumstances that reasonably permit them to be classified as doubtful.

Inventories

Inventories are stated at the lower of acquisition cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Impairment

See Note 2(b)(7) of our Consolidated Financial Statements for a discussion of our accounting policies relating to impairment.

Cash and Cash equivalents

Cash and cash equivalents comprises cash at banks, cash on hand, and short-term deposits with an original maturity of three months or less, which are not subject to significant fluctuations.

Capital issuance cost

Expenses incurred in connection with increases in capital are applied as a reduction to the proceeds received under Retained Earnings, net of any tax effect.

Treasury shares

Own shares held by the Group are reported at cost as a reduction in Shareholders’ equity, under Retained Earnings. The gain or loss on disposal of these shares is recorded in equity.

Provisions and contingent liabilities

A provision is recognized in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date. Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect the current best estimate of the related liability. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost. The criteria used to estimate these provisions are consistent with those used by management in previous periods.

Contingent liabilities are considered to be those possible obligations arising as a consequence of past events, the materialization of which is conditional upon one or more future events independently of the will of the consolidated companies. Contingent liabilities do not fall within the scope of the object of accounting record. Additional details are set forth in Note 2(e) of our Consolidated Financial Statements.

Financial liabilities

Financial liabilities are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated income statement over the period of the borrowing based on an effective interest rate. Contracts that create an obligation to purchase own equity instruments for cash or another financial asset give rise to a financial liability equal to the present value of the redemption amount. The financial liability is recognized initially under IAS 39, at fair value (the present value of the redemption amount) against equity. Subsequently, the financial liability is measured in accordance with current rules and movements in fair value are accounted for as gain or loss in the consolidated income statement. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity. The Group records financial liabilities disposals when obligations are cancelled or expired. Difference between the carrying amount of a financial liability cancelled or transferred to third parties and the consideration paid is recorded in the income statement of the fiscal year.

Debts maturing less than 12 months from the consolidated balance sheet date are classified as current and those maturing at over 12 months, as non-current.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing on the transaction date. Exchange gains or losses arising on the settlement of balances arising from foreign currency transactions are recorded in the profit and loss account as they arise.

The monetary items denominated in foreign currency are converted into the corresponding operative currency at the rate of exchange at the end of the year. All the positive and negative differences of exchange, whether realized or not, are recorded in the profit and loss account, except the differences of exchange generated by intra-group monetary items which are considered to form part of the investment in a foreign subsidiary, caption “Translation differences” of the equity section of our consolidated balance sheet.

Income tax

Income tax in the consolidated profit and loss account includes both current and deferred taxes. Income tax expense is recognized in the consolidated income statement except to the extent that the tax relates to items directly recognized in equity, in which case the tax is also recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the consolidated balance sheet date, and any adjustment to tax payable in respect to previous years. Deferred income tax is recorded, using the liability method, for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes calculated at the consolidated balance sheet date. Deferred taxes relating to the following temporary differences are not recorded: goodwill not deductible for tax purposes and the initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither the accounting profit nor taxable profit or loss. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is expected to be settled, based on tax rates (and tax laws) that have been enacted at the consolidated balance sheet date. Deferred income tax assets are recognized for all deductible temporary differences, carry-forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. See Note 2(b)(14) to our Consolidated Financial Statements for additional details.

Recognition of revenues and expenses

Revenues and expenses are recognized on an accrual basis, that is when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenues from the principal business divisions are recorded as follows:

- Slot machines: Revenues from slot machines are recorded as the net amount collected by the operator (net of prizes) except in the case of Spain AWP, Colombia and Italy AWP (see "—Principal Consolidated Income Statement Line Items—Operating revenue").

- Bingo: Revenues from bingo halls are recorded as the total amount of bingo cards sold, according to their face value, less bingo prizes, which are deducted from the gross revenue.

- Casinos and others: Revenues are recorded at the net amount collected by the operator (net of prizes).

- Racetracks: Revenues are recorded as the net amount collected by the operator (net of prizes).

- Sports Betting: Revenues are recorded at the net amount collected by the operator (net of prizes).

Assets held for sale

Assets held for sale are recognized at the lower of carrying amount and fair value, deducting, if applicable, any costs associated with their sale.

Related parties

We consider our direct and indirect shareholders who exercise control over the company, subsidiaries, associates, joint ventures and key directors to be related parties.

Foreign exchange hedges

The Group enters into hedge contracts to hedge foreign exchange rate changes affecting the operations of Mexico and Argentina, which account for a significant percentage of the Group's total revenues. See Note 2(b)(21) to our Consolidated Financial Statement.

Additional Critical Accounting Policies

For a discussion of additional critical accounting policies, see Note 2 to our Consolidated Financial Statements, including in particular Notes 2(b)(18) ("Business Combinations") and 2(b)(21) ("Hedge Contracts").

Principal Consolidated Income Statement Line Items

The following is a brief description of certain line items included in our consolidated income statement.

Operating revenue

Operating revenue principally comprises revenue from gaming activities less prizes paid. We recognize revenue on an accrual basis, that is, when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenues from the principal business divisions are recorded as follows:

- Slot machines: Revenues from slot machines are recorded as the net amount collected by the operator (net of prizes).
- Bingo: Revenues from bingo halls are recorded as the total amount of bingo cards sold, according to their face value, less bingo prizes, which are recorded as a deduction from gross receipts.
- Casinos and others: Revenues are recorded as the net amount collected by the operator (net of prizes).
- Racetracks: Revenues are recorded as the net amount collected by the operator (net of prizes).
- Sports Betting: Revenues are recorded as the net amount collected by the operator (net of prizes).

We employ a number of different revenue recognition methodologies across our different businesses. Our use of various revenue recognition methodologies is a result, in part, of historical adherence to a specified methodology and, in some cases, of an effort to make the reporting of our operating results more consistent with generally accepted accounting principles in the countries in which we operate. The manner in which our principal businesses record operating revenue is described below:

Argentina. The Argentina business's operating revenue principally comprises revenue collected from slot machines located in our bingo halls after prize payouts and from sales of bingo cards after prize payouts and revenues from food and beverages. It also reflects gains or losses from Argentine peso foreign exchange forward contracts which mature during the period. See "—Market and Credit Risks—Foreign Currency Risks".

Mexico. Our Mexico business's operating revenue includes our participation in the operating companies of ICELA (our joint venture with CIE), and the directly-owned licensees (Promojuegos and Mio Games), as well as revenue from our bingo hall management services agreement with Caliente. We proportionally consolidate our 49% stake in ICELA, and we consolidate 100% of Promojuegos and Mio Games. Our operating revenue under the management services agreement with Caliente is equivalent to 50% of the profit before tax of the bingo halls we manage. Mexico operating revenue also includes the net present value of sales to Caliente of gaming halls, improvements, and equipment including machines, as well as reimbursement of costs incurred on Caliente's behalf, such as bingo hall managers' salaries and fees paid in connection with the use of machines. It also includes gains and losses from the Mexican peso forward exchange contracts which mature during the period. See "—Market and Credit Risks—Foreign Currency Risks".

Spain AWP. The Spain AWP business's operating revenue is principally derived from our AWP machine operations in Spain. This operating revenue is recorded as the total amount wagered, net of prizes (the "net box") and net of the site owner's share of the net box (usually 50% of the net box after deducting gaming taxes). Spain AWP operating revenue also includes operating revenue from sales of a small number of AWP machines to third parties and other ancillary services provided to site owners, such as agency services to site owners.

The following table summarizes the manner in which revenue is recognized in 2009 across our businesses and certain business lines within certain businesses under IFRS:

Main Gaming Income Statement Items	Recognition of Gaming Revenue
Amounts Wagered	
Less	
Prizes Payout	
Equals	
Net Box (Net Win)	Spain Bingo, Argentina Slots and Bingo, Italy Bingo, Brazil, Panama Casinos and racetrack, Colombia casino, Mexico CIE, Uruguay racetrack
Less	
Site Owner(1)	
Equals	
Operator Revenues	Spain AWP, Colombia, Italy AWP (Indirect operation)
Less	
Gaming Taxes	
Equals	
Operator Revenues After Gaming Taxes	Uruguay slots
Less	
Operator Expenses	
Less	
Financial Expenses	
Equals	
Profit Before Tax	Mexico Caliente
Less	
Income Tax	
Equals	
Net Profit	

(1) Share of net box to site owners.

Operating Expenses

Operating expenses comprise:

Consumption and other external expenses. Under IFRS, consumption and other external expenses principally comprises food and beverage cost of sales in Argentina. In Mexico, it comprises food and beverage cost of sales for ICELA, Promojuegos and Mio, and the nominal value of gaming halls, improvements, and equipment sold to Caliente and including machines, and fees paid in connection with the use of slots. It also comprises personnel costs related to the salaries of bingo hall managers whom we provide for Caliente's bingo halls in Mexico and payments to certain AWP operators with whom we enter into collaboration agreements, costs related to ancillary services provided to site owners and machines purchased for resale in Spain AWP.

Personnel expenses. Our personnel costs include wages and salaries and social security costs.

Depreciation and amortization. Tangible fixed assets are depreciated on a straight-line basis over the estimated useful lives of each component of the assets. Other intangible assets are depreciated in the same way. The elements are depreciated from the date they are available for use. Land is not depreciated. The depreciation rates applied are as follows:

Tangible	Annual Depreciation Rate
Computer software	20%
Installation rights	10% - 33%
Gaming licenses	2.5%-6.6%
Leasehold assignment rights	10% - 20%
Client portfolio	4.5%

Intangible	Annual Depreciation Rate
Slot machines	10% -40%
Amusement machines	10% - 40%
Other installations, tools and furnitures	7% - 30%
Information processing hardware	10% - 30%
Transport equipment	10% - 30%
Land	2% - 3%
Buildings	10% - 30%
Technical installations and machinery	7% - 30%

Variation in provisions for trade transactions. Variation in provisions for trade transactions principally relates to movements in provisions we have taken in connection with doubtful account receivables and loans that we have made to site owners. The amount of the variation in provisions is principally affected by our assessment of the likelihood that the account receivables will be paid or the loans will be repaid.

Other Operating Expenses. Other operating expenses comprise gaming and other taxes, machine and other leases, payment for independent professional services, such as legal and auditing services, travel and advertising expenses, repair and maintenance and insurance premiums, among others.

Impairment test. Impairment test includes the amount by which asset values have been reduced at period end. See Note 2(b)(7) to our Consolidated Financial Statements.

Asset disposals. Asset disposals includes the profit or losses obtained from disposals completed during the period.

Operating profit

Operating profit represents the excess of operating revenue over operating expenses.

Financial items

Financial revenues. Financial revenues principally comprise other interests, revenues from marketable securities and non current loans. It also includes the accrual of the difference between the present value and the nominal value of the sales to Caliente.

Financial expenses. Financial expenses principally comprise interest paid on our outstanding indebtedness and variation in provisions for decline in value of financial investments.

Exchange gains (losses). Exchange gains (losses) principally comprise gains and losses recorded upon translation of non-euro assets and liabilities into euros.

Corporate income tax

As a result of our history of acquisitions and disposals and internal corporate reorganizations and our significant international operations, our tax position is complex. We are endeavoring to achieve a more tax efficient structure for the Group by merging certain subsidiaries in Spain out of existence and seeking to increase the number of subsidiaries that are more than 75% owned and, therefore, members of our consolidated tax group.

For Spanish tax purposes, 27 Spanish companies in our consolidated group file their tax returns as a consolidated tax group. Under Spanish tax legislation, we must have owned more than 75% of the capital stock of a company at the start of the tax year in order to include the company in our consolidated tax group. Spanish companies that are not part of our consolidated tax group pay tax on an individual basis (unless such companies belong to another tax group). Our non-Spanish subsidiaries are not included in our consolidated tax group and pay taxes in their local jurisdiction.

The statutory corporate income tax rate in Spain was 30.0% during the years ended December 31, 2008 and 2009.

There are 16 Italian companies which are included in the consolidated tax regime applicable in Italy. This consolidated regime was applied from January 1, 2005 for companies included in the tax group headed by Codere Italia, S.p.A, and since January 1, 2006, for companies included in the tax group headed by Operbingo Italia, S.p.A. The remainder of the companies file individual tax returns.

Minority interest

Minority interest comprises the portion of the net income or loss of companies we consolidate that is attributable to such companies' other shareholders. During the periods under review, minority interest was principally attributable to our subsidiaries in Spain and Argentina.

Results of Operations

The following table sets forth, by business and for our Other Operations, operating revenue, operating expenses, operating profit and EBITDA for the years ended December 31, 2008 and 2009 prepared in accordance with IFRS:

	Year ended December 31,		
	2008	**2009**	**% change**
	(€ in millions, except percentages)		
Operating Revenue:			
Spain AWP	208.2	176.6	*(15.2%)*
Argentina(1)	352.5	351.9	*(0.2%)*
Mexico(1)	232.1	193.1	*(16.8%)*
Other Operations:			
Spain Bingo	26.3	22.8	*(13.3%)*
Spain Sports Betting	0.7	3.4	*n.a.*
Italy AWP	46.0	42.2	*(8.3%)*
Italy Bingo	95.4	88.5	*(7.2%)*
Brazil	2.2	2.3	*4.5%*
Colombia	26.8	23.1	*(13.8%)*
Panama	45.3	48.0	*6.0%*
Uruguay	12.8	14.9	*16.4%*
Corporate Overhead	1.7	1.1	*(35.3%)*
Total	**1,050.0**	**967.9**	***(7.8%)***

	Year ended December 31,		
	2008	2009	% change
	(€ in millions, except percentages)		
Operating Expenses:			
Spain AWP	176.7	165.0	*(6.6%)*
Argentina[(1)]	255.7	255.9	*0.1%*
Mexico[(1)]	186.4	152.0	*(18.5%)*
Other Operations:			
Spain Bingo	26.2	23.7	*(9.5%)*
Spain Sports Betting	6.0	7.3	*21.7%*
Italy AWP	43.1	35.5	*(17.6%)*
Italy Bingo	126.1	89.0	*(29.4%)*
Brazil	5.5	3.1	*(43.6%)*
Colombia	26.8	37.3	*39.2%*
Panamá	41.9	46.9	*11.9%*
Uruguay	12.0	12.7	*5.8%*
Corporate Overhead	38.2	18.5	*(51.3%)*
Total	**944.6**	**847.0**	***(10.3%)***

	Year ended December 31,		
	2008	2009	% change
	(€ in millions, except percentages)		
Operating Profit (Loss):			
Spain AWP	30.0	9.1	*(69.7%)*
Argentina	96.8	96.0	*(0.8%)*
Mexico	45.8	41.0	*(10.5%)*
Other Operations:			
Spain Bingo	0.1	(0.9)	*n.a.*
Spain Sports Betting	(5.3)	(4.0)	*n.a.*
Italy AWP	2.9	6.3	*n.a.*
Italy Bingo	(30.7)	(0.7)	*n.a.*
Brazil	(3.3)	(0.8)	*n.a.*
Colombia	3.1	(15.6)	*n.a.*
Panama	3.4	1.1	*(67.6%)*
Uruguay	0.8	2.2	*n.a.*
Corporate Overhead	(36.5)	(17.5)	*n.a.*
Total	**107.1**	**116.2**	***8.5%***

	Year ended December 31,		
	2008[(1)]	2009	% change
	(unaudited)		
	(€ in millions, except percentages)		
EBITDA:			
Spain AWP	65.1	44.5	*(31.6%)*
Argentina	110.0	110.1	*0,1%*
Mexico	68.9	60.5	*(12.2%)*
Other Operations:			
Spain Bingo	1.2	0.3	*(75.0%)*
Spain Sports Betting	(5.0)	(3.0)	*n.a.*
Italy AWP	5.4	10.8	*100.0%*
Italy Bingo	6.6	4.5	*(31.8%)*
Brazil	(2.3)	(0.1)	*n.a.*
Colombia	5.8	4.6	*(20.7%)*
Panama	9.7	10.1	*4.1%*
Uruguay	3.3	3.8	*15.2%*
Corporate Overhead	(35.7)	(15.0)	*n.a.*
Total	**233.0**	**231.1**	***(0.8%)***

(1) We have changed the way we reflect the gains and losses on foreign exchange currency contracts. This change affects both revenue and operating expenses (other). Beginning in 2009 gains and losses are reflected in revenues and therefore losses are no longer included in expenses. Under the current methodology, revenues would have been €351.2 million and €231.8 million for 2008 for Argentina and Mexico, respectively and Operating Expenses would have been €254.4 million and €186.1 million for 2008 for Argentina and Mexico, respectively

Group Results of Operations

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Operating revenue

Operating revenue decreased by €82.1 million, or 7.8%, to €967.9 million in 2009 from €1,050.0 million in 2008. The decrease was principally attributable to: a decrease in Mexico (€39.0 million) reflecting the depreciation of the Mexican peso, lower sales to Caliente, the impact of the H1N1 virus in the quarter ended June 30, 2009 and the implementation of anti-tobacco regulation in states other than Distrito Federal since late August 2009; a decrease in Spain AWP (€31.6 million) principally derived from the decrease in the net win per day per AWP, in the portfolio installed, and in the number of machines sold to third parties; a decrease in Italy Bingo (€6.9 million) as a result of the decrease in the number of bingo cards sold and the increase in the prize payout (from 58% to 70%) associated with the regulation introduced in November 2009; and Italy AWP (€3.8 million) due to the absence of a €4.5 million provision reversal recorded in the quarter ended June 30, 2008 and despite an increase in net win per machine. The decrease was partially offset by an increase in Sports Betting (€2.7 million) due to the build-out of the business in Madrid and the Basque Region; Panama (€2.7 million) reflecting the growth of the portfolio (including Casino Colón opened between December 2008 and June 2009) and the appreciation of the U.S. dollar (the local currency) against the euro; and Uruguay (€2.1 million) due to an increase in the net win per slot per day as well as an increase in amounts wagered at the racetrack.

Operating expenses

Operating expenses decreased by €97.6 million, or 10.3%, to €847.0 million in 2009 from €944.6 million in 2008. The decrease was principally attributable to a decrease in costs in: Italy Bingo (€37.1 million) principally attributable to absence of the €32.7 million impairment charge recorded in the quarter ended December 31, 2008; Mexico (€34.4 million) due to the depreciation of the Mexican peso and the lower sales to Caliente and the decrease in commercial activity caused by the H1N1 virus in the quarter ended June 30, 2009; Corporate Overhead (€19.6 million) due primarily to the costs reductions and the reversal of €10.2 million provision associated to Ballesteros litigation; Spain AWP (€11.7 million) primarily reflecting the decrease in the number of machines purchased for resale and the decrease in gaming taxes due to the lower number of machines, which offset the restructuring costs incurred in the period. The decrease was partially offset by the increase in costs in: Colombia (€10.5 million) driven by the €14.0 million impairment charge recorded in the quarter ended December 31, 2009; Panama (€5.0 million) reflecting the growth of the portfolio and the appreciation of the U.S. dollar against the euro; and Sports Betting (€1.3 million) associated with the build-out of the operations in Madrid and in the Basque Region.

Gains or losses on asset disposals

Results from asset disposals decreased from a gain of €1.7 million in 2008 to a loss of €4.7 million in 2009 primarily as a result of the absence of a €3.2 million gain related to the sale of the headquarters building in Colombia recorded in the quarter ended September 30, 2008, the higher rotation of the portfolio in Spain AWP in 2009 compared to 2008, and the reduction of the portfolio in Colombia.

Operating Profit

Operating profit increased by €9.1 million, or 8.5% to €116.2 million in 2009 from €107.1 million in 2008. Operating margin increased to 12.0% in 2009, from 10.2% in 2008.

EBITDA

EBITDA decreased by €1.9 million, or 0.8%, to €231.1 million in 2009 from €233.0 million in 2008. The decrease in EBITDA was principally attributable to: Spain AWP (€20.6 million) reflecting the lower net win per day per AWP and a reduction in the number of machines installed; the decrease in Mexico (€8.4 million) due to the depreciation of the Mexican peso and the impact of the H1N1 virus in the quarter ended June 30, 2009; and the decrease in Italy Bingo (€2.1 million) due to a decrease in the number of bingo cards sold. This decrease was offset by: a reduction in the EBITDA loss at Corporate Overhead (€20.7 million) due to cost reductions and the provision reversal associated with the Ballesteros litigation; an increase in Italy AWP EBITDA (€5.4 million) due to an increase in the net win per machine, improved efficiencies in the business and the positive net impact of non recurring items recorded in 2009 compared to 2008; and an increase in Brazil (€2.2 million) primarily related to the renegotiation of agreements with the local jockey clubs and an increase in the profitability of the locations that we operate. EBITDA margin increased to 23.9% in 2009 compared to 22.2% in 2008.

Financial revenue

Financial revenues in 2009 decreased by €3.1 million, or 28.7%, to €7.7 million from €10.8 million in 2008. The decrease was principally attributable to a reduction in interest accrued corresponding to the lower balance of receivables from Caliente relating to a reduction in the number of gaming halls, improvements and equipment applicable sold to Caliente in 2009 compared to 2008, as well as to lower returns on cash balance resulting from a decrease in interest rates.

Financial expenses

Financial expenses decreased by €1.0 million, or 1.3%, to €76.2 million in 2009 from €77.2 million in 2008. The decrease was principally attributable to a decrease in debt outstanding at lower base interest rates under the Senior Credit Facility, and by a decrease in debt outstanding in Colombia and Italy, partially offset by the recording of a non-recurring charge of €2.5 million (with no impact on cash) associated with interest due on the compensation of fiscal credits relating to a long-standing claim in Spain AWP.

Corporate income tax

Corporate income tax decreased by €10.2 million, or 21.8%, to €36.6 million in 2009, from €46.8 million in 2008. The decrease is principally attributable to the activation of tax losses in Mexico, Italy AWP, and Italy Bingos for €5.6 million, €2.2 million and €3.4 million, respectively, and to a decrease in profit before tax in Spain and Panama. These effects were partially offset by the increase in profit before taxes in Argentina and the recording, in the quarter ended March 31, 2009, of withholding taxes corresponding to 2008 in Mexico.

Minority interest

Minority interest decreased by €4.4 million, or 68.8%, to €2.0 million in 2009 from €6.4 million in 2008. This decrease is primarily attributable to lower minority interest in Spain AWP (as a result of lower profits in that unit as well as the acquisition of minority partners in several subsidiaries) and the decrease in minority interests in Argentina following the acquisition of our principal minority shareholder in July 2008.

Net income

As a result of the foregoing, net income increased by €29.7 million, to a gain of €19.1 million in 2009, from a loss of €10.6 million in 2008. Excluding the impairment charge described above under "—Operating Expenses", net income would have been €33.1 million in 2009.

Results of Operations by Business

Spain AWP

	Year ended December 31,		
	2008	**2009**	**% change**
		(unaudited)	
	(€ in millions, except percentages)		
Operating revenue	208.2	176.6	*(15.2%)*
Operating expenses:			
Consumption and other external expenses	16.6	9.5	*(42.8%)*
Personnel expenses	39.4	37.6	*(4.6%)*
Depreciation	15.4	15.9	*3.2%*
Amortization of intangible assets	14.1	14.4	*2.1%*
Variation in provisions for trade transactions	4.1	2.6	*(36.6%)*
Other operating expenses	87.1	85.0	*(2.4%)*
Gaming and other taxes	62.9	61.3	*(2.5%)*
Rental of machines	0.1	0.1	*0.0%*
Others	24.1	23.6	*(2.1%)*
Total operating expenses	176.7	165.0	*(6.6%)*
Gains (losses) on asset disposals	(1.5)	(2.5)	*(66.7%)*
Operating profit	30.0	9.1	*(69.7%)*
EBITDA	65.1	44.5	*(31.6%)*

Operating Revenue decreased by €31.6 million, or 15.2%, to €176.6 million in 2009 from €208.2 million in 2008, as a result of a decrease in the net win per day per AWP and in the number of machines installed, as well as a decrease in the number of machines sold to third parties. We had 15,587 AWP machines in operation in Spain as of December 31, 2009, compared to 15,963 as of December 31, 2008. In 2009, we entered into new contracts for the placement of 1,319 machines in bars, restaurants and other establishments. In 2009 contracts related to 1,488 machines expired or were otherwise terminated. The net win per day per AWP machine was €49.2 in 2009, compared to €55.7 in 2008. We believe that the decrease, while partially offset by the continuous renewal and rotation of the machine portfolio and the positive effect from regulatory changes in Madrid and Extremadura, resulted primarily from the macroeconomic slowdown in the country, including a GDP decrease of 3.6% in 2009.

Operating Expenses decreased by €11.7 million, or 6.6%, to €165.0 million in 2009 from €176.7 million in 2008. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses* include payments to certain AWP operators with whom we enter into collaboration agreements, costs related to ancillary services provided to site owners and machines purchased for resale. Consumption and other external expenses decreased by €7.1 million, or 42.8%, to €9.5 million in 2009 from €16.6 million in 2008 principally attributable to a decrease in the number of machines purchased for resale and to lower payments to operators due to the decrease in the net win per day per AWP machine.

- *Personnel Expenses* decreased €1.8 million, or 4.6% to €37.6 million in 2009 from €39.4 million in 2008 due to reductions in personnel partially compensated by €2.3 million in restructuring costs incurred in 2009 compared to €1.4 million in 2008.

- *Depreciation* increased €0.5 million, or 3.2%, to 15.9 million in 2009 from €15.4 million in 2008.

- *Amortization* increased by €0.3 million, or 2.1%, to €14.4 million in 2009 from €14.1 million in 2008, principally attributable to the increase in payments for the exclusivity rights from prior periods.

- *Variation in provisions for trade transactions* decreased by €1.5 million, or 36.6%, to €2.6 million from €4.1 million in 2008.

- *Other Operating Expenses* decreased by €2.1 million, or 2.4% to €85.0 million in 2009 from €87.1 million in 2008. The decrease was due to a decrease in gaming taxes as a result of the decrease in the number of machines installed as well as cost reduction initiatives.

Losses on asset disposals increased from €1.5 million in 2008 to €2.5 million in 2009, primarily as a result of an increase in machine disposals as we renewed the portfolio.

Operating Profit decreased by €20.9 million, or 69.7%, to €9.1 million in 2009 from €30.0 million in 2008. Operating margin was 5.2% in 2009 compared to 14.4% in 2008.

EBITDA decreased by €20.6 million, or 31.6%, to €44.5 million in 2009 from €65.1 million in 2008. EBITDA margin decreased to 25.2% in 2009 from 31.3% in 2008.

Argentina

	Year ended December 31,		
	2008	**2009**	**% change**
	(unaudited)		
	(€ in millions, except percentages)		
Operating revenue[1]	352.5	351.9	*(0.2%)*
Operating expenses:			
Consumption and other external expenses	7.3	6.7	*(8.2%)*
Personnel expenses	47.0	51.3	*9.1%*
Depreciation	11.4	12.2	*7.0%*
Amortization of intangible assets	1.8	1.9	*5.6%*
Other operating expenses	188.2	183.8	*(2.3%)*
Gaming and other taxes	148.3	140.9	*(5.0%)*
Rental of machines	0.1	0.1	*0.0%*
Others	39.8	42.8	*7.5%*
Total operating expenses[1]	255.7	255.9	*0.1%*
Operating profit	96.8	96.0	*(0.8%)*
EBITDA	110.0	110.1	*0.1%*

(1) We have changed the way we reflect the gains and losses on foreign exchange currency contracts. This change affects both revenue and operating expenses (other). Beginning in 2009, gains and losses are reflected in revenues and therefore losses are no longer included in expenses. Under the current methodology, revenue and operating expenses would have been €351.2 million and €254.4 million, respectively, for 2008.

Operating Revenue in Argentina principally comprises revenue collected from slot machines located in our bingo halls after prize payouts and from sales of bingo cards after prize payouts. It also reflects gains or losses from Argentine peso foreign exchange forward contracts which mature during the period. Operating revenue decreased by €0.6 million, or 0.2%, to €351.9 million in 2009 from €352.5 million in 2008. This decrease was partially attributable to the appreciation of the euro against the Argentinean peso and the impact of the H1N1 virus in the quarter ended September 30, 2009, partially compensated by an increase in the net win per slot seat per day primarily as a result of the installation of the TITO and other coinless systems. At a constant exchange rate, and excluding the gains on the foreign exchange forward contracts, revenues would have been €395.8 million in 2009, representing an increase of 12.7% compared to 2008. Gains on the foreign exchange forward contracts which matured during the period were €0.5 million, compared to nil in 2008.

Operating expenses increased by €0.2 million, or 0.1%, to €255.9 million in 2009 from €255.7 million in 2008. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses,* which principally include food and beverage cost of sales, decreased by €0.6 million, or 8.2%, to €6.7 million in 2009 from €7.3 million in 2008, resulting from the depreciation of the Argentine peso and to savings in cost of goods sold resulting from improved efficiencies in the business.

- *Personnel Expenses* increased by €4.3 million, or 9.1%, to €51.3 million in 2009 from €47.0 million in 2008 due principally to increases in payroll resulting from inflation, as well as personnel increases.

- *Depreciation* increased by €0.8 million, or 7.0%, to €12.2 million in 2009 from €11.4 million in 2008 due to investment in halls and the implementation of TITO and other coinless systems.

- *Amortization* increased by €0.1 million, or 5.6%, to €1.9 million in 2009 from €1.8 million in 2008.

- *Other Operating Expenses*, which include gaming and other taxes, marketing expenses, and payments to the non-profit organizations that nominally hold the licenses to operate the bingo halls, decreased by €4.4 million, or 2.3%, to €183.8 million in 2009 from €188.2 million in 2008. This decrease is principally attributable to the decrease in activity in the quarter ended September 30, 2009 due to the H1N1 virus, the €4.2 million non-recurring reversal associated with the La Plata license renewal and the depreciation of the Argentine peso against the euro. This decrease was partially offset by the increase in costs associated to the increase of commercial activity and the non-recurring charge of €0.3 million related to the settlement of the machine malfunction claim.

Operating Profit decreased by €0.8 million, or 0.8% to €96.0 million in 2009 from €96.8 million in 2008. Operating margin decreased to 27.3% in 2009 from 27.5% in 2008.

EBITDA increased by €0.1 million, or 0.1%, to €110.1 million in 2009 from €110 million in 2008. The increase is principally attributable to the increase in the net win per machine and the impact of La Plata license renewal, partially offset by the appreciation of the euro against the Argentine peso and to the decrease in the activity in the quarter ended September 30, 2009 due to the H1N1 virus. At a constant exchange rate (and adjusted to eliminate the gains and losses on the foreign currency contract), EBITDA would have been €124.8 million in 2009, representing an increase of 13.5% compared to 2008. EBITDA margin increased to 31.3% in 2009 from 31.2% in 2008.

Mexico

	Year ended December 31, 2008	2009	% change
	(unaudited) (€ in millions, except percentages)		
Operating revenue(1)	232.1	193.1	*(16.8%)*
Of which sales to Caliente	*20.3*	*12.7*	*(37.7%)*
Operating expenses:			
Consumption and other external expenses	62.9	48.8	*(22.4%)*
Of which sales to Caliente	*24.3*	15.2	*(37.4%)*
Personnel expenses	20.2	17.6	*(12.9%)*
Depreciation	19.2	16.0	*(16.7%)*
Amortization of intangible assets	3.7	3.2	*(13.5%)*
Variation in provisions for trade transactions	0.3	0.2	*(33.3%)*
Other operating expenses	80.1	66.2	*(17.4%)*
Gaming and other taxes	14.8	10.5	*(29.1%)*
Rental of machines	4.4	6.0	*36.4%*
Others	60.9	49.7	*(18.4%)*
Total operating expenses(1)	186.4	152.0	*(18.5%)*
Gains or losses on assets disposals	0.1	(0.1)	*n.a.*
Operating profit	45.8	41.0	*(10.5%)*
EBITDA	68.9	60.5	*(12.2%)*

(1) We have changed the way we reflect the gains and losses on foreign exchange currency contracts. This change affects both revenue and operating expenses (other). Beginning in 2009, gains and losses are reflected in revenues and therefore losses are no longer included in expenses. Under the current methodology, revenue and operating expenses would have been €231.8 million and €186.1 million, respectively, in 2008.

Operating Revenue includes our participation in the operating companies of ICELA (our joint venture with CIE), and the directly-owned licensees (Promojuegos and Mio Games), as well as revenue from our bingo hall management services agreement with Caliente. We proportionally consolidate our 49% stake in ICELA, and we consolidate 100% of Promojuegos and Mio Games. Our operating revenue under the management services agreement with Caliente is equivalent to 50% of the profit before tax of the bingo halls we manage. Mexico operating revenue also includes sales to Caliente of gaming halls, improvements, and equipment including machines, as well as reimbursement of costs incurred on Caliente's behalf, such as bingo hall managers' salaries and fees paid in connection with the use of machines. It also includes gains and losses from the Mexican peso forward exchange contracts which mature during the period.

Operating revenue decreased by €39.0 million, or 16.8%, to €193.1 million in 2009 from €232.1 million in 2008 reflecting principally: the depreciation of the Mexican peso against the euro, a decrease in sales to Caliente due to a reduction in the number of gaming halls, improvements, and equipment sold to Caliente in 2009 compared to 2008, the implementation of anti-tobacco regulation in states other than the Federal District since late August 2009 and the impact of the H1N1 virus in the quarter ended June 30, 2009. At a constant exchange rate, and excluding the gains on the foreign exchange forward contracts, revenues would have been €218.6 million in 2009, representing a decrease of 4.8% compared to 2008. Gains on the foreign exchange forward contracts that matured during 2009 were €3.3 million, compared to €2.2 million in 2008.

Operating expenses decreased by €34.4 million, or 18.5%, to €152.0 million in 2009 from €186.4 million in 2008. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses,* which include the cost of building out and equipping the bingo halls sold to Caliente, fees paid in connection with the use of machines, expenses primarily in connection with the roll-out of the machines, and personnel costs related to the salaries of bingo hall managers whom we provide for Caliente's bingo halls as well as food and beverage cost of sales for ICELA and

Promojuegos and Mio Games, decreased by €14.1 million, or 22.4%, to €48.8 million in 2009 from €62.9 million in 2008, due primarily to the decrease in sales to Caliente and to the depreciation of the Mexican peso against the euro.

- *Personnel Expenses* decreased by €2.6 million, or 12.9%, to €17.6 million in 2009 from €20.2 million in 2008 primarily due to the depreciation of the Mexican peso and to lower activity associated with the H1N1 virus in the quarter ended June 30, 2009, partially mitigated by €0.4 million of restructuring costs recorded in ICELA in 2009.

- *Depreciation,* which includes the investment in halls operated by ICELA, Promojuegos and Mio Games as well as the racetrack and the convention center and the financial leases associated with the IGT machines, decreased €3.2 million, or 16.7% to €16.0 million in 2009 from €19.2 million in 2008. The decrease is primarily due to the depreciation of the Mexican peso, which was partially offset by the investments made to increase the installed capacity in ICELA.

- *Amortization,* which primarily includes the amortization of the licenses for the ICELA halls, decreased €0.5 million, or 13.5%, to €3.2 million in 2009 compared to €3.7 million in 2008, primarily due to the depreciation of the Mexican peso.

- *Other Operating Expenses* decreased by €13.9 million, or 17.4% to €66.2 million in 2009 from €80.1 million in 2008 principally due to the depreciation of the Mexican peso and the decrease in operating expenses associated with the impact of the H1N1 virus in the quarter ended June 30, 2009. The decrease was partially offset by the increase in commercial and machine rentals expenses and by a non-recurring payment of €0.6 million in the quarter ended March 31, 2009 associated with taxes related to the Las Americas race track concession corresponding to previous periods.

Gains or losses on asset disposals resulted in a loss of €0.1 million in 2009 compared to a gain of €0.1 million in 2008.

Operating Profit decreased by €4.8 million, or 10.5% to €41.0 million in 2009 from €45.8 million in 2008. Operating margin increased to 21.2% in 2009 from 19.7% in 2008.

EBITDA decreased €8.4 million, or 12.2%, to €60.5 million in 2009 from €68.9 million in 2008. EBITDA was affected by the lower activity associated with the H1N1 virus in the quarter ended June 30, 2009 and by depreciation of the Mexican peso. At a constant exchange rate (and adjusted to eliminate the gains on the foreign currency contracts) EBITDA would have been €66.6 million in 2009, a decrease of 0.1% compared to 2008. EBITDA margin was 31.3% in 2009 compared to 29.7% in 2008.

Other Operations

Other operations includes the results of our operations in Panama, Uruguay, Italy AWP (indirect and network), Italy Bingo, Colombia, Brazil, Spain Bingo and Spain Sports Betting, but excludes Corporate Overhead.

Operating revenue decreased by €10.3 million, or 4.0%, to €245.2 million in 2009 from €255.5 million in 2008. This was principally attributable to the decrease in: Italy Bingo (€6.9 million) primarily as a result of the decrease in the number of bingo cards sold and the increase in the prize payout (from 58% to 70%) associated with the regulation introduced in November 2009; Italy AWP (€3.8 million) due to the absence of a €4.5 million provision reversal recorded in the quarter June 30, 2008; Colombia (€3.7 million) due primarily to the lower number of machines installed and to the depreciation of the Colombian peso against the euro; and the decrease in Spain Bingo (€3.5 million) as a result of a decrease in the number of visitors and in the number of bingo cards sold per visit. This decrease was partially offset by: Panama (€2.7 million) reflecting the growth of the portfolio (including Casino Colón which was open between December 2008 and June 2009) and the appreciation of the U.S. dollar (local currency) against the euro; Spain Sports Betting (€2.7 million) associated with the progressive build-out of the operations in Madrid (starting in the quarter ended June 30, 2008) and in the Basque Region (starting in the quarter ended December 31, 2008); and Uruguay (€2.1 million) due to an increase in the net win per slot per day as well as an increase in amounts wagered at the racetrack.

Operating Expenses decreased by €32.1 million, or 11.2%, to €255.5 million in 2009 from €287.6 million in 2008. This decrease was mainly attributable to: Italy Bingo (€37.1 million) relating to the absence of the €32.7 million impairment charge recorded in the quarter December 31, 2008 and to lower gaming taxes as a result of the decrease in the number of bingo cards sold and the decrease in gaming taxes (from 24% to 12%) associated with the regulation introduced in November 2009; Italy AWP (€7.6 million) due to the €6.0 million provision reversal in Codere Network recorded in the quarter ended September 30, 2009 as well as cost reduction initiatives; Spain Bingo (€2.5 million) due to the lower activity and €0.9 million in restructuring costs recorded in the quarters ended September 30 and December 31, 2009; and Brazil (€2.4 million) primarily related to the €1.1 million non-recurrent gain recorded in the quarter ended September 30, 2009 associated with the partial reversal of a provision following the renegotiation of agreements with the local jockey clubs. This decrease was partially offset by increased costs in: Colombia (€10.5 million) due to the €14.0 million impairment charge recorded in the quarter December 31, 2009, which was partially offset by €2.6 million in provision reversals associated with fiscal contingencies corresponding to previous years; Panama (€5.0 million) reflecting the growth of the portfolio and the appreciation of the U.S. dollar against the euro; Sports Betting Spain (€1.3 million) associated with the build-out of the operations in Madrid and the Basque Region; and Uruguay (€0.7 million) associated with the increase in commercial activity.

Gains or losses on asset disposals resulted in a loss of €2.1 million in 2009 compared to a gain of €3.1 million in 2008, mainly as a result of the absence of a €3.2 million gain associated with the sale of the Colombian headquarters recorded in the quarter September 30, 2008.

Operating loss decreased by €16.6 million to a loss of €12.4 million in 2009 from a loss of €29.0 million in 2008.

EBITDA increased by €6.3 million, or 25.5%, to €31.0 million in 2009 from €24.7 million in 2008.

Liquidity and Capital Resources

Liquidity

To date, our and our subsidiaries' liquidity needs have been met principally from proceeds from the offerings of Notes, cash flow from operating activities and borrowings under credit facilities and other bank borrowings.

The following table provides a profile of our liabilities under IFRS at December 31, 2008 and 2009.

	As at December 31,	
	2008	2009
	(audited) (€ in millions)	
Short term debt payable to credit institutions	53.7	20.3
Other current liabilities[(1)]	251.6	241.6
Total current liabilities	305.3	261.9
Long term debt payable to credit institutions	47.4	68.5
Other long term liabilities[(2)]	813.7	826.8
Total long term liabilities	861.1	895.3
Total liabilities	1,166.4	1,157.2

(1) Other current liabilities consist of interest accrued on bonds, commercial creditors, other non-commercial obligations and accrual accounts and others.

(2) Other long-term liabilities consist of the Notes, deferred tax liabilities, other payables, deferred income, provisions and financial liabilities and minority interests.

Historical Cash Flows

The following is our consolidated cash flow statement under IFRS for the years ended December 31, 2008 and 2009.

	Year ended December 31,	
	2008[1]	2009
	(audited)	
Cash flow from continuing operations:	(€ in millions)	
Operating profit	107.1	116.2
Expenses that do not represent cash movements:		
Depreciation and amortization	92.6	92.8
Impairment loss	32.7	14.0
Other operating expenses	26.3	17.6
Income(loss) that does not represent cash movements	(17.2)	(1.8)
Changes in working capital	8.2	(21.2)
Corporate income tax	(54.8)	(44.8)
Net Cash from Operating Activities	**194.9**	**172.8**
Capital expenditures[1]	(120.3)	(101.6)
Long term loans and receivables[2]	4.3	16.0
Investments[3]	(25.3)	(0.8)
Net Cash Used in Investing Activities	**(141.3)**	**(86.4)**
Net change in financial debt[4]	18.5	(47.7)
Net change in other bank loans	(9.3)	33.8
Dividends (net)	(5.3)	(1.5)
Net change in other debt and contingent payments[5]	6.4	5.9
Increase of share capital	0.0	0.0
Interest income	5.5	1.8
Interest expense	(69.5)	(68.4)
Net cash effect of exchange rate changes	(3.1)	(1.5)
Net Cash from Financing Activities	**(56.8)**	**(77.6)**
Effects of exchange rate fluctuations[6]	**(4.8)**	**(1.9)**
Net Change in Cash Position	(8.0)	6.9
Reconciliation		
Cash at beginning of period	91.3	83.3
Cash at end of period	83.3	90.2
Change in cash position	(8.0)	6.9
Cash flow from discontinued operations:		
Net cash from operating activities	1.3	—
Net cash used in investment activities	(1.3)	—
Net cash from financing activities	(1.2)	—
Net change in cash position	**(1.2)**	—
Reconciliation		—
Cash at beginning of period	2.8	—
Cash at end of period	1.6	—
Change in cash position	(1.2)	—

1. Capital expenditures primarily consist of investments to maintain or improve the quality of our facilities, to build out and equip bingo halls in connection with our ICELA JV, to purchase new AWP, EBTs or slot machines and to make exclusivity payments to site owners in connection with contracts to install our AWP machines in their establishments.
2. Long-term loans and receivables include amounts related to building out and equipping bingo halls that are sold to Caliente, which pays for such bingo halls over a five-year period. Loans to site owners and other loans are also included.

3. Investments include expenditures relating to acquisitions.
4. Net change in financial debt includes our Senior Credit Facility and 50% of Notes issued by Hipica Rioplatense Uruguay (HRU), our JV in Uruguay.
5. Net change in other debt and contingent payments reflects movements in temporary financial investments such as vendor financing and contingent payments.
6. Includes the effect of exchange rate fluctuations in the conversion of balances to euros (these amounts were previously reported under Changes in working capital).

Cash Flow for 2009

Net cash from operating activities for 2009 was €172.8 million, a decrease of 11.3% from €194.9 million for 2008.

Net cash used in financing activities was €77.6 million, the principal drivers of which were as follows:

- Positive variation in other debt and contingent payments of €5.9 million, which consists of a net decrease in vendor financing of €9.0 million, an increase in liabilities due to the deferral of gaming taxes in Spain (€15.8 million) and an increase in financial assets of €0.9 million. The €9.0 million net decrease in vendor financing consists of a positive variation of €20.5 million (principally reflecting the registration of the €11.2 million up-front renewal payment associated with the San Martin and Puerto licenses which we expect will be renewed in 2010, and €9.3 million associated with capitalization of the IGT machine leases following the renegotiation of the machine lease agreement in the Mexico ICELA business) and a negative variation of €29.5 million (principally reflecting the amount pending following the exercise of the Operbingo AWP machine option associated with our purchase of Operbingo in 2005 (€7.6 million), the €5.1 million up-front renewal payment associated with the La Plata license renewal, the partial payment of the acquisition of the minorities in Argentina (€5.6 million) and capital expenditures in Spain AWP, Mexico and Panama).

- A net decrease of €47.7 million in financial debt resulting from €46.9 million in repayments under the Senior Credit Facility and a €0.8 million amortization of the HRU bond.

- A net increase in other bank loans of €33.8 million, due primarily to new bank loans contracted in Mexico, partially offset by repayments in Panama and Italy Bingo.

- Dividends paid to minorities of €1.5 million, financial expenses of €68.4 million, financial income of €1.8 million and a net negative variation of €1.5 related to changes in exchange rates (€13.2 million in positive variations and €14.7 million in negative variations).

We used cash for capital expenditures for intangible and fixed assets (€101.6 million), received a net of €16.0 million in long term loans and receivables consisting of: €12.3 million received from Caliente (repayments of €22.4 million, net of receivables generated of €10.1 million), €3.9 million received for long-term loans provided to Spain AWP site owners (repayments of €11.8 million, net of €7.9 million in loans), and €0.2 million for long-term loans provided to Italy AWP site owners (€7.4 million in loans, net of €7.2 million in repayments). We used €0.8 million for investments, the net amount of €0.9 million used for payments related to the Operbingo AWP machine option, €0.3 million reflecting the positive impact of adjustments to the contingent payments associated with AWP operators acquired in Spain last year and other investments for €0.2 million.

Variations in foreign exchange rates (in the conversion of the cash balances) resulted in a negative impact of €1.9 million.

During 2009, we had a net increase in cash of €6.9 million.

Working Capital Requirements

The following table, which is derived from our IFRS cash flow statement, sets forth movements in our working capital for the periods indicated:

	Year ended December 31,	
	2008[(1)]	2009
	(unaudited)	
	(€ in millions)	
Variations in:		
Receivables	(5.5)	(14.0)
Inventories	(2.9)	3.7
Payables	8.9	(9.2)
Prepaid expenses	0.2	(0.3)
Deferred income	(0.3)	(0.3)
Deferred expenses	0.9	0.6
Other	6.9	(1.7)
Total	8.2	(21.2)

(1) Amounts from 2008 differ from those previously reported due to the effect of exchange rate fluctuations in the conversion of balances to euros included in the Cash Flow statements (these amounts were previously reported under Changes in working capital).

The operation of our various businesses, in the aggregate, is not working capital intensive. We manage our working capital requirements on a decentralized basis and have historically funded our working capital requirements through funds generated from our operating activities and from borrowings under our senior credit facilities.

During the periods under review, our working capital needs have been principally driven by receivables and inventories in our Mexico business as well as receivables from clients of Codere Network. During 2009, we recorded €6.1 million in payables related to our request for deferral of gaming taxes in Spain.

We anticipate that our working capital requirements in the foreseeable future will generally be stable. However, these requirements can fluctuate for a variety of reasons, including the proposed restructuring of our contractual agreement with Caliente (see "Business—Recent Developments—Proposed restructuring of agreement with Caliente"), movements in receivables from clients of Codere Network, payables related to our request for deferral of gaming taxes in Spain, corporate income tax receivables relating to tax payments to the Mexican government and exchange rate fluctuations.

Capital Expenditures and Investments

The following table sets forth our total capital expenditures, excluding capitalized expenses, by geographical area and, based on management's estimates, divided between maintenance and growth capital expenditures for the period indicated. We generally classify capital expenditures as growth capital expenditures to the extent that they relate to increasing the number of slot machines in our portfolio, increasing the number of bingo seats in our bingo halls or otherwise expanding our business. Maintenance capital expenditures are capital expenditures that are not related to expanding our business.

	Year ended December 31(1),	
	2008	2009
	(unaudited)	
	(€ in millions)	
Spain AWP	42.9	19.6
Maintenance	35.6	19.1
Growth	7.3	0.5
Argentina	51.7	25.1
Maintenance	17.5	21.3
Growth	34.2	3.8
Mexico	12.6	12.3
Maintenance	7.0	13.4
Growth	5.6	(1.1)
Holding Company	4.7	0.9
Maintenance	4.5	0.6
Growth	0.2	0.3
Italy	3.9	19.0
Maintenance	7.2	6.2
Growth	(3.3)	12.8
Spain Bingo	2.9	(0.1)
Maintenance	2.9	(0.1)
Growth	—	—
Spain Sports Betting	4.6	1.7
Maintenance	—	—
Growth	4.6	1.7
Panama	13.4	1.7
Maintenance	1.2	1.3
Growth	12.2	0.4
Colombia	3.6	4.7
Maintenance	3.5	1.0
Growth	0.1	3.7
Uruguay	0.8	1.4
Maintenance	0.5	0.5
Growth	0.3	0.9
Brazil	0.2	0.1
Maintenance	0.1	0.1
Growth	0.1	—
Total Maintenance	80.0	63.4
Total Growth	61.3	23.0
Total Capex	141.3	86.4

(1) Excludes the investments made in discontinued operations for 2008.

We invested an aggregate amount of €227.7 million, excluding capitalized expenses, during 2008 and 2009. Our investing activities during the periods under review included the following capital expenditures, long-term loans and receivables and investments:

	Year ended December 31,	
	2008[1]	2009
	(unaudited)	
	(€ in millions)	
Spain AWP	42.9	19.6
Capital expenditures	39.0	23.8
Long term loans and receivables	(0.4)	(3.9)
Investments	4.3	(0.3)
Argentina	51.7	25.1
Capital expenditures	26.6	25.1
Long term loans and receivables	—	—
Investments	25.1	—
Mexico	12.6	12.3
Capital expenditures	17.4	24.6
Long term loans and receivables	(4.8)	(12.3)
Investments	—	—
Holding Company	4.7	0.9
Capital expenditures	4.5	0.6
Long term loans and receivables	0.2	—
Investments	—	0.3
Italy	3.9	19.0
Capital expenditures	7.3	17.9
Long term loans and receivables	0.7	0.2
Investments	(4.1)	0.9
Other	25.5	9.5
Capital expenditures	25.5	9.5
Long term loans and receivables	—	—
Investments	—	—
Total capital expenditures	120.3	101.6
Total long term loans and receivables	(4.3)	(16.0)
Total investments	25.3	0.8
Total cash invested excluding capitalized expenses	141.3	86.4

(1) Excludes the investments made in discontinued operations for 2008.

We expect to invest approximately €110.0 million in our existing businesses during the course of 2010, including approximately €29.0 million in Argentina, €26.0 million in Spain AWP, €8.0 million in Mexico (net of recoveries from Caliente), €19 million in Italy AWP and Bingo and €29 million in our other operations including Uruguay, Colombia, Spain Bingo, Brazil, Sports Betting and corporate headquarters. We expect these investments will help us to grow the slot machine portfolio by 8-10% in Argentina, 10-12% in Mexico, make the second payment for the machine rights in Italy AWP and renew machines and exclusivity contracts in Spain AWP in order to maintain the slot machine portfolio relatively stable in Spain AWP, fund our share of the Hotel Casino Carrasco project in Uruguay and increase the number of self service terminals in the Sports Betting business, among others. The investments are expected to be evenly divided between growth and maintenance.

Our actual capital expenditures for the year may be less than or exceed these amounts. In particular, our actual capital expenditures may be affected by changes in foreign exchange rates, decisions we take to undertake potential investments, or acquisitions that we are currently considering or consider making in the future. We expect that these capital expenditures will be funded primarily through cash from operations and bank borrowings under our existing credit facilities.

Contractual Obligations

We have numerous contractual commitments providing for payments relating to warehouses and office facilities, equipment leases, automobile leases and payments to site owners and certain AWP machine operators with whom we enter into collaboration agreements in our AWP machine businesses. We also have, and will continue to have, payment obligations pursuant to our outstanding borrowings.

Our consolidated contractual obligations as of December 31, 2009 were as follows:

	Payments due by period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**After 4 years**
	(unaudited) (€ in millions)			
Long term debt[1]	728.2	—	35.5	692.7
Other long term debt[2]	84.8	—	49.6	35.2
Short term debt[3]	21.9	21.9	—	—
Capital lease agreements (short term)[4]	10.0	10.0	—	—
Other obligations (short term)[5]	56.0	56.0	—	—
Purchase obligations (trade account payable) [6]	88.2	88.2	—	—
Total contractual obligations	989.1	176.1	85.1	727.9

(1) Includes the Notes and the HRU Bonds (€653.5 million and €4.2 million), long term payable to credit entities (€68.5 million) and the Senior Credit Facility (€2 million).

(2) Includes the deferred portion of the purchase price of AWP Spain operators (€11.5 million), long-term payments of exclusivity rights in Spain (€10 million) long term financial leasing (€23.2 million), long-term payables related to our request for deferral of gaming taxes in Spain (€13 million), the balance remaining of the deferred portion of the purchase of the minority stake in the Argentina business (€7.9 million), long-term debt due to acquisition of VLT rights in Italy AWP (€7.9 million) and other long-term debts in Argentina, Panama and Italy.

(3) Includes the Notes accrued and unpaid interest of €2.3 million, the HRU Bond principal and accrued and unpaid interest of €1.3 million, plus bank loans in Italy (€3.6 million), Mexico (€12.6 million), Panama and Colombia, excluding the Senior Credit Facility.

(4) Includes short term capital lease agreements.

(5) Other short term obligations include deferred gaming taxes in Spain AWP (€14.4 million) and excludes short-term capital lease agreements.

(6) Includes trade account payable.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet entities and do not utilize off-balance sheet arrangements.

Effects of Inflation

Our performance is affected by inflation to a limited extent. In recent years, the impact of inflation on our operations in Spain has not been material. However, our international operations, particularly those in Latin America, are subject to relatively high inflation rates.

Market and Credit Risks

We are primarily exposed to market risk from changes in interest rates and foreign currency exchange rates. We manage our exposure to these market risks through our regular operating and financing activities. Financial instruments that potentially subject us to credit risk consist of cash investments, loans to Caliente and trade receivables. We maintain cash and cash equivalents with financial institutions in Spain with high credit standards.

Interest Rate Risks

We are subject to interest rate risks related to our borrowings. Borrowings under the Senior Credit Facility are principally in euro with floating interest rates based on EURIBOR, LIBOR or TIEE. We do not currently hedge our interest rate exposure and do not expect to do so in the future.

Foreign Currency Risks

Our principal exchange rate exposures relate to the euro-Mexican peso and euro-Argentine peso exchange rates for translation related exposure. We also have translation related exposures arising from our operating revenue generated in the local currencies of Colombia and Brazil, and to the U.S. dollar in Panama where the dollar is the functional currency, and Uruguay where the revenues are referenced to the dollar. In addition, we also have dollar-local currency exposure, particularly in Mexico where the receivables from Caliente, and most of the EBT rental costs are dollar-denominated.

In order to mitigate part of the foreign exchange risk to which we are subject, we hedge 50% of projected EBITDA from our Argentine and Mexican operations on a rolling four-quarter basis. At December 31, 2009, we had in place foreign exchange forward contracts to purchase a total of U.S.$61.8 million in exchange for Argentine pesos (U.S.$15.8 million, U.S.$ 21.0 million and U.S.$25.0 million for the quarters ended March 31, June 30 and September 30, 2010, respectively), €15.9 million in exchange for Mexican pesos (€7.9 million and €8.0 million for the quarters ended March 31 and June 30, 2010, respectively) and €11.2 million in exchange for U.S. dollars (€11.2 million for the quarter ended March 31, 2010). Our Argentine peso foreign exchange forward contract which matured during 2009 amounted to a net gain of €0.5 million in 2009. Realized gains on the Mexican pesos foreign exchange forward contract which matured during 2009 amounted to €3.3 million. The realized gains have been recorded as other operating revenue in our Argentine and Mexico business. Unrealized gains and losses on outstanding forward contracts are recognized as a hedging reserve in consolidated shareholder’s equity.

BUSINESS

Overview

We are a leading gaming company engaged in the management of slot machines (slots, AWPs and EBTs), bingo halls, horse racing tracks, casinos and sports betting locations in Spain, Latin America and Italy. As of December 31, 2009, we managed 53,711 slot machines,141 bingo halls with an aggregate of 31,068 seats, 238 sport betting locations, three horse racing tracks and seven casinos. In 2009, we generated operating revenue of €967.9 million and EBITDA of €231.1 million.

In the Province of Buenos Aires, as of December 31, 2009 we are the largest operator of bingo halls with 14 bingo venues in which we operate 4,679 slot machine seats. In 2009, our Argentina business generated operating revenue of €351.9 million and EBITDA of €110.1 million.

In Mexico, through ICELA (our joint venture with Corporación Interamericana de Entretenimiento, S.A.B. de C.V. ("CIE")), and our management services agreement with Hipódromo de Agua Caliente, S.A. de C.V. ("Caliente") and our participation in Promojuegos de México S.A. de C.V. ("Promojuegos") and Mio Games, S.A. de C.V. ("Mio" or "Mio Games"), as of December 31, 2009, we are the largest operator of gaming sites with 108 bingo halls in which we operate 21,402 slot machines. As of December 31, 2009 we also operate 46 sports betting locations, and, through ICELA, we operate a 52 hectare gaming complex in Mexico City which includes the Las Americas racetrack, an amusement park and the largest convention center in Mexico. As of December 31, 2009, CIE, Caliente, Promojuegos and Mio held licenses to build and operate an additional 64 bingo halls. In 2009, our Mexico business generated operating revenue of €193.1 million and EBITDA of €60.5 million.

In Spain, we are the second largest operator of AWP machines with 15,587 machines in over 10,822 bars, restaurants and machine halls as of December 31, 2009. We have over 25 years of experience in operating machines in Spain, and have established a large portfolio of exclusive gaming sites for our machines. In 2009, our Spain AWP business generated operating revenue of €176.6 million and EBITDA of €44.5 million.

Our other operations, which generated operating revenue of €245.2 million and EBITDA of €31.0 million for 2009, include (i) AWP machine and network operations and 12 bingo halls in Italy, (ii) a bingo hall in Spain, (iii) five casinos, one racetrack and sports betting locations in Panama, (iv) bingo halls, slot machines and two casinos in Colombia, (v) a joint venture in horse racing, sports betting locations and slot machines in Uruguay, (vi) sports betting locations in Spain and (vii) sports betting locations in Brazil.

The following table sets forth the number of gaming machines (AWP, EBTs and slots), bingo halls and other gaming facilities we operated as of December 31, 2009 and the contribution of each of our businesses to our consolidated operating revenue and EBITDA (before corporate headquarters revenues and expenses) for 2009.

	AWP/Slot Machines/EBTs	Bingo halls/Sports Betting Locations	Casinos	Horse Race Tracks	Revenue(1)	EBITDA(1)	Percent of EBITDA
			(€ in millions)				
Spain AWP	15,587	__	__	__	176.6	44.5	18.1%
Argentina	4,679	14/0	__	__	351.9	110.1	44.7%
Mexico	21,402	108/46	__	1	193.1	60.5	24.6%
Other Operations:							
Italy AWP	1,688	__	__	__	42.2	10.8	4.4%
Italy Bingo	493	12/0	__	__	88.5	4.5	1.8%
Spain Bingo	82	1/0	__	__	22.8	0.3	0.1%
Sports Betting	__	0/175	__	__	3.4	(3.0)	(1.2%)
Panama	1,620	0/6	5	1	48.0	10.1	4.1%
Colombia	6,556	6/0	2	__	23.1	4.6	1.9%
Uruguay	1,604	0/6	__	1	14.9	3.8	1.5%
Brazil	__	0/5	__	__	2.3	(0.1)	0.0%
Total	53,711	141/238	7	3	966.8	246.1	100.0%

(1) Revenue and EBITDA do not reflect revenues and expenses relating to corporate services provided to each of our three principal businesses and Other Operations by our Group headquarters (€1.1 million and €(15.0) million, respectively, in 2009).

History

Codere, S.A. was founded in December 1980 by the Martínez Sampedro family, Jesús Franco and Joaquín Franco. Jesús Franco and Joaquín Franco own Recreativos Franco, S.A. (“Recreativos Franco”), one of the largest gaming machine manufacturers in Spain. At that time, Jesús Franco, Joaquín Franco and the Martínez Sampedro family had established businesses in the operation and distribution of non-prize entertainment games, such as flipper and pinball. These businesses formed the basis of what is now the Codere Group. Codere, S.A. began AWP operations in 1981, mainly in Madrid, and grew rapidly. In 1983, we began our expansion outside Madrid by adding operations in the Spanish provinces of Catalonia and Valencia and in the following year, we commenced AWP machine operations in Colombia. As the Spanish AWP market began to mature, we continued our strategy of expansion in Latin America, diversifying into bingo, sports betting and casinos. We added bingo halls to our operations in 1991 by opening several bingo halls in Argentina, in the province of Buenos Aires. We continued to diversify our gaming operations with the opening of a casino in Latin America in Cali, Colombia in 1997. In 1998, we began bingo operations in Mexico with Caliente. In 1999, we entered the Spanish bingo market with our acquisition of the Cartaya bingo hall in Valencia and expanded operations in Mexico with CIE. In 2000, our AWP machine operations continued to grow in Spain with our acquisition of Operibérica S.A.U., which had 3,500 AWP machines, and we have acquired many additional smaller AWP machine operators since then. We also acquired Bingo Canoe in Madrid in 2000 which is the largest bingo hall in Spain and added casinos in Chile. In 2002, our Uruguayan joint venture obtained a license to reopen the historic Hipódromo de Maroñas horse racing track in Uruguay and operate off-track betting agencies and slot machines and we entered the Italian bingo market through a management contract.

In 2003, we reorganized our business along geographic lines by establishing new intermediate holding companies for our Spanish operations and our international operations. In 2004, we launched an AWP machine business in Italy and continued the expansion of our operations in Mexico and began to install electronic bingo terminals in several of our bingo halls. In 2005, we acquired the Grupo Royal bingo halls in Argentina, Operbingo in Italy and entered the Panamanian market through the acquisition of a horse racing track. In January 2006, we exchanged our minority interest in four casinos in Chile for full ownership of four casinos in Panama. In April 2006, we acquired Rete Franco, one of the 10 government licensees for the provision of AWP network services in Italy and in August 2006 opened the first off track betting location in Brazil.

In 2006 and 2007, the Company acquired two licensees in Mexico, Promojuegos (2006) and Mio Games (2007) and in 2007 acquired majority stakes in three AWP machine operators in Italy. The Company priced its Initial Public Offering (the “IPO”) on October 17, 2007. Proceeds from the IPO were used for the acquisition of a 49% interest in ICELA and the purchase of a 10% interest from a minority shareholder in our Mexican business.

In 2008, the Company launched sports betting operations in Madrid and the Basque Region and sold the direct AWP machine operations and the Sports Betting joint venture in Italy.

Recent Developments

Argentine license renewals

In January 2010, the Province of Buenos Aires published its Decree 3116/2009, which together with the IPLyC’s Resolutions 144/2009 and 329/2009, ratifies and adapts the application of Resolution 456/06 to those bingo licenses which expire between 2008 and 2011. Among the 14 halls which we currently operate in the Province of Buenos Aires, two, Puerto and San Martin, have licenses that expired in January and October 2009, respectively. The resolutions provide to current license operators the option to renew the licenses in operation, through June 30, 2021. Operators electing to renew the licenses are required to confirm their intention to adhere to the terms in writing to the IPLyC. Those operators, together with the non-profit organizations, will then have to provide documentation demonstrating compliance with the required qualifications. The IPLyC will review applications and issue renewal licenses after receiving completed applications, supporting documentation and required reports from other provincial bodies. The resolution provides that each license for which renewal is solicited will be subject to a fixed up-front renewal fee based on the average monthly canon tax paid under the license in 2007, multiplied by the number of years of the license extension. Renewal licenses will also be subject to a canon tax surcharge accrued and paid monthly over a period of up to five years, for which the precise terms and payment will be established in the individual license renewal resolutions. We believe we are in compliance with applicable requirements for the renewals and anticipate that the individual license renewal resolutions will be issued prior to June 2010. Accordingly, in December 2009 we recorded AR$5.4 million and AR$55.4 million (equivalent to €1.0 million and €10.2 million as of December 31, 2009) in intangible assets corresponding to the renewals of the Puerto and San Martin halls, respectively. The canon tax surcharge corresponding to both licenses will be recorded once the individual renewal resolutions are issued.

Proposed restructuring of agreement with Caliente

On February 22, 2010, we signed a Memorandum of Understanding ("MOU") with Grupo Caliente relating to the previously announced restructuring of our present contractual relationship. Caliente is the Mexican group to whom we have provided gaming management services and hall development funding since 1997. Pursuant to the MOU, we have agreed, subject to definitive documentation to restructure approximately U.S.$142 million (equivalent to approximately €99 million as of December 31, 2009) of debt owed to us and to acquire a 60% stake in several Caliente licensees, which together own 46 gaming permits, by capitalizing outstanding indebtedness of approximately U.S.$112 million (equivalent to approximately €78 million as of December 31, 2009). In connection with this transaction, Caliente would acquire a 40% stake in Promojuegos and Mio Games for a deferred consideration of approximately U.S.$6 million (equivalent to approximately €4 million as of December 31, 2009). The MOU also provides for a management services agreement through which the joint venture will pay Codere a maximum annual fee of U.S.$40 million (equivalent to approximately €28 million as of December 31, 2009) through the end of 2014. This transaction is subject to definitive documentation and regulatory approvals, and therefore, we cannot assure you that we will complete the transaction on the terms described above, or at all.

Purchase of William Hill's stake in Spain sports betting venture

Following a strategic review by William Hill plc and Codere of Victoria Apuestas, our joint venture in Spain, the parties agreed on May 13, 2009 to the gradual withdrawal of William Hill from the joint venture as William Hill decided to focus its international sports betting strategy on the internet through William Hill Online. Pursuant to the terms of the agreement, on January 20, 2010 Codere completed the purchase of William Hill's 50% stake in the company for €1. Victoria Apuestas, which is the only company authorized to operate in the two regions where sports betting is currently regulated, opened its first outlet in Madrid in April 2008 and now trades in Madrid and the Basque region.

Agreement to acquire casinos in Panama

On March 17, 2009 we announced we had entered into agreements relating to the potential acquisition of Thunderbird Resorts Inc.'s (NYSE Euronext Amsterdam: TBIRD) 63.6% stake in six casinos in Panama operated under the Fiesta Casino brand. The transaction is subject to certain conditions to closing, including approval by certain regulators, including the Panama Gaming Control Board and local anti-trust authorities. Therefore, we cannot assure you that we will complete the transaction.

Tax increases

Some of the countries in which we operate have recently approved increases in gaming and other taxes, in some cases as part of comprehensive fiscal reform packages. Effective January 1, 2010, Mexico increased the gaming tax (IEPS) from 20% to 30% of net win, VAT from 15% to 16% (10% to 11% in border states) and corporate income tax from 28% to 30%, and Panama increased the gaming tax from 10% to 12.5% of net win for slot machines installed in casinos (and it will increase to 15% in 2012). In Colombia, effective February 2010, gaming taxes increased from approximately 10% to approximately 17% of net win as a result of an increase in VAT applicable to gaming activities from 5% to 16%. Following these changes, the simple average gaming tax per machine as a percentage of net win for all our operations is approximately 33%.

Our Competitive Strengths

We believe that the following factors contribute to our strong competitive position:

- *Leadership Positions in Major Markets with Significant Barriers to Entry*. We have been present in Argentina since licenses were originally awarded to operate bingo halls in the early 1990s in the Province of Buenos Aires, and we are currently the largest operator of bingo halls with slot machines in that market. With 14 out of 46 bingo halls we represent approximately 50% of the market of the Province of Buenos Aires in terms of net win. In Mexico, a market which we entered in 1998, we are the largest operator of gaming sites in Mexico through our joint venture with CIE, our management services agreement with Caliente and the licenses we own directly through Promojuegos and Mio. As of December 31, 2009, we operate 108 out of the estimated 203 halls in the country. In Spain, we were one of the first companies to operate AWP machines when the Spanish market was opened to licensed operators in the early 1980s. We have grown rapidly and have become a market leader in several of the most populous and affluent regions of Spain, including Madrid, Catalonia and Valencia, in terms of the number of AWP machines as of December 31, 2009. We are now the second largest operator of AWP machines in Spain, with 15,587 AWP machines in 10,822 points of sale as of December 31, 2009. As a market leader in Spain, we are often given the opportunity to test the most attractive AWP machines produced each year, which permits us to select the highest producing AWP machines for our portfolio. Our access to high producing AWP machines enhances our ability to obtain the most attractive points of sale. In addition, our size allows us to spread many of our required costs and investments, such as those relating to designing and building information systems, cash collection controls and hiring and training personnel, across our operations, which results in lower costs for each of our businesses. In Italy, we operate 12 bingo halls and, with a market share of 11% of bingos cards sold, believe we are the market leader. Our presence in the markets in which we operate creates a barrier to entry for other operators that lack the resources or know-how to compete. Most of the markets in which we operate are characterized by a small number of large operators and a large number of small operators with limited numbers of new entrants. Our successful expansion has been achieved through partnerships with strong local players and a close and cooperative relationship with gaming regulators.

- *Significant Experience Interacting With Gaming Regulators*. We are a diversified international gaming company with established operations in eight countries throughout the world and a gaming portfolio that includes gaming machines, bingo halls, sports betting locations, horse racetracks and casinos. The breadth and longevity of our operations has enabled us to acquire valuable experience in working with gaming regulators in a diverse range of countries and regional jurisdictions. In several cases, we have collaborated with gaming regulators in the development of new gaming regulations or markets. We believe that our strong market positions and close and cooperative relationships with gaming regulators provide us with a competitive advantage over most of our competitors and make us an attractive partner with whom to develop new gaming businesses.

- *Proven and Attractive AWP Business Model*. Our Spanish AWP machines produce average daily net box revenues that are substantially higher than the industry average according to the Spanish National Gaming Commission. Our strong net box performance is principally attributable to our business model, which is focused on obtaining the most attractive points of sale and the highest producing AWP machines, which in turn increases the likelihood that site owners will renew their contracts with us. We are able to obtain the highest producing AWP machines by leveraging our position as a leader in the Spanish AWP machine market, which permits us to test a significant percentage of new AWP machine models produced each year. We also optimize the performance of our AWP machine portfolio by rotating AWP machines among numerous locations and by replacing poorly performing AWP machines with new models. This is facilitated by our agreements with machine manufacturers, pursuant to which we may return the AWP machines to the manufacturer after one year. In addition, we maintain a low average age of our AWP machines. As of December 31, 2009, the average age of our AWP machine portfolio was approximately 30 months, which we believe is slightly better than the market average. We believe that we will be able to continue to apply our Spain AWP business model successfully to other markets in which we have similar operations, such as Italy, and thereby strengthen our competitive position in such markets.

- *Leading multinational gaming operator.* We believe our long history of operating different gaming activities in a variety of markets, provides us with a unique expertise in the management of gaming venues with diversified product offer. Since we began operating traditional (paper-based) bingo halls in the Province of Buenos Aires in 1991 through our present operation of bingo halls, racetracks, sports betting locations and casinos in eight countries in Europe and Latin America, we have been among the most diversified and experienced international gaming operators. In most countries in which we operate, the offering of gaming products is managed by local players. As such, we have developed a unique expertise in managing a wide variety of products and have participated in the development of gaming markets in many countries which enables us to anticipate regulatory changes and operate new products and technology because these regulatory changes and new products have often been deployed in other markets in which we operate. This advantage is particularly important as the trend in the industry is towards the concentration of different gaming activities, including gaming machines, paper-based bingo, horse races, sports betting and table games in the same premise. The Province of Buenos Aires first allowed slot machines in bingo halls in 2003 and has since allowed for increases in the number of machines allowed in proportion to the number of bingo seats. In Mexico, the market began with sports betting locations to which traditional bingo was soon added and allowed the installation of gaming machines in 2004. In the various racetracks which we operate in Latin America, in addition to taking bets on the races at the track, we are able to offer bets on other sporting events, as well as slot machines. More recently, we have seen this trend in Europe, as Italy permitted the installation of slot machines in its bingo halls in 2007 and will expand this offer with the introduction of VLTs at bingo halls, selected gaming halls and sports betting locations beginning in the second half of 2010, and Madrid has authorized the installation of sports betting and Class B3 machines in traditional (paper-based) bingo halls since 2008 and 2009, respectively.

- *Sophisticated Information Systems and Cash Collection Controls*. We believe that our proprietary information systems and cash collection controls, particularly in respect of our Spain AWP business, help us maximize revenues and minimize losses due to fraud or theft. Our information systems assist us in making operating decisions, such as when to rotate an AWP or slot machine to a different location or to retire it. Such data also provides information on player tendencies, which assists us in selecting new AWP or slot machines. We believe that our information systems generate better operating information, such as identifying poorly performing AWP machines, than is available to many of our smaller competitors, thereby significantly contributing to our achievement of average daily net box per AWP machine that substantially exceeds the industry average in Spain over the last nine years. Our cash collection controls track the cash we receive from AWP or slot machines at our points of sale to the counting and matching of amounts at our regional offices and finally to the delivery of cash to our bank accounts. These controls have been effective at providing us with accurate and timely operating information while minimizing both fraud and theft.

- *Experienced Management Team*. Our senior management team has extensive industry experience. Our Chief Executive Officer, José Antonio Martínez Sampedro, was a co-founder of Codere and has overseen the growth of our company from several dozen AWP machines in Spain to a geographically diversified operator with a broad gaming product offering. Luis Javier Martínez Sampedro, the brother of José Antonio Martínez Sampedro and a member of our Board of Directors, is head of our Latin American operations and has been with us for over 19 years. In addition, our key operations in Argentina, Mexico and Spain are managed by executives with extensive gaming industry experience. We have further strengthened our senior management team in the past several years by bringing in talented executives with proven track records of success in related or complementary industries.

- *Strong and Active Board of Directors with Extensive Gaming and Related Experience*. Our Board of Directors includes prominent individuals with extensive government and gaming expertise, including José Ignacio Cases Mendez, who served as the head of the Spanish National Gaming Commission from 1994 to 1998, Joseph Zappala, who served as U.S. Ambassador to Spain from 1989 to 1992 and has interests in the gaming sector in the United States, and José Ramón Romero Rodríguez, who has been our outside legal counsel since July 2002 and has specialized in gaming legislation since 1978. Their government and gaming experience is important to our ability to establish and maintain good relationships with regulators in the markets in which we operate, which we believe serves to distinguish us from our smaller competitors.

Our Strategy

Our goal is to continue to maximize the cash flow generation and profitability of our businesses by growing our existing businesses and making selective acquisitions, entering into new markets where there are opportunities to achieve a leading market position, participating in additional gaming activities in our existing markets, and pursuing regulatory improvements in all of the markets in which we operate. The key elements of this strategy are:

- *Leverage Strong Positions in our Principal Gaming Markets and Pursue Selected Growth Opportunities*. We intend to continue to consolidate and build on our leading positions in attractive gaming markets to generate superior returns and take advantage of additional growth opportunities.

Argentina. We expect to invest in the further expansion of our bingo halls and slot machine portfolio in the Province of Buenos Aires as well as the continued introduction of ticket-in/ticket-out technology, or other coinless systems in our gaming halls to satisfy unmet demand and maintain our leading market share. We may also acquire existing bingo hall operations to increase our presence in this attractive market.

Mexico. We continue to build new halls and expand existing halls and deploy gaming machines to capitalize on and maintain our first mover advantage in this rapidly growing market. In 2010, we expect to continue to replace the Class II machines in the portfolio with Class III machines, which are more attractive to players as a result of a greater randomness of prizes and greater diversity of games available. Through our joint venture with CIE, our management services agreement with Caliente, and our Promojuegos and Mio operations as of December 31, 2009, we had licenses to operate 64 bingo halls that we have yet to exploit. We expect to continue to build halls to fully exploit these licenses in the coming years.

Spain. Our strategy in the AWP machine market is focused on continuing to generate superior net wins and provide superior customer service, thereby leveraging our portfolio of attractive points of sale and highest producing AWP machines for our AWP portfolio. We expect to continue to build on this advantage through the continued selection of the most attractive machines in the market and the resumption of selective acquisitions of smaller AWP machine operators when the transactions offer attractive returns. Additionally, we expect to enhance the profitability of our position in the Spanish gaming market through other activities, such as the expansion of sports betting in other regions upon the passage of enabling regulation. We may also consider acquiring existing bingo hall operators in Spain to take advantage of potentially favorable regulatory changes.

Italy. We expect to continue to grow the Italy Bingo business primarily as a result of the passage of favorable regulatory changes in November 2009. In addition, our Italy AWP and Bingo businesses are expected to benefit from the introduction of a new type of machine, the VLTs, expected to be installed beginning in the second half of 2010, following the completion of the required certification process.

Other. Given our success with the "racino" business model, which combines horse racing and slot machines in Uruguay, we are implementing a similar business model in Panama, where we acquired the Hipódromo Presidente Remón, a horseracing track in Panama City, and in Mexico at the Las Americas racetrack, following the 49% acquisition of ICELA. We are considering opportunities to develop similar operations in other Latin American markets, including Brazil to the extent permitted by local regulations. Following our acquisition of Crown Casinos in Panama, we may also consider opportunities to leverage our casino activities, such as the Carrasco Hotel Casino project in Uruguay and our potential acquisition of Thunderbird Resorts Panama operations (see "—Recent Developments). We believe that acquisitions and new projects in markets in which we currently enjoy significant local market share are particularly attractive, since we can leverage our existing cost structure and relationships with local regulators.

- *Focus on well-regulated local gaming markets*. We will continue to focus on offering gaming activities oriented toward the local resident population rather than tourist-oriented gaming markets, which requires investment in capital intensive Las Vegas-style casinos and gaming facilities. We believe that this focus limits required capital investment, and that these local market-oriented gaming activities generate significant tax revenue for the jurisdictions in which we operate, ensuring transparent regulation and political support for these gaming activities.

- *Maintain an optimal capital structure and preserve our business model*. We view a stable and low-cost capital structure and a cash-generative, profitable business model as a strategic objective in the rapidly consolidating industry in which we operate. Through our 2005 and 2006 offerings of the Notes and our IPO in 2007, we improved our capital structure, lowered our cost of capital and ensured that we have sufficient funds to execute our business plan. We intend to maintain our capital structure and business model as we continue to participate selectively in both consolidation and expansion opportunities in the markets in which we are currently present and new markets in which we may decide to participate. In addition, we are reviewing our corporate structure with the goal of reducing our effective tax rate.

- *Continue to strengthen management and improve internal controls*. We believe that strengthening our corporate governance policies and procedures, management capabilities, and effective internal controls has been and will continue to be critical to our growth and success and to the enhancement of our reputation in the gaming industry. We will continue to pursue a program to strengthen our management team by attracting experienced executives to complement the skills of our founding members, as demonstrated by the appointment of David Elízaga as Chief Financial Officer in August 2009 (previously our Deputy Chief Financial Officer from May 2005), who prior to joining Codere worked in investment banking and consulting, Rafael Catalá, as Chief Legal Officer, who has over 19 years of legal experience in various Spanish regulatory positions, Serafín Gómez Rodríguez as Chief Compliance Officer, who has over 17 years of investigative and enforcement experience, and the appointment of Adolfo Carpena, as Internal Audit Officer, who has over 18 years of audit experience. We continually review and strengthen our internal controls and procedures, particularly those relating to compliance, money laundering, the handling of cash, large prize payouts and transaction authorization, and have undertaken a series of initiatives designed to strengthen our corporate governance and internal controls.

Argentina

In Argentina, we are focused on the development and management of bingo halls with slot machines. As of December 31, 2009, our Argentina business owned and operated 14 bingo halls with a total of 8,308 bingo seats and 4,679 slot and other gaming machine seats. In 2009, our Argentine business generated operating revenue of €351.9 million and EBITDA of €110.1 million, representing 36.4% of our total consolidated revenues and 44.7% of our consolidated EBITDA (both before corporate headquarters).

Operations

Through the combination of the operations we started in Argentina in 1991, and the acquisition of Grupo Royal in 2005, we have become the industry leader in the bingo and the slot machine markets in the Province of Buenos Aires, each in terms of operating revenue in 2009.

The following table sets forth the historical development of our Argentine business's operations:

	2006	2007	2008	2009
Number of bingo halls	14	14	14	14
Number of bingo halls seats	7,524	8,051	7,981	8,308
Number of slot machine seats	4,352	4,605	4,485	4,679
Net win per day per bingo hall seat (in Argentine pesos)	48.2	48.3	52.4	53.3
Net win per day per bingo hall seat (in euro)	12.8	11.3	11.3	10.3
Net win per slot seat per day (in Argentine pesos)	538.2	681.1	868.2	989.5
Net win per slot seat per day (in euro)	141.8	159.1	187.5	189.8

The following table sets forth certain information regarding our Argentina business's bingo halls as of December 31, 2009. All of the bingo halls are located in the Province of Buenos Aires.

Name	Opening Date	Concession Expiration Date	Number of bingo seats	Slot Machine Seats	2009 Revenues (in millions)(1)	Company
Bingo San Martín	Oct. 1994	Oct. 2009[(2)]	1,018	583	47.9	Iberargen, S.A.
Bingo Lomas del Mirador	July 2006	Sep. 2014	1,117	617	44.2	Interbas, S.A.
Bingo Lanús	Apr. 1992	June 2021	876	509	43.5	Iberargen, S.A.
Bingo Platense	June 1992	June 2021	950	533	40.2	Bingos Platenses S.A.
Bingo Morón	June 1998	June 2013	710	409	37.7	Iberargen, S.A.
Bingo San Justo	Oct. 1999	Oct. 2014	768	415	34.6	Interbas, S.A.
Bingo San Miguel	May 1999	May 2014	602	346	28.2	Interjuegos S.A.
Bingo Lomas de Zamora	July 1991	June 2021	460	271	21.5	Bingos del Oeste S.A.
Bingo Sol	Feb. 1991	June 2021	488	294	15.3	Intermar Bingos S.A.
Bingo Ramos Mejía	Apr. 1999	Apr. 2014	212	140	14.0	Interbas, S.A.
Bingo del Mar	Sep. 1991	June 2021	450	211	10.6	Intermar Bingos S.A.
Bingo Peatonal	Jan. 1991	June 2021	244	121	5.6	Intermar Bingos S.A.
Bingo Temperley	Aug. 2001	Aug. 2016	214	127	4.1	Bingos del Oeste S.A.
Bingo Puerto	Jan. 1994	Jan. 2009[(2)]	199	103	3.9	Intermar Bingos S.A.
Total			8,308	4,679	351.4	

(1) Revenues consist of net win at bingo halls, net win for the slot machines, food and beverage sales and other revenues, but exclude gains on the foreign exchange forward contracts.

(2) Refers to the original expiration date which was extended on several occasions. The licenses are in the process of being renewed. See "—Recent Developments—Argentine license renewals".

Bingo played in Argentina is a pari-mutuel gaming activity whereby players wager against one another and not against the gaming operator. The gaming operator collects wagers on a specific event and takes a commission for handling such wagers. The amount remaining after the gaming operator receives a commission is distributed to the players in the form of winnings. Slot machines that are installed in bingo halls, however, are different from AWP machines in Spain, in that they permit higher wager amounts, allow for higher maximum prize payouts and are similar to the Class III machines present in the United States. In addition, the Argentine bingo halls contain a limited number of non-slot gaming machines, such as a simulated roulette-type machine and a simulated horse race machine. These machines are regulated in the same manner as slot machines. For 2009, operating revenue generated from slot machines accounted for approximately 87% of our consolidated operating revenue in Argentina.

For our Argentine operations, we buy machines from a variety of U.S. and European manufacturers. We typically finance the purchase of slot machines in Argentina over 18 to 36 months period. Each machine costs approximately U.S.$10,000 to U.S.$21,000 plus duties, taxes and transport.

Argentine law requires that gaming licenses be awarded to Argentine non-profit organizations which, in turn, enter into agreements with gaming operators such as us. Accordingly, in Argentina we have entered into operator agreements with various local non-profit organizations.

Six of the 14 gaming licenses we operate in Argentina were due to expire before the end of 2007. On December 1, 2006, the Province of Buenos Aires published Decree 3198, which ratified the application of Resolution 456/06 to those bingo licenses which expired in 2006 and 2007. Among the 14 halls which we operate, six were eligible for renewal at that time and, in 2006, we applied to extend those licenses in accordance with Decree 3198 and Resolution 456/06. In October 2009, the IPLyC adopted Resolution 75/09, which renews the La Plata license through June 30, 2021 in accordance with Decree 3198 and Resolution 456/06. Resolution 456/06 provides for an up-front renewal fee of AR$28 million (equivalent to €5.1 million as of December 31, 2009) in connection with the renewal of the La Plata license and a canon tax surcharge of AR$66 million (equivalent to €12.1 million as of December 31, 2009) accrued and payable in 60 monthly instalments which we had been accruing since January 1, 2007. Resolution 75/09 provided the same AR$28 million up-front renewal fee, but modified the canon tax surcharge to AR$138 million (equivalent to €25.3 million as of December 31, 2009), accrued and payable in 60 monthly instalments starting November 1, 2009. Accordingly, with respect to the canon tax surcharge, in the year and quarter ended December 31, 2009 we recorded the following amounts in our Consolidated Financial Statements:

	FY 2009	
Reversal of the accruals according to the Resolution 456/06	**AR$**	**Euro**
	(in millions)	
Reversal of Canon tax surcharge accrued Jan. '07- Sept. '09	36.4	6.6
Canon tax surcharged accrued Jan.- Sept. '09	9.9	2.0
Net impact of Canon tax surcharge accrual reversal	26.5	4.6
Gross revenue tax adjustment	2.3	0.4
Net impact reflected in *Gaming and other taxes*	24.2	4.2
Adjustment to *Corporate income tax*	9.2	1.6

As provided in Resolution 75/09, in the quarter ended December 31, 2009 we also paid AR$28 million for the up-front renewal fee, plus an advance payment of 10 of the 60 monthly instalments, equivalent to AR$23 million (equivalent to €4.2 million as of December 31, 2009).

In January 2010, the Province of Buenos Aires published its Decree 3116/2009, which together with the IPLyC's Resolutions 144/2009 and 329/2009, ratifies and adapts the application of Resolution 456/06 to those bingo licenses which expire between 2008 and 2011. Among the 14 halls which we currently operate in the Province of Buenos Aires, two, Puerto and San Martin, have licenses that expired in January and October 2009, respectively. The resolutions provide to current license operators the option to renew the licenses in operation, through June 30, 2021. Operators electing to renew the licenses are required to confirm their intention to adhere to the terms in writing to the IPLyC. Those operators, together with the non-profit organizations, will then have to provide documentation demonstrating compliance with the required qualifications. The IPLyC will review applications and issue renewal licenses after receiving completed applications, supporting documentation and required reports from other provincial bodies. The resolution provides that each license for which renewal is solicited will be subject to a fixed up-front renewal fee based on the average monthly canon tax paid under the license in 2007, multiplied by the number of years of the license extension. Renewal licenses will also be subject to a canon tax surcharge accrued and paid monthly over a period of up to five years, for which the precise terms and payment will be established in the individual license renewal resolutions. We believe we are in compliance with applicable requirements for the renewals and anticipate that the individual license renewal resolutions will be issued prior to June 2010. Accordingly, in December 2009 we recorded AR$5.4 million and AR$55.4 million (equivalent to €1.0 million and €10.2 million as of December 31, 2009) in intangible assets corresponding to the renewals of the Puerto and San Martin halls, respectively. The canon tax surcharge corresponding to both licenses will be recorded once the individual renewal resolutions are issued.

Main operating projects

Our Argentine operations' principal operating project in the near-term is the continued general refurbishment and updating of our bingo halls and renewal of slot machine portfolio to ensure we have an attractive offer for our clients and to meet unmet demand in the geographical areas where we operate. In particular, we are currently in the process of introducing ticket in/ticket out (TITO) or other coinless systems in the machines in our bingo halls. These systems are designed to accept a card from the player which contains credit purchased at the cashier or received by inserting bills in the machine. The introduction of coinless systems is expected to increase the average net win per machine as it increases the productivity of the machine. We also expect to increase the number of machines in the halls.

As at December 31, 2009, we had completed the installation of TITO or other coinless systems in the majority of the machines in nine halls (Lomas del Mirador, San Martín, Lanús, Morón, San Justo, San Miguel, Lomas de Zamora, Ramos Mejía and La Plata) representing 75% of the total machines seats in the Province of Buenos Aires and 88% of the machine seats in the Greater Buenos Aires Area, an increase from 45% and 53%, respectively, as at December 31, 2008.

Sales and Marketing

Argentine regulations limit the extent and manner by which we can advertise our bingo halls and slot machines.

Mexico

Our operations in Mexico are conducted through a joint venture with CIE (currently ICELA), a management services agreement with Caliente, as well as through Promojuegos and Mio which we acquired in December 2006 and June 2007, respectively. In 2009, our Mexican operations generated operating revenue of €193.1 million and EBITDA of €60.5 million, representing 20.0% of our total consolidated revenues and 24.6% of our consolidated EBITDA (both before corporate headquarters). In Mexico, the development and management of bingo halls, in which we operate EBTs, slot machines, as well as traditional (paper-based) bingo, is our most significant activity. As of December 31, 2009, our Mexico business managed and operated 108 bingo halls in which we operated 21,402 EBTs and 46 sports betting locations. Since the acquisition of 49% of ICELA in November 2007, we operate a 52 hectare gaming complex in Mexico City which includes the Las Americas racetrack, an amusement park and the largest convention center in Mexico. As of December 31, 2009, CIE, Caliente, Promojuegos and Mio held licenses to build and operate an additional 64 bingo halls.

For a discussion of recent developments relating to our relationship with Caliente see "—Recent Developments —Proposed restructuring of agreement with Caliente".

Competition

We began our operations in Mexico in 1988 through our management services agreement with Caliente and then grew them in 1999 through our joint venture with CIE. In both cases we participated in the development of the halls where we offered traditional bingo products pursuant to licenses which these parties owned. Until 2004, when the Mexican government granted additional licenses, we estimate that halls operated under Caliente and CIE's licenses constituted the majority of the private gaming offered in Mexico. Beginning in 2005, the Mexican government granted additional licenses to operate gaming facilities throughout the country. We estimate that approximately 25 licenses to operate a total of 437 gaming facilities have been granted by the Mexican government as of December 31, 2009. Of these, 11 licenses for approximately 172 facilities are associated with Codere (CIE, Caliente, Promojuegos and Mio), and an additional 14 for approximately 265 facilities have been granted to third parties. One of these third party licenses was granted to Grupo Televisa, a large Mexican media company, making it our competitor in Mexico. At December 31, 2009, Codere, through CIE, Caliente, Promojuegos and Mio, operated 108 halls and we estimate that there were approximately 95 halls in Mexico opened and operated by third parties.

In addition, there is a proliferation of gaming halls operating without the permits required by local regulation. These halls, which are equipped with Class III machines, are located principally in Northern Mexico, particularly in the city of Monterrey. These halls are attractive to certain portions of the gaming community in Mexico and affect our competitiveness in such regions, as in most cases the operators do not comply with the applicable regulation, including the payment of gaming taxes.

Under our joint venture with CIE, CIE is required to provide us with a right of first refusal to participate with them in any new gaming opportunities and we are subject to an identical requirement (other than opportunities we have the right to pursue with Caliente, Promojuegos and Mio). Under our current agreement with Caliente we are subject to limitations on operating sports books, horse racing tracks and dog racing tracks in Mexico and on operating in Baja California without its participation. Our Mexico business has separate teams of employees dedicated to our businesses with CIE and Caliente that maintain divisions between our activities conducted in conjunction with each of them and the operations of our own licensees, Promojuegos and Mio.

We believe the Mexican gaming market has significant growth potential in light of the fact that total amounts wagered represent a relatively low percentage of GDP compared to other European or Latin American countries. As such, we have been focused on securing our first mover advantage in this market and have been increasing our market position primarily through the deployment of EBTs and slots both in existing halls, as well as in new halls.

Operations

The following tables set forth certain historical and operating data for our off-track betting sites and bingo halls (including halls with only electronic bingo terminals) in Mexico:

	Year ended December 31,			
	2006	**2007**	**2008**	**2009**
Number of bingo halls	82	94	104	108
Number of bingo hall seats	19,665	15,396	15,460	15,140
Number of EBTs and slots	10,630	16,788	20,351	21,402
Net win per day per bingo hall seat (in Mexican pesos)	164	177	164	141
Net win per day per bingo hall seat (in euro)	12.4	11.8	10.1	7.5
Net win per EBT/slot per day (in Mexican pesos)	885	958	889	919
Net win per EBT/slot per day (in euro)	67.1	63.8	54.5	48.9

Mexico CIE—Background and Operations

CIE is a leading live entertainment company, which serves the Spanish and Portuguese-speaking markets in Latin America, the United States, and Spain. CIE has interests in companies that offer the following recreational and entertainment products and services: the operation of entertainment venues and amusement parks; the promotion and staging of a wide variety of live events; the promotion of trade fairs and exhibitions; the sale of sponsorships and advertising, as well as food, beverage and merchandise at events and venues; and automated ticketing for public events.

Since 1995, CIE's shares have been traded on the Mexican Stock Exchange under the symbol "CIE B". In 1998, a subsidiary of CIE, Administradora Mexicana de Hipódromos, S.A. de C.V. ("AMH"), was awarded a 25-year concession to operate the Hipódromo de las Américas racetrack in Mexico City. In connection with this concession, AMH obtained permission to operate 45 off-track betting sites countrywide for a 25-year period and offer bingo at these locations. In May 2007, AMH's license was expanded to develop and operate an additional 20 bingo halls in addition to the original 45 bingo halls it was licensed to operate.

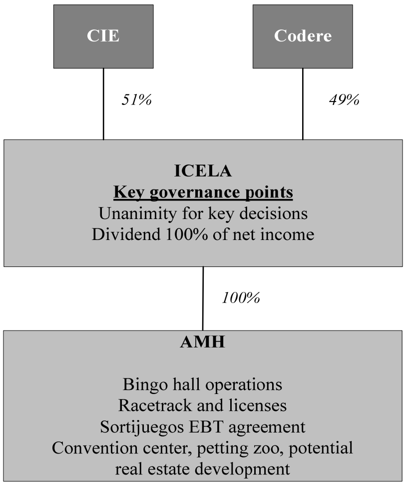
We entered into a joint venture with CIE in March 1999 to develop and operate bingo halls and sports books in Mexico (the "original CIE Joint Venture"). The original CIE Joint Venture was operated through ERSA, in which our subsidiary CIMSA held a 50% interest less one share and CIE held the remaining 50% interest plus one share. Under the joint venture agreement, ERSA received 98% of the net income generated by all of the joint venture's bingo halls and off-track betting activities and the remainder was divided between CIMSA and CIE.

In November 2007, we changed the nature of our relationship with CIE through the purchase of 49% of Impulsora de Centros de Entretenimiento de las Americas (ICELA) as described in more detail below, which resulted in a new joint venture. Pursuant to the agreement, we exchanged our 50% interest in the original CIE joint venture and a cash payment of U.S.$173 million (financed in part by a dividend of Mex. Ps. 302 million, equal to approximately U.S.$28 million) for the 49% stake in ICELA. The purchase price included a deferred payment of U.S.$27 million, of which approximately U.S.$15.4 million was paid in 2008 (financed through a capital reduction of Mex. Ps. 400 million, of which Mex. Ps. 196 million corresponded to Codere). Finally, the purchase price also included two contingent payments of up to U.S.$12.5 million each. Concurrent with the closing of the transaction, one of the contingent payment obligations was satisfied by a payment of U.S.$5.4 million. The other contingent payment of up to U.S.$12.5 million expires on April 30, 2010, the date of this Report end as such it is not due. ICELA is a CIE subsidiary which includes CIE's Las Américas division and holds certain gaming related assets previously held directly by CIE, including an exclusivity contract with IGT, which were contributed to ICELA in connection with the transaction. CIE Las Américas owns a 52 hectare gaming complex in Mexico City including the

Las Américas horse racetrack, licenses to operate up to 65 gaming locations, including the existing locations, an amusement park and the largest convention center in Mexico.

Pursuant to the agreements, unanimity is required for certain key decisions regarding the joint venture and, to the extent permitted by law, a dividend of 100% of ICELA's distributable profits will be declared every year. Additionally, the agreement include exit mechanisms for each of CIE and Codere, a preferential acquisition right in the case of a share sale and certain provisions applicable in the case of a public offering of ICELA. Following the acquisition of ICELA, in November 2007 we began proportionally consolidating ICELA's results in our accounts.

The following chart sets forth the corporate organization of our Mexico CIE business after the acquisition of 49% of ICELA in November 2007.

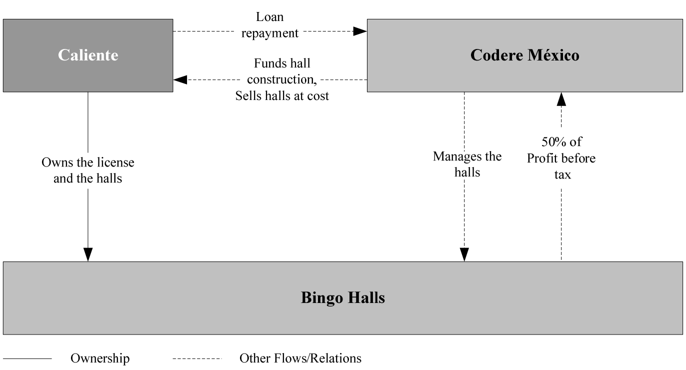


As of December 31, 2009, our Mexico CIE business operated 50 bingo halls.

In addition, our Mexico CIE business includes sport betting operations where customers can bet on horse and dog races and on sporting events which occur principally in Mexico and the United States. Broadcasts of live horse and dog races or sports events are available through a simulcast provided by Caliente and are displayed on televisions located in the off-track betting areas of the bingo halls. The Mexico CIE business does not assume any financial risk for the bets placed at its off-track betting sites. The financial risk is assumed by Caliente as the Mexico CIE business acts only as agent and collects a commission of approximately 75% of the amounts wagered less the prizes.

Mexico Caliente—Background and Operations

The following chart sets forth the corporate organization of our Mexico Caliente business.



Our management services agreement with Caliente focuses on the development and management of bingo halls at its off-track betting sites. Caliente is owned by the Hank family, a prominent Mexican family whose members have held various political offices in Mexico over the past 30 years, including Jorge Hank who was elected mayor of Tijuana in August 2004. Caliente is a Mexican company that started operations on January 1, 1916 with a horse racetrack in Tijuana, Mexico. Since 1950, Caliente has operated a greyhound track, with daily racing all year round. Caliente has developed a network of over 250 off-track betting sites located in Mexico, as well as Latin America and Europe. In connection with its license to operate the track, Caliente has been awarded a license to operate and additional 95 off-track betting sites, which are also authorized to include bingo halls, throughout Mexico. Pursuant to the management services agreement with Caliente described below, as of December 31, 2009, our Mexico Caliente business operated 51 bingo halls. Our Mexico Caliente business does not operate any sports books. Caliente's licenses to operate the off-track betting sites and bingo halls expire between 2014 and 2018. In May 1998, we entered into the management services agreement with Caliente to develop and manage bingo halls at Caliente's off-track betting sites.

Under the management services agreement, Codere México identifies locations for bingo halls, negotiates leases, constructs or refurbishes the halls, provides equipment, trains all bingo hall employees, and provides managers for the bingo halls. Caliente owns the licenses and the bingo halls and pays the salaries of the bingo hall managers. Upon completion of the construction of a bingo hall, Codere México sells the hall to Caliente at cost, fixed in U.S. dollars at the time of transfer. Caliente repays Codere México the construction or refurbishment costs of bingo halls over a five-year period in 60 equal monthly payments in U.S. dollars.

Codere México and Codere America have provided loans in an aggregate of U.S.$18.2 million to Caliente in the past and U.S.$8.2 million of principal is outstanding as of December 31, 2009. These loans have three and four year terms and interest rates of 13%. According to the agreements governing the existing relationship with Caliente, Codere México, Codere America or one of our other affiliates may loan money to Caliente. Our management services agreement with Caliente may be terminated upon the expiration of Caliente's concession to operate the Hipódromo de Agua Caliente racetrack or upon non compliance by either party with its obligations under the management services agreement, including the failure by Caliente to pay principal and interest when due on the loans described above.

Gaming machines

We and our partners have entered into agreements with leading suppliers of EBTs, including Bally and IGT, and have significantly increased the pace of the roll-out of EBTs in Mexico and as of December 31, 2009 had 21,402 EBTs and slots installed. We will install slots in terminal-only halls that have between approximately 350-500 machines at a cost of between approximately U.S.$3.0-4.0 million per hall, excluding the cost of machines. In 2009, revenues from EBTs and slots installed in Mexico represented approximately 76% of the total operating revenues under our joint venture with CIE, the halls operated under our management contract with Caliente and our operations in Mio and Promojuegos, which represents an increase from approximately 72% for the year ended December 31, 2008. The percentage for 2008 differs from the one previously reported for that year because the percentage previously reported excluded on the CIE side of the business the revenues associated to the racetrack, convention center and the amusement park.

Sales and Marketing

We have begun to advertise our Mexico bingo halls and sports betting locations in mass media, such as newspapers and magazines with wide circulation, consistent with Mexican regulations.

Spain AWP Machines

Our main business in Spain is the management and operation of AWP machines. We install, maintain, service and collect cash from over 15,587 AWP machines throughout Spain in over 10,775 bars and restaurants and in 47 machine halls. Our installed base of AWP machines has increased through organic growth and acquisitions. We had 15,587 AWP machines in operation in Spain as of December 31, 2009 compared to 15,963 as of December 31, 2008. In 2009, the Spain AWP business entered into new contracts to install 1,319 AWP machines in bars, restaurants and other establishments. In 2009, 1,488 machine contracts expired or otherwise terminated. The average daily net box per AWP machine was €49.2 in 2009, compared to €55.7 in 2008. We believe that the decrease, while partially compensated by the continuous renewal and rotation of the machine portfolio and the positive effect from regulatory changes in Madrid and Extremadura, resulted primarily from the macroeconomic slowdown in the country. In 2009, our Spanish AWP machine business generated operating revenue of €176.6 million and EBITDA of €44.5 million, representing 18.3% of our consolidated operating revenues and 18.1% of our consolidated EBITDA (before corporate headquarters), respectively.

We are a market leader in the highly fragmented AWP machine market in Spain and have a significant presence in most of the regions of Spain, including Madrid, Catalonia and Valencia. The following table sets forth the number of AWP machines we operated in the five autonomous regions where we have the greatest number of AWP machines and our market share throughout Spain, as of December 31, 2008, which is the latest date for which the Spanish National Gaming Commission has published data regarding the number of AWP machines in such regions:

	Madrid	Catalonia	Valencia	Castilla-La Mancha	Andalucía	Spain
Number of AWP machines in region(1)	29,940	39,275	30,282	11,121	43,174	252,422
Number of our AWP machines in region(2)	3,364	2,442	1,972	1,285	2,124	15,587
Market share	11.2%	6.2%	6.5%	11,6%	4.9%.	6.2%

(1) Source: Spanish National Gaming Commission Annual Reports (2008).
(2) Codere figures as of December 2009.

Operations and the Economics of the AWP Machine Business

The following table sets forth certain historical data concerning our AWP machine operations in Spain and the average daily net box per AWP machine:

	Year ended December 31,			
	2006	2007	2008	2009
AWP machines				
Number of AWP machines operated (at year end)	13,995	15,431	15,963	15,587
Average daily net box per AWP machine (in €)(1)				
Spanish market average(2)	30.5	34.4	39.3	n.a.
Our average(3)	57.6	59.3	55.7	49.2

(1) Average daily net box per AWP machine is calculated as average daily amount wagered less prize payout per AWP machine.
(2) Source: Spanish National Gaming Commission Annual Reports (2008).
(3) Based on our installed AWP machines, which excludes our AWP machines in storage.

The following chart sets forth the business model economics for our Spanish AWP machine operations:

Amounts Wagered (100%)	Amounts wagered represents the total amount of money wagered on AWP machines by gaming customers.
Less	
Prizes Payout (70%)	Prize payouts represents the percentage of amounts wagered that is required to be paid out to players on AWP machine over a cycle of a certain number of games, as specified in applicable regulation.
Equals	
Net Box (Net Win) (30%)	Net box represents amounts wagered less prize payouts.
Less	
Site Owner (12%)	Site owner represents the percentage of amounts wagered that is paid to the owner of the site in which the AWP machine is located.
Equals	
Operator Revenues (18%)	Operator revenues represents the percentage of amounts wagered we retain as AWP machine operator, prior to payment of applicable gaming taxes. We recognize this amount as operating revenue under IFRS.
Less	
Gaming Taxes (6%)	Gaming taxes represents our estimate, based on historical experience, of the percentage of amounts wagered represented by legally mandated tax payments per AWP machine. AWP machine taxes are established by regulation in each Spanish region in which we operate as a fixed yearly amount per machine.
Equals	
Operator Revenues After Gaming Taxes (12%)	Operator revenues after gaming taxes represents the percentage of amounts wagered that we retain as AWP operator.

Relationship with Site Owners

We have established relationships with over 10,775 bars and restaurants through installation agreements. These agreements generally give us the exclusive right to place one or more of our AWP machines in the owner's establishment for a period of up to five years (in the Balearic Islands, this period is up to six years). In return, the owner typically receives 50% of net box per machine after deducting gaming taxes (which equals approximately 12% of the amounts wagered). We are responsible for paying applicable AWP machine taxes to the regulatory authority in each Spanish region in which we operate.

In addition to revenue sharing, until early 2009, we often made interest-free loans or up-front cash payments to owners to induce them to enter into or extend contracts and grant us exclusive rights to install AWP machines in their establishments. Site owners typically repaid these loans over a 12-24 month period through an offset against their share of revenues. Beginning in 2009, as a result of the decrease in the net wins, and in order to align the incentives of the bar owners, we began changing the up-front payments to reduce the amounts and to make deferred payments, conditional on the performance of the bar. Under the current methodology, for average contract, which is approximately €4,000, we pay 20% up-front, 30% in the first year and 50% after 18 months, the latter two payments are only made if the net wins exceed the minimums stipulated in our agreements with the individual bar owners.

Upon reaching an agreement with a site owner, we install and maintain the AWP machines. Working with the site owner, we also ensure that each AWP machine complies with regional and national regulations. We pay any required gaming taxes and, where required, post monetary guarantees with the relevant regulator. For 2009, these guarantees amounted to €22.5 million.

Although we prefer to enter into agreements directly with site owners, if there is a strong relationship between a gaming machine operator and site owners in an area in which we are interested, it is often preferable, and occasionally necessary, for us to agree that the operator will continue to maintain his or her relationship with the site owner in exchange for a percentage of the revenues when we acquire that operator's business. Typically, we pay the operator ("*colaborador*") 50% of our share of the net box per AWP machine after deducting gaming taxes and operating and depreciation costs due to us from the site owner. In order to get a toehold in a particular area and develop a relationship with local site owners, occasionally we also enter into another type of collaboration agreement ("*aportación*" agreements) with local operators in which we operate the AWP machines in exchange for a fee from the operator. We receive 50% of net box after all costs and expenses other than rental costs. As of December 31, 2009, we had *aportación* agreements and *colaborador* agreements covering approximately 0.8% and 17.6% of our Spanish AWP machines, respectively. Payouts to operators under *colaborador* agreements totaled approximately €5.2 million and fees earned under *aportación* agreements totaled approximately €0.3 million for 2009.

AWP Machines

We test substantially all of the AWP machines produced for the Spanish market each year to identify those that will perform best in our market. There are six to eight distributors that serve the Spanish market. Although we have chosen in recent years to obtain most of our machines from Recreativos Franco ("Franco"), we are not obliged to do so and are subject to no contractual restrictions over the ability to purchase or rent other manufacturer's machines. Franco is owned by Jesús Franco and Joaquín Franco, who until April 2006 were two of our principal shareholders and members of our Board of Directors. The balance of our AWP machines were sourced from other manufacturers, including Cirsa, Unidesa, Europea Invest, Sleic and Tourvisión. As at December 31, 2009, AWP machines sourced from Franco, Cirsa and others represented 66%, 17% and 17%, respectively. The average purchase price for an AWP machine ranges from €2,700 to €7,500 depending on the model (the average is approximately €3,500). The useful life of an AWP machine is approximately five years.

Since July 1, 2006, we have obtained our AWP machines from Franco pursuant to a framework agreement. The agreement was renewed in December 2008 for a period of two years. The framework agreement generally provides for a monthly installment payment which decreases after each six-month period. We may return an AWP machine to Franco after one year. Franco also provides us with prototype AWP machines on a risk-free basis for up to six months before we are required to make any installment payments. If the prototype is successful, we agree to keep it and pay Franco for the six-month trial period. If the prototype is not successful, we return it to them without any obligation to pay.

Given the success of the agreement with Franco, as well as the fact that other manufacturers are producing machines which are performing well in the market, in 2009 we signed similar agreements, based on installment payments and the right to return machines, with several other suppliers in the Spanish market. We believe that these agreements are attractive because our limited upfront payment commitment reduces our risk in deploying machines in comparison with outright purchase arrangements under which we do not have a right to return machines. In addition, although the average daily net box per AWP machine is highest over the first 12 months following the machine's introduction and decreases as the age of the AWP machine increases, our installment payment obligations decrease faster than the net box decreases over the same period. Accordingly, our installment agreements allow us to keep AWP machines during the optimal period of their life-cycle and return them when their productivity will begin to decline. For the AWP machines that are not returned after 12 months, AWP machine rotation lengthens the AWP machines' average life since they can be moved from one location to the next as they age, retaining their novelty and appeal in each new location, thereby increasing the AWP machines' net box performance.

Coin Collection and Information and Collection Controls System

In Spain, we have a collections department that is responsible for carrying out coin collection from our AWP machines. Each of our collectors carries an electronic portable device that provides our collectors with a significant amount of information, including the share of the cash balance in the AWP machines payable to us and to the site owner, prize payout, the time during which the AWP machine was in use and the payment conditions established in the applicable installation agreement. The electronic portable devices read two sets of counters in the AWP machines, one electronic and one mechanical. The electronic counter controls in the case of a conflict due to its enhanced security. Each day, we upload data from the electronic portable device to our computerized information and control system. On average, each AWP machine is visited by one of our collectors once per week. As of December 31, 2009, we employed 164 collectors in Spain. The collectors are based in each Spanish region in which we have operations and report each day to our regional headquarters.

Our collectors do not carry a significant amount of cash at any given time and we do not believe that additional security in the form of security vans or armed guards is necessary in light of the low incidence of crimes committed against our collectors while carrying out the collections. Furthermore, our collectors are required to deposit bank notes in local bank branches while on their daily route to reduce the amount they carry at any time.

Each AWP machine contains a "hopper," which holds cash to ensure the AWP machine always has a sufficient amount of cash to pay out prizes. The amount of the hopper is approximately €222 per AWP machine contributed approximately equally by us and the site owner.

Expansion of AWP Machine Portfolio

We primarily grow the number of AWP machines in our portfolio through acquisitions of smaller AWP operators and organic growth. Many of the smaller operators represent attractive acquisition opportunities because their acquisition generally requires a low capital investment, and results in a high EBITDA and cash flow contribution to our Spain AWP operations. Once we have identified a potential business to acquire or location to develop, we prefer to take a controlling stake in the business. This typically includes taking over the acquired operator's rights under its installation agreements and its obligations under its service and maintenance agreements. We believe we can significantly increase the average daily net box of the AWP machines we acquire through AWP machine rotation and the other performance optimization measures described above. We believe that acquisitions in the regions where we currently enjoy significant local market share are particularly attractive, since we can leverage our existing cost structure and relationships with local regulators.

We also seek to grow the number of our AWP machines by negotiating the renewal of our existing contracts with site owners and generally attempting to limit the number of contracts that are terminated to those that we do not wish to renew. The higher average daily net box produced by our AWP machines is a key element in our negotiations with site owners, as are the exclusivity payments that we make in order to guarantee our exclusive right to install AWP machines in particular sites.

Sales and Marketing

In Spain, our sales force is responsible for maintaining our relationships with site owners and identifying new locations to install AWP machines and acquisition opportunities. Our sales force is spread throughout the country and is generally based out of our regional headquarters. Our sales employees' salaries comprise fixed and variable components, the latter of which is based on commissions related to the value of contracts they are able to close.

Although government regulations on advertising have become more relaxed in recent months, the current regulations limit the extent and manner by which we and our competitors can advertise. In particular, government regulation prohibits certain kinds of direct and indirect advertisements to potential AWP machine players. However, alongside the sports betting legislation, the government has recently eased some of the restrictions that existed for gaming related advertisements. Due to such restrictions, our marketing and public relations expenditures tend to be modest and totaled approximately €0.5 million in 2009.

Regulatory change

Gaming is regulated on a regional level in Spain. On August 13, 2009, the Community of Madrid published the new regulation for gaming machines which adapts the regional regulation to that adopted by most other communities in Spain, including Cataluña, Andalucia, Valencia and Castilla La Mancha starting in 2005. Among the principal changes related to AWP machines are: an increase in the maximum wager amount from €0.40 to €0.60, by allowing triple bets, a decrease in the prize payout from 75% to 70%, an increase in the maximum prize from €120 to €240, and the authorization to install video machines. In the quarter ended December 31, 2010 we adapted the entire machine portfolio in Madrid (approximately 3,400 machines) to comply with the new regulation. In other regions in which similar regulation was introduced, net wins increased by approximately 10% and we expect a similar increase in Madrid.

Other Operations

Italy Bingo

We have been present in the Italian gaming industry since 2001, when we entered the bingo market. Initially, our activities were focused on providing management services to bingo halls owned by Operbingo. We have owned and operated these bingo halls since our acquisition of Operbingo on December 15, 2005 and have since acquired Bingo Palace, Mortara and Maxibingo, each with one hall, and opened a greenfield bingo hall in Bologna, and today we believe we are the industry leader in terms of bingo revenues with 12 owned and operated halls. In addition to the traditional bingo game available in our bingo halls, pursuant to legislation in 2007, we have installed AWP machines in our bingo halls. As of December 31, 2009, we had 493 AWP machines installed in our bingo halls. In 2009, our Italy Bingo business generated operating revenue of €88.5 million and EBITDA of €4.5 million, representing 9.2% of our consolidated revenues and 1.8% of our consolidated EBITDA (both before corporate headquarters).

In November 2009, in an effort to boost the bingo sector, the AAMS approved certain changes to the bingo regulation, including an increase in the prize payout from 58% to 70% and a reduction in gaming taxes of the same amount (from 23.8% to 12%). By increasing the prize payout, bingo is more attractive to the player and tends to result in increased wagers as players often choose to play the amounts won. The regulation also permits the interconnection of bingo halls, and thus the possibility of increased jackpots, under certain conditions.

The following table sets forth certain information regarding Operbingo's operations as of December 31, 2009 and for the periods indicated:

Name of Bingo Hall	City/Region	Opening Date	Concession Expiration Date	Seating Capacity	No. of Seats	2009 Revenues (in millions of €)[2]
Palace	Turin, Piemonte	Jan. 2002	Jan. 2014	854	785	13.2
Re	Rome, Lazio	Feb. 2002	Feb. 2014	900	856	24.9
Modernissimo	Salerno, Campania	Mar. 2002	Mar. 2014	470	434	7.3
Living	Bologna, Emilia Romagna	Apr. 2002	Apr. 2014	404	343	2.5
Marconi	Vigevano, Lombardia	May 2002	Apr. 2014	372	300	3.2
Garbini	Viterbo, Lazio	Aug. 2002	Aug. 2014	506	390	6.4
Ariston	Lecce, Puglia	Sep. 2002	Sep. 2014	650	546	9.2
Vittoria	Parma, Emilia Romagna	Apr. 2004	Apr. 2016	491	523	7.3
Cola di Rienzo	Rome, Lazio	Dec. 2004	Dec. 2016[1]	557	525	6.3
Regina	Bologna, Emilia Romagna	May 2006	Sep. 2014	576	324	2.6
Mortara	Mortara, Lombardia	Mar. 2002	Mar. 2014	378	306	1.2
Maxibingo	Salerno, Campania	Mar. 2002	Mar. 2014	534	485	4.2

(1) Assumes the concession is renewed for an additional six years from the date of expiration following the appropriate administrative procedures.

(2) Revenues consist of net win at bingo halls, food and beverage sales and other revenues.

Italy AWP

Codere has also been active in the AWP machine market since the 2004 regulation that was intended to reform the Italian slot machine industry. We entered the market as an operator of AWP machines and subsequently acquired a network concessionaire. In 2009, our Italy AWP business generated operating revenue of €42.2 million and EBITDA of €10.8 million, representing 4.4% of our consolidated revenues and 4.4% of our consolidated EBITDA (both before corporate headquarters).

In the AWP machine business, AWP operators enter into agreements with site owners under which the operator places its AWP machines at the sites and provides maintenance services for such AWP machines in exchange for a variable fee that is generally equal to 50% of net box after deducting gaming taxes and the cost of the network provision.

There are three key differences between the Italian AWP machine business and the Spanish AWP machine business. First, in Italy, all AWP machines are required to be interconnected through a national network. A network provider must make all gaming tax payments and is expected to carry out all money collection activities (though currently operators are in fact carrying out money collection activities), while in Spain, network interconnection is not required and tax payment and collection activities are carried out by the AWP machine operator. Second, in Italy, an operator is a service provider with lower exposure to regulatory authorities as the relationship with the regulatory authorities is carried out through the network provider. In Spain, the AWP machine operator's activities are highly regulated. Third, in Italy, the use of video AWP machines is much more prevalent than it is in Spain.

Given the network's role in the industry structure, we have believed from the outset that participation in ownership and operation of a network is critical to profitable growth in the Italian AWP sector, and have sought to achieve this strategic position via acquisition or joint venture. This objective was achieved through our acquisition of Codere Network (previously Rete Franco) on April 28, 2006. Codere Network is one of ten government concessionaires for the provision of AWP network services and had 7,404 machines under its supervision as of December 31, 2009. With this acquisition, and following the restructuring of our direct machine business in 2008 and our current focus on indirect operations through the three AWP operators in which we acquired majority stakes in 2007, we believe we now have the strategic platform for profitable growth.

In August, 2009, and with the intention to collect to defray the damage caused by the earthquake in the Abruzzo's region, the regulator authorized the introduction of VLTs. This is a new machine model which is more aggressive than the AWP, with higher prizes payout and higher prizes, which could be as high as €500,000 if the machines are interconnected compared to a maximum prize of €100 of the AWPs. The licenses to install the VLTs have been granted to the network operators depending on the interconnected machines they had at a concrete date. Codere has been granted 1,359 VLT permits.

There is still litigation and disputes regarding the Italian business (see "—Litigation—Other Litigation and Disputes—Italy"). We believe that the various charges against the networks reflect in large measure both a rapidly developing regulatory framework and considerable political uncertainty and are entirely inconsistent both with the economic realities of the business and with the ultimate objective of the Italian government to have a well-regulated gaming machine industry.

Sports Betting

In July 2006, we signed a memorandum of understanding with William Hill plc ("William Hill") to participate in the sports betting market in Spain upon the passage of enabling legislation. In light of the publication in Madrid and the Basque region of such legislation, the parties created Codere Apuestas España, S.A., and Garaipen Victoria Apustuak, S.A.L., joint ventures to develop sports betting in Madrid and in the Basque region, respectively, each of which applied for the necessary licenses to operate in these regions. Madrid has since issued five-year administrative authorizations to conduct sports betting operations to companies which meet certain financial, technical and other requirements. The Basque region awarded three licenses for the operation of 25 locations and 500 machines for each license holder. Sports betting is allowed in dedicated sports betting shops, existing gaming establishments, sports premises and remotely (including over the internet and mobile phones). The joint venture obtained the necessary authorizations in both regions and began sports betting operations in Madrid in April 2008 and in the Basque region in November 2008. In addition to offering sports betting in our shops, we are able to offer sports betting at casino gaming halls, bingo halls and sports venues. Nevertheless, following a strategic review by William Hill plc and Codere of our joint venture in Spain, the parties agreed on May 13, 2009 to the gradual withdrawal of William Hill from the joint venture as William Hill decided to focus its international sports betting strategy on the internet via William Hill Online. Pursuant to the terms of the agreement, on January 20, 2010, Codere completed the purchase of William Hill's 50% stake in the company for €1. For a more detailed discussion of our purchase of William Hill's 50% stake, see "—Recent Developments—Purchase of William Hill's stake in Spain sports betting venue".

We made progress in the establishment of the Sports Betting business in Spain over the course of 2009 with 175 locations trading at the end of the year.

We built upon our relationship with William Hill by jointly bidding for sports and horse betting licenses in Italy in a large scale auction conducted by the Italian government on October 20, 2006 and by forming a joint venture in Italy. Following the tendering process, we were jointly awarded 55 concessions by the Italian regulatory authority, comprising 20 concessions to operate horse racing betting shops, seven concessions to operate sports betting shops and 28 concessions relating to sports betting points as well as remote licenses relating to these activities. In January 2007 we jointly paid €4.7 million in connection with the concessions award. On July 2, 2008, we and William Hill closed the sale of WHCI (William Hill Codere Italia Srl**)** to Intralot Italia SpA for €5.5 million. The sale followed a strategic review of WHCI within the Italian sports betting market.

Spain Bingo

We entered the Spanish bingo market in 1999 with the acquisition of Cartaya, a regional mid-sized bingo hall with 250 seats located in southeast Spain. In March 2000, we acquired Bingo Canoe, the largest bingo hall in Spain, with 1,040 seats, and Star, with 592 seats, both located in Madrid. Our lease to the premises on which Bingo Canoe is located expires in October 2012. We closed the Cartaya and Star bingo halls in 2003 and 2005, respectively, due to low profitability so that as of December 2009 our Spain Bingo business is limited to Bingo Canoe. In 2009, our Spanish bingo business generated operating revenue of €22.8 million and EBITDA of €0.3 million, representing 2.4% of our consolidated revenues and 0.1% of our consolidated EBITDA (both before corporate headquarters).

Operations

As owner and operator of the Bingo Canoe hall, we rent and refurbish its premises, pay required gaming taxes and withhold payout taxes on prizes, control players' entrance into and security at the bingo hall and generally operate all aspects of the bingo game. The following table sets forth certain operational information regarding our bingo operations in Spain for the periods indicated:

	Year ended December 31,			
	2006	2007[(1)]	2008	2009
Number of halls (at period end)	1	1	1	1
Number of seats (at period end)	1,024	770	700	700
Number of visitors (in thousands)	516	388	460[(2)]	430[(2)]
Average amount wagered per visitor	€148	€153	€144	€131
Average number of employees	157	126	165	152

(1) The hall was closed for refurbishment for three months, resulting in a decrease in the number of visitors and in the average number of employees.

(2) This number excludes visitors to the sports betting location, approximately 35,000-40,000 for each year.

We believe there are four main factors that contribute to the relative success or failure of a bingo hall in Spain: the size of the hall, the location of the hall, the scope of the product offered in the hall (standard paper bingo cards, electronic bingo terminals or bingo games linked with multiple bingo halls), and the atmosphere and quality of service at the hall. These factors drive traffic to the hall, which, together with the number of cards played per player, increases the jackpot size, which in turn attracts more players and induces those players to purchase more cards. The number of players is limited by the attractiveness of other gaming options or other entertainment activities, as well as by the attractiveness of the bingo hall itself as measured by the four factors listed above. The number of cards per player is generally limited by the ability of players to keep track of multiple cards, their sensitivity to the price of the cards and restrictions contained in applicable regulations. The large size of Bingo Canoe allows us to offer larger prizes than most mid and small sized halls in the region, attracting a larger client base. Extending the opening hours to the maximum time authorized by regional regulators (12 hours) has also helped to attract clients looking for late and early gambling.

We believe that our Spanish bingo business is strategically important to our overall operations. Our Spanish bingo business has required low levels of capital expenditures and working capital and, as such, it has been highly cash generative. In addition, operating our Spanish bingo business provides our management with know-how and best practices to apply to our bingo hall operations in Argentina, Mexico, Colombia and Italy.

We may seek to acquire other bingo hall operators in Spain in order to take advantage of possible regulatory changes we are pursuing with other operators, including the possibility of increasing the number of gaming machines in such bingo halls.

On August 13, 2009, the Community of Madrid published the new regulation for gaming machines which adapts the regional regulation to that adopted by most other communities in Spain. The new regulation also permits the introduction of Class B3 machines which can be installed in arcades, bingo halls and casinos. The Class B3 machines, which are based on the bingo game and are similar to the EBTs we operate in Mexico, have a maximum prize of €6,000, which increases to €18,000 in the case of interconnected machines. At December 31, 2009 we had 60 Class B3 machines installed in Bingo Canoe.

Sales and Marketing

As in the AWP machines market, national and regional regulations in Spain limit the extent and manner by which we can advertise our Canoe bingo hall. In particular, government regulation limits direct and indirect advertisements to potential bingo players but such regulation has been amended to allow certain types of limited gaming publicity. However, alongside the new sports betting legislation, the government has recently eased some of the restrictions that existed for gaming related advertisements. In lieu of conventional advertising, our marketing efforts are concentrated on promotional "soft marketing" initiatives at Bingo Canoe.

Panama

In October 2005, we purchased a 90% interest in the Hipódromo Presidente Remón horse racetrack in Panama City, which is the only racetrack in Central America. The remaining 10% is held by the Motta family. We currently hold licenses to open betting points and are permitted to install up to 500 slot machines and a bingo hall at the racetrack. As at December 31, 2009, the racetrack had 374 machines and we were operating six sports betting locations in Panama.

On January 24, 2006, we completed the purchase of Alta Cordillera, the owner of Crown Casinos in Panama. This acquisition is part of the sale exchange agreement signed on July 28, 2005 between the Antonio Martínez Group and Codere, pursuant to which Codere agreed to exchange its minority interest in four Chilean casinos for 100% of Crown Casinos. On December 6, 2008, we opened our fifth casino in Panama, located in Colón, the second largest city in the country. The casino, which operates under our Crown Casino brand, has 14 tables and 200 slot machines and is located at the Radisson Hotel. At December 31, 2009, Crown Casinos, a leading player in the local casino market, operated five casinos in Panama (including Casino Colón which is temporally closed) with a total of 91 tables and 1,246 slot machines. In 2009, our Panama business generated operating revenue of €48.0 million and EBITDA of €10.1 million, representing 5.0% of our consolidated revenues and 4.1% of our consolidated EBITDA (both before corporate headquarters).

For a discussion of recent developments in Panama, see "—Recent Developments—Agreement to acquire casinos in Panama".

Colombia

Our Colombia business focuses on the ownership and operation of slot machines. As of December 31, 2009, we operated 6,556 slot machines located in our two casinos as well as in bars, restaurants and salons in major cities throughout Colombia. In addition, as of December 31, 2009, we operated six bingo halls with an aggregate of over 1,103 seats. In 2009, our operations in Colombia generated operating revenue of €23.1 million and EBITDA of €4.6 million, representing 2.4% of our consolidated revenues and 1.9% of our consolidated EBITDA (both before corporate headquarters).

We estimate that the total number of licensed AWP machines in Colombia as of December 31, 2008 was approximately 77,240. In addition, we estimate there were an additional 27,000 unlicensed AWP machines in operation in Colombia. The AWP machines in the Colombian market are generally type-C machines, similar to U.S. Class III machines which differ from Spanish machines in that they do not have maximum wager and prize limits. The Colombian machine market (excluding machines located in casinos), with around 600 legal operators, is highly fragmented. Our main competitors in the licensed market are Unidelca, with approximately 4,379 slot machines, Mundo Slot with approximately 2,529 machines and Winner Group, which is affiliated with Cirsa, our main competitor in Spain, with approximately 1,980 slot machines, each as of December 31, 2008.

Operations

The following table sets forth the historical development of our Colombia business's operations:

	2006	2007	2008	2009
Number of AWP machines (at period end)	11,578	8,463	8,502	6,556
Net win per day per slot machine (in Colombian pesos)	24,677	28,757	32,747	33,257

Uruguay

In June 2002, the Uruguayan government granted Hípica Rioplatense Uruguay ("HRU"), a 50/50 joint venture between us and the Sociedad Latinoamericana de Inversiones Group (the "SLI Group"), an exclusive 30-year concession, to operate the historic Maroñas horse racing track in Montevideo and five off-track betting sites, which include slot machines as well as wagering based on simulcast sporting events. Our partner, the SLI Group, also owns the Haras de La Pomme horse breeding center, which is one of the most prestigious in Latin America. The SLI Group is also involved in the hotel business, real estate investments, telecommunications and internet services.

As of December 31, 2009, our Uruguay business operated the Maroñas horse racing track and six sports betting locations with slot machine parlors (with a total of 1,604 slot machines seats installed). In addition, we also had sports betting locations at which there were no slot machines and we simulcast horse racing at the Maroñas horse racing track in Latin America and Austria. In 2009, our Uruguay business generated operating revenue of €14.9 million and EBITDA of €3.8 million, representing 1.5% of our consolidated revenues and 1.5% of our consolidated EBITDA (both before corporate headquarters).

The Uruguay business's operation of the Maroñas horse racing track and related on-track and off-track betting and slot machine sites is our first development of the "racino" gaming business model. The racino business model consists of combining generally more profitable casino gaming, such as slot machines, with a racing product, which is a generally less profitable area of the gaming business. By increasing overall profitability, purses to horsemen may be increased, attracting the best horsemen to the racetrack, which tends to increase betting. Top-class horse racing may also be leveraged by offering racing simulcasts to off-track betting sites, as well as other horse racing tracks. Racino gaming has grown rapidly in the United States and Canada in recent years.

On November 9, 2009, the Intendencia Municipal de Montevideo (IMM) awarded the Carrasco Nobile consortium the concession for the Hotel Casino Carrasco project. In addition to Codere, the consortium includes international investors (Global Partners and AGG) and Sofitel, the luxury brand of the French hotel group, Accor. The formal granting followed the announcement on January 15, 2009 that the partnership received the highest point total, as well as a review by the Tribunal de Cuentas. We view this as an exciting opportunity to reform to a world-class standard, and then operate the emblematic Hotel Carrasco in Montevideo, together with a first class partner, under a 30 year concession. Codere's 50% share of the total investment in the project, approximately U.S.$30 million, will be contributed primarily in 2010 (approximately €8 million) and 2011.

Brazil

Currently, regulated gaming in Brazil is restricted to lottery games run by the Brazilian government, local pari-mutuel horse racing and international pari-mutuel and fixed odds horse racing, operated exclusively under jockey club licenses that are issued and regulated by the Ministry of Agriculture. Although there are over 20 jockey clubs in the country, wagered amounts are concentrated in three institutions: Jockey Clube Brasileiro ("JCB") in Rio de Janeiro, Jockey Clube de São Paulo in São Paulo ("JCSP") and Jockey Clube do Rio Grande do Sul ("JCRGS") in Porto Alegre. In 2009, the estimated total amount wagered for these clubs was approximately €114 million.

In 2004 and 2006, Codere signed ten-year exclusivity agreements with three of the four major Jockey Clubs (JCB, JCRGS and JCPR) to offer all forms of betting permitted under their licenses throughout Brazil. Recently, the Ministry of Agriculture issued permits to certain jockey clubs for betting on international simulcast races. Until that time, only pari-mutuel wagering on local races was permitted. As a result of this change, and pursuant to the exclusivity agreements with JCB and JCRGS, we have opened five off-track betting facilities (two in Rio de Janeiro, one in Niterói and two in Porto Alegre) to offer betting alternatives for local and international races. In 2009, our Brazil business generated operating revenue of €2.3 million and EBITDA of €(0.1) million, representing 0.2% of our consolidated revenues and 0.0% of our consolidated EBITDA (both before corporate headquarters).

In 2009, the Jockey Clubs together with Codere requested authorizations to start operating Class II gaming inside the racetracks of Gávea, in Rio de Janeiro, and Cristal, in Porto Alegre. As of the date of this Report, discussions on the requested authorizations are ongoing. Additionally, we are encouraged by progress made in 2009 towards the approval in Congress of a bill of law regulating the bingo business in Brazil. The bill of law, which provides for the installation of bingo halls with EBTs, has been approved by three commissions of the Chamber of Deputies. The bill of law still needs to be approved by the Chamber of Deputies and the Senate before it is submitted for presidential approval. Therefore, there can be no assurance that the bill of law will be voted into law in its current form, or at all.

Employees

The tables below set forth the average number of our permanent employees during 2008 and 2009 and the breakdown of those employees by activity and geographically.

Category of Activity	**2008**		**2009**	
	Men	**Women**	**Men**	**Women**
Managers and supervisors	730	182	660	158
Specialists	292	82	147	83
Sales personnel	2,037	1,609	2,149	1,770
Collectors	335	170	364	50
Mechanics	334	6	487	5
Clerical staff	1,024	792	990	781
Assistants	373	362	536	319
Other personnel	3,654	1,991	3,489	2,055
Total(1)	8,779	5,194	8,822	5,221

Geographic Area	**2008**		**2009**	
	Men	**Women**	**Men**	**Women**
Spain	1,125	358	1,007	304
Argentina	2,457	1,668	2,592	1,680
Mexico	2,930	1,615	3,229	1,842
Italy	423	345	432	339
Panama	991	576	619	348
Colombia	431	257	423	260
Uruguay	377	347	459	421
Brazil	45	28	61	27
Total	8,779	5,194	8,822	5,221

(1) 100% of the staff have been considered independently of the method of consolidation used for these companies. Employees in the halls of the Caliente Group (in Mexico) where Codere is the operator have not been included.

The extent of labor union membership of our employees varies between countries. We believe that we maintain good relationships with both our union represented and non-union represented employees and their union representatives. We are involved in limited numbers of labor disputes in the ordinary course of business, none of which would have a material adverse affect on us if not resolved in our favor.

We are subject to collective bargaining agreements in Spain and the other countries in which we operate. Under these agreements, salary scales are established for each position in each industry. The salary scales are usually revised annually and typically provide for increases in the salary scales in accordance with the increases in the consumer price index in each country, or a slightly larger increase. We do not have a pension plan.

Licenses and Trademarks

We, or our partners and clients, hold gaming licenses in each jurisdiction in which we operate and we expect that we will acquire additional licenses in the future. In addition, in some countries we hold licenses or authorizations permitting us to import AWP machines into such country. We have no material patents,. We use to register the trademarks under which we operate our different businesses in different countries, but sometimes we make agreements with our partners to operate under their own trademarks. Additionally there are two trademarks, Codere and Turff, which are operated worldwide.

Litigation

In the ordinary course of business, we have been and are involved in disputes and litigation. While the result of these disputes or litigation cannot be predicted with certainty, we do not believe that the resolution of any such disputes or litigation, individually or in the aggregate, could have a material adverse effect on our business, results of operations or financial position.

Ballesteros Transaction

On March 2, 2000, acting on our behalf, Hispano Chilenos, S.A., a company owned by Jesús Franco, who until April 2006 was one of our principal shareholders and a member of our Board of Directors, entered into a purchase and sale agreement with José Ballesteros Requejo and his wife ("Ballesteros") whereby Hispano Chilenos, S.A. agreed to purchase from Ballesteros 50% of the shares of all the entities that operated Ballesteros' businesses in Spain and Venezuela—12 bingo halls in the Castilla-Leon region of Spain, one in Venezuela as well as an additional license to operate bingo halls in Venezuela—for €12.0 million. On September 15, 2000 the purchase and sale agreement was novated and Codere assumed all of Hispano Chilenos, S.A.'s rights and obligations thereunder and paid an additional €2.4 million owed to Ballesteros. On January 2, 2001, Codere paid to Hispano Chilenos, S.A. €12.0 million in respect of the funds Hispano Chilenos, S.A. had advanced to Ballesteros and €1.1 million in interest.

Under the terms of the agreement, the €12.0 million payment made to Ballesteros was to be returned if the transactions contemplated by the agreement were not consummated due to the fault of Ballesteros, plus €6.0 million in penalties. The agreement also stipulated that if the transaction was not consummated due to the fault of Hispano Chilenos, S.A., Hispano Chilenos, S.A. would recover only €6.0 million of the €14.4 million that had been paid to Ballesteros.

After signing the March 2, 2000 purchase and sale agreement, but during our due diligence of the Ballesteros Group's operations, we discovered that the legal and economic aspects of the transaction were not as they had been represented and, in particular, that the Ballesteros Group did not hold a license to operate in Venezuela and that the Venezuelan economic and political crisis had significantly reduced the value of the Ballesteros Group's businesses. Since we were unsuccessful in obtaining a refund from the Ballesteros Group of the €15.5 million that we had paid in connection with the transaction, on October 29, 2003, we initiated a suit against Ballesteros in the First Instance Court of Madrid (*Juzgado de Primera Instancia de Madrid*). In the suit, we claimed that: (i) the purchase and sale agreement should be terminated based on breaches of representations and warranties and covenants by Ballesteros; (ii) we were entitled to recover €14.4 million based on Ballesteros' failure to consummate the transactions contemplated by the agreement; and (iii) Ballesteros should pay us €6.0 million as a penalty under the terms of the agreement and €1.1 million in damages. As required by the First Instance Court of Madrid, we posted a bank guarantee in the amount of €1.8 million in relation to our claim against Ballesteros.

On October 14, 2004, Ballesteros filed a counter claim alleging that we breached the purchase and sale agreement by failing to perform our obligations under such agreement. Ballesteros claimed €33.4 million in damages, including expenses incurred in making investments under the terms of the agreement, pain and suffering and loss of profits. Setting off the amount of €6.0 million that we were entitled to recover from the up-front payment under the terms of the agreement, Ballesteros' counter claim requested a total of €27.4 million in damages. The first hearing (*audiencia previa*) before the First Instance Court of Madrid regarding these proceedings was held on March 10, 2005 and oral arguments were held on May 17, 2005. On October 4, 2006, the criminal proceedings brought against Ballesteros on charges related to the facts alleged by us in our civil suit were dismissed and on May 3, 2007, both the civil suit initiated by us as well as the counter-claim filed by Ballesteros were dismissed by the court which imposed the payment of legal fees on both parties. We have appealed the court's decision to dismiss our suit.

On September 23, 2009, the Madrid Provincial Court issued a judgment on our appeal requiring Ballesteros to repay Codere approximately €12.0 million of the €15.5 million we paid in connection with the Ballesteros transaction and such amount was repaid to us in December 2009. As a result, in the quarter ended December 31, 2009, we reflected a €10.2 million (net of legal fees and expenses) reversal of the €15.5 million provision recorded in 2002 regarding the potential loss of payments in connection with the Ballesteros transaction, reducing the provision in respect of loss of payments to €5.3 million. We have not made any additional provisions in connection with the Ballesteros transaction. In parallel to the repayment, we filed an appeal to the Madrid Provincial Court's judgment requesting payment of interest accrued since March 2000, the date of the initial claim, and expect the Supreme Court to issue a ruling on this appeal within three years.

Tax Contingencies

From time to time in the ordinary course of business we and the tax authorities in the jurisdictions in which we operate dispute the amounts that we owe such authorities.

Income Tax Dispute

We are involved in a dispute with the Argentine federal tax authorities regarding the application of Section 73 of the Argentine Income Tax law to certain inter-company loans with our Argentine affiliates. Section 73 also generally applies to loans to third parties and we have argued that the Argentine companies involved in the questioned loans are part of a single economic group. If this dispute is determined adversely to us, we estimate that we would be required to pay AR$10.5 million (equivalent to approximately €2.0 million as of April 15, 2010).

Other Tax Disputes

We are involved in several disputes with state tax authorities in Mexico concerning the payment of value added taxes and the application of state lottery taxes to our bingo hall operations. These disputes arose following the recognition by regulations enacted under the Mexican Federal Law of Games and Lotteries on September 17, 2004, of bingo as a form of lottery, which technically empowered the Mexican states to tax bingo activity. Caliente and CIE have each disputed the Mexican state governments' right to impose taxes on bingo activity, claiming that only the federal government is constitutionally empowered to take such action. Caliente and CIE have obtained injunctions absolving them of the obligation to pay such taxes in several states but the disputes are ongoing in other states. If these disputes are determined adversely to us, we could be required to pay Mex. Ps. 648 millions (equivalent to approximately €39.3 millions as of April 15, 2010).

In Bogota, Colombia, a dispute with local tax authorities regarding certain gaming taxes on slot machines that we operate at locations owned by third parties was resolved in the second half of 2009. Codere Colombia S.A. paid COP$1,675.7 million (equivalent to approximately €0.6 million as of April 15, 2010) in relation to such tax and the tax authorities have ceased the related judicial process and confirmed that Codere has complied with applicable regulations.

Other Litigation and Disputes

Argentina

Other Litigation and Disputes in Argentina

In 1996, Mr. Ernesto López Moreno, the lessor of a bingo hall to Intermar Bingos S.A., of which we currently hold 58.95%, filed suit in Mar del Plata Lower Court, Argentina. Mr. López claimed that Intermar Bingos S.A. owed approximately U.S.$1.5 million in rental payments. On behalf of Intermar Bingos S.A., we filed a counter-suit, arguing that we do not owe any rental payments for the bingo hall since we were not allowed to use the premises. The Lower Court suspended Mr. López's claim pending the resolution of our counter-claim, which was rejected by the Lower Court, the Court of Appeals, the Provincial Supreme Court and the National Supreme Court. We expect that the Lower Court will determine during 2010 the final amount to be paid to Mr. López.

Codere is the subject of a criminal investigation in Argentina relating to the illegal importation and exploitation of slot machines, which was initially directed at all Argentine slot machine operators. Over the course of the ongoing preliminary stage of the investigation, the authorities have decided not to pursue investigations of certain slot machine operators. Codere Group members remain among the companies still being investigated and are cooperating fully with the authorities. No director, officer or employee of Codere has been subpoenaed as of the date of this Report. We believe that the investigation, insofar as it relates to Codere, does not have any merit and are additionally seeking the application of the statute of limitations.

The Argentine Central Bank ("BCRA") has initiated several proceedings under foreign exchange control laws and regulations. The applicable law imposes a fine in the range of one and ten times the amount of the alleged infraction, but the amount normally imposed is the minimum amount. BCRA is investigating alleged infractions by Codere with respect to a total of U.S.$4.1 million and €0.3million. With respect to approximately U.S.$3.1 million of such amounts, we will argue that the statute of limitations has expired. As for the remaining amounts, we believe that we will successfully defend our position with respect to such infractions.

International Court of Arbitration

On or about January 6, 2009, we were notified by the International Court of Arbitration that Merit Holdings, LLC ("Merit") had sent a request for arbitration against Codere under International Chamber of Commerce rules. In the complaint accompanying the request for arbitration, Merit alleged that Codere had violated the terms of a Consulting Services Agreement ("CSA") between the parties dated January 9, 2004. Specifically, Merit claimed that, in the CSA, Codere had agreed to pay it "performance compensation", the precise amount to be determined by application of a formula to Codere's reported financial results. Application of such formula, according to Merit, suggested that Codere owed Merit at least €9.14 million in performance compensation under the CSA. Codere denied the claims alleged by Merit, answered the request for arbitration and was vigorously pursuing a favorable resolution of this matter on several grounds, including that the CSA was terminated without any obligation to pay performance compensation given the parties' failure to agree to certain key terms underlying the payment formula and other items.

On July 24, 2009, we settled our dispute with Merit. As part of the settlement, Codere paid Merit U.S.$0.6 million (equivalent to approximately €0.4 million as of April 15, 2010) and the parties released and discharged each other from any and all claims and actions arising out of or related in any way to the CSA.

Italy

AAMS Preu Payments

On January 5, 2009, Codere Network received a notice from the AAMS Lazio claiming that certain amounts were due for 2004 and 2005 in connection with the "*liquidazione Preu*", which is an estimate of gaming taxes owed by concessionaires based on the amounts spent by customers on slot machines ("AAMS Preu payments"). The amounts claimed were approximately: (i) €21.7 million as AAMS Preu payments; (ii) €2.0 million as penalties (which would be reduced if paid without dispute); and (iii) €2.8 million as interest. On January 30, 2009, Codere Network filed a brief, requesting AAMS to recalculate the final amounts requested, taking into account (i) a more accurate allocation of payments and (ii) payments made under a repayment plan agreed with the AAMS in May 2006.

On July 1, 2009, the AAMS sent a second note rectifying the previously communicated data, which specified several points: Codere Network does not owe any amounts regarding the AAMS Preu payments for 2004 and 2005 but owes €1.4 million and €0.9 million for sanctions and interest, respectively. The note also recognized that AAMS has a credit of €0.3 million corresponding to an excess in the 2004 and 2005 AAMS Preu payments. On July 30, 2009, Codere Network signed a five-year debt payment plan with the AAMS for the sanctions and interest owed.

Regarding the 2006 AAMS Preu payments, the process has been similar to the one described above for 2004 and 2005 but following Codere Network's request to recalculate the final amounts, the AAMS confirmed on December 17, 2009 that no amounts were due. The AAMS also recognized that Codere Network has a credit of €1.0 million corresponding to an excess in the 2006 AAMS Preu payment.

Regarding the 2007 AAMS Preu payments, following a similar process, the AAMS informed Codere Network on December 30, 2009 that it does not owe any amounts. However, the AAMS informed Codere Network that it owes €1.4 million for sanctions and interest. In addition, the AAMS recognized a credit in Codere Network's favor of €3.3 million that was deemed to be in excess of the required 2007 AAMS Preu payments. On February 1, 2010, Codere Network submitted a petition to the AAMS to recalculate the 2007 AAMS Preu payments and cancel the sanctions and interest.

In addition, Codere Network is currently a party to various proceedings pursuant to which it is claiming an aggregate of €6.3 million (as of the date of this Report) from approximately 60 gaming operators relating to unpaid network interconnection fees and gaming taxes which Codere Network collects on behalf of the AAMS relating to the machines that Codere Network interconnects for such operators.

CdC Allegation

On May 29, 2007, the Italian Corte dei Conti (the "CdC"), the constitutional body charged with auditing the management and accounts of governmental departments, including the AAMS, claimed that the AAMS had not requested from Codere Network €3.0 billion in penalties for the alleged incompliance with certain obligations such as the terms for the activation and management of the AWP network and the minimum levels of service (the "CdC Letter"). The CdC letter claimed four types of penalties, was addressed to official representatives of the AAMS who were allegedly responsible for revenue losses resulting from the failure to request penalties and to Codere Network as concessionaire, which the CdC considered to be jointly responsible, and, under similar circumstances, was sent to nine other concessionaries which had provided AWP network services in Italy claiming an aggregate amount of €98 billion in penalties and fines. On June 26, 2007, pursuant to the CdC Letter, the AAMS requested that Codere Network pay penalties and fines per the CdC Letter (the "AAMS Letter").

Codere Network has responded to the CdC Letter and the AAMS Letter, both directly and in coordination with the other network concessionaires. With respect to the AAMS Letter, Codere Network challenged the request of payment before the Lazio Regional Administrative Court ("TAR"). On July 25, 2007, the TAR ordered the temporary suspension of the request of payment under the AAMS Letter and on April 1, 2008, Codere Network received notice that the TAR had annulled the AAMS Letter request for payment because the AAMS had not conducted a proper administrative process (the "TAR Sentence"). While the TAR Sentence did not specify a judgment with respect to the underlying claims of the AAMS Letter, it contained certain considerations that were favorable to Codere Network. For example, the TAR Sentence noted that (a) the AAMS had not followed appropriate procedures, including providing concessionaires with proper notice, which has led to delays, (b) the claims in the AAMS Letter must be evaluated under the principle of proportionality and the levels of compliance with regulation and actual damages caused and (c) the AAMS had failed to observe the principle of proportionality in imposing the penalties. The AAMS has not appealed the TAR Sentence. Claims against the other nine concessionaires have been met with similar developments and sentences.

On May 27, 2008 and June 11, 2008, the AAMS sent additional letters to Codere Network again claiming three of the four types of penalties contained in the CdC letter at reduced amounts (the "Additional AAMS Letters"). The Additional AAMS Letters claimed €78,888 for the late launch of the telecommunications network, €118,635 for the late activation of the telecommunications network and approximately €1.7 million for the late management of the telecommunications network. Similar additional letters claiming reduced penalties were sent to the other concessionaires. As of the date of this Report, AAMS has not provided an amount for the fourth type of penalty relating to the minimum levels of service, which is likely to be the most significant. A special commission appointed to define the parameters with which to evaluate this fourth penalty completed its work in 2009. The AAMS has still not announced the new amount of the penalty.

On September 5, 2008, October 1, 2008 and October 16, 2008, Codere Network filed motions challenging the Additional AAMS Letters, which resulted in the further reduction in the amounts of the penalties provided to €47,333 for the late launch of the telecommunications network, €183,064 for the late activation of the telecommunications network and €445,111 for the late management of the telecommunications network. In addition, Codere Network and the other concessionaires with respect to their respective penalties have challenged these penalties with an appeal before the TAR.

On January 12, 2010, the TAR rejected Codere Network's appeal. Codere Network intends to appeal the TAR ruling to the Council of State, demanding that the sanctions imposed by the AAMS be cancelled and requesting that the enforcement of the rulings be suspended until the Council of State's final decision has been taken.

Additionally, with respect to the CdC Letter, Codere Network filed a defense motion before the CdC in May 2007 claiming that the penalties were not owed, which motion the CdC rejected on March 18, 2008. The CdC provisionally scheduled a hearing to discuss the merits of the penalties for December 4, 2008, which would have taken place in conjunction with hearings relating to the claims against the other concessionaires. However, as a result of an appeal before the Italian *Corte Suprema de Cassazione* ("Court of Cassation") by Codere Network and the other concessionaires seeking to clarify the calculation of penalties claimed in the CdC letter and challenging the jurisdiction of the CdC on matters which the concessionaires believe the TAR has jurisdiction, the December 4, 2008 hearing was postponed and the CdC Letter (and similar letters for the other concessionaires) were suspended until the Court of Cassation ruled on the concessionaires' appeal. On December 9, 2009, the Court of Cassation rejected the concessionaires' appeal by confirming the jurisdiction of the CdC to decide the alleged revenue losses referenced in the CdC Letter by the official representatives of the AAMS, along with or in cooperation with the network concessionaires. According to the Court of Cassation, the CdC has jurisdiction to decide on such alleged revenue losses. On March 24, 2010, the CdC served notice that the hearing for the continuation of the trial had been scheduled for October 11, 2010.

Request for "resa del conto"

In January 2009, the CdC requested Codere Network to file a document called "*resa del conto*", a form of balance sheet stating for each fiscal year the sums collected from the slot machines through the gaming operators and the sums paid to the government. The "*resa del conto*" is generally collected from entities that have been entitled by the government to collect taxes due by third parties. While Codere Network is not an entity entitled by the government to collect taxes due by third parties, it is an entity that is obliged to pay the AAMS Preu payments. On May 11, 2009 Codere Network and the other concessionaires who received the request to submit the "*resa del conto*" filed motions with the CdC, contesting the designation of Codere Network as "accounting agent" and thus challenging the requirement to submit the "*resa del conto*". On April 23, 2010, the CdC sued Codere Network to seek the payment of a penalty of €55.3 million (corresponding to 2004 and 2005) and €34.5 million (corresponding to 2006) relating to the failure to submit the "*resa del conto*" and the designation of Codere Networ as "accounting agent". In addition, the CdC reserved the right to calculate and seek penalties relating to the failure to submit the "*resa del conto*" and the designation of Codere Networ as "accounting agent" corresponding to subsequent years. A hearing on the CdC's suit against Codere Network is scheduled for October 7, 2010. The CdC has also sued, or is expected to sue in due course, the other concessionaires for the payment of similar penalties. Codere Network will take part in the legal proceeding and will challenge the penalties in question, contesting its designation as "accounting agent" and the corresponding obligation to submit the "*resa del conto*".

Panama Labor Disputes

Certain individuals who previously rendered services to Alta Cordillera, S.A. have filed individual actions against the company before the Conciliation Board of the Ministry of Labor and Social Development, as well as before the Sectional Courts of Labor. The plaintiffs, who include musicians who worked at the company's casinos, seek in part payment of compensation, back wages, interest and reimbursement of cost and expenses and we estimate that the total amount in controversy pursuant to the labor disputes in Panama is approximately U.S.$0.8 million. The legal arguments in the actions focus on the existence of an employment relationship between each of the plaintiffs and Alta Cordillera, S.A., which existence must be established by either a condition of economic dependence or legal subordination. While the other labor disputes have been resolved, the two actions before the Sectional Courts of Labor are ongoing, but we believe that we will successfully defend these claims due to the absence of an employment relationship in each case.

Closure of Casino Colón

On December 6, 2008, we opened Casino Colón following the receipt of a written authorization by the Executive Secretary of the Junta de Control de Juegos (JCJ), the Panamanian gaming regulator. On June 1, 2009, the JCJ sent a letter ordering the closure of Casino Colón alleging that it lacks the necessary authorization from the

Controller General of Panama. We closed Casino Colón upon receipt of this letter. Although Casino Colón is the only venue which had been in operation, the authorizations for three other casinos have been withheld based on similar allegations. Codere is committed to complying with all applicable regulatory requirements for the operation of the casino. As such, we are working independently, as well as with the gaming industry association, to assert our right to reopen Casino Colón. The EBITDA contribution of the casino in the quarter ended March 31, 2009 was €570,000.

Other

Since 2006, one of our minority shareholders who owns 0.5% of our share capital has challenged all of the resolutions adopted by our shareholders at our general shareholders' meetings, except for the change of our headquarters. In addition, this minority shareholder has informed the CNMV that he has petitioned a court to undertake proceedings in which he would challenge the registration of the *Folleto Informativo* on September 20, 2007 by the CNMV. On June 2009, this minority shareholder notified the court that he had withdrawn his action related to the registration of the *Folleto Informativo*, which the court confirmed, finalizing the legal process in respect of the *Folleto Informativo*.

With respect to the minority shareholder's claims relating to the resolutions passed at the extraordinary general shareholders' meeting held on June 27, 2006, on January 10, 2008, the Commercial Court of Madrid, on January 10, 2008, ruled in favor of the minority shareholder. We appealed this ruling, which the Court of Appeal (*Audiencia Provincial*) dismissed. However, the judgment of the Commercial Court of Madrid has not been executed by the minority shareholder, and we do not expect that it will be executed. In order to avoid and prevent any damages to Codere, on May 7, 2008, the Shareholder's Meeting confirmed and re-approved all the resolutions that had been challenged by the minority shareholder. Given that the resolutions passed at such Shareholder's Meeting were not challenged within a year of their passage, the resolutions are legally binding.

Real Property

Our principal executive offices are located at Avenida de Bruselas 26, Alcobendas, Spain.

Other than the bingo halls we acquired when we purchased Grupo Royal, the majority of our offices and gaming facilities are leased and the leases generally run for at least as long as the relevant gaming license in the relevant jurisdiction.

PRINCIPAL SHAREHOLDERS

Principal Shareholders

As of December 31, 2009, our authorized and issued share capital was approximately €11.0 million, consisting of 55,036,470 fully paid-up ordinary shares, forming part of the same series, each with a par value of €0.20. The following table sets forth information regarding the beneficial ownership of our shares as of December 31, 2009.

	As of December 31, 2009	
Owner	**Number of shares beneficially owned**	**Percent**
Masampe Holding B.V.(1)	28,259,088	51.3%
José Antonio Martínez Sampedro(2)	6,491,518	11.8%
Luis Javier Martínez Sampedro(3)	1,200,000	2.2%
Encarnación Martínez Sampedro(4)	1,050,000	1.9%
Other board members	349,456	0.6%
Other members of management	402,787	0.7%
Public float	17,283,621	31.4%
Total	55,036,470	100.00%

(1) Masampe Holding B.V., a Dutch special purpose vehicle, is owned by José Antonio Martínez Sampedro, Luis Javier Martínez Sampedro and Encarnación Martínez Sampedro.

(2) José Antonio Martínez Sampedro is the Chairman of our Board of Directors, our Chief Executive Officer, and the brother of Luis Javier Martínez Sampedro and Encarnación Martínez Sampedro, both of whom are members of our Board of Directors.

(3) Luis Javier Martínez Sampedro is the Executive Director of Codere América Latina and a member of our Board of Directors.

(4) Encarnación Martínez Sampedro is the Executive Director of Codere and a member of our Board of Directors.

SPV Financings and Settlement with the Francos

In 2006 and 2007, Masampe Holding B.V., a Dutch special purpose vehicle (the "SPV") that is controlled by Jose Antonio Martínez Sampedro, entered into financing transactions with Credit Suisse, London Branch, under which the SPV financed (i) its acquisition and the acquisition by the Mártinez Sampedro family of approximately 22.3 million Codere, S.A. shares from Jesús Franco, Joaquín Franco, ICIL and certain other shareholders and (ii) the subscription price for 6 million Codere, S.A. shares.

Following the passage of a payment deadline for a final installment payment arising out of the acquisition by the Mártinez Sampedros of 17.9 million Codere, S.A. shares from Jesús Franco and Joaquín Franco, on November 13, 2008 the Francos informed the Martínez Sampedros that they required the initiation of the sale process (the "Sale Process"), which required the sale of all the shares held directly or indirectly by the Martínez Sampedros, which were approximately 71% of Codere's total shares outstanding at that date, as contemplated in the sale and purchase agreements under which the Martínez Sampedros acquired Codere, S.A. shares from the Francos. The sale process was the sole recourse of the Francos under the sale and purchase agreements and it replaced the Martínez Sampedros' obligations in respect of the final installment payment. On July 28, 2009 the Martínez Sampedros announced an agreement (the "July 2009 Agreement") with Jesús Franco and Joaquín Franco pursuant to which the parties agreed to terminate the Sale Process. The July 2009 Agreement provided for the delivery by the Martínez Sampedros of 1,000,000 Codere, S.A. shares to each of the Francos, which represented an aggregate amount of 3.63% of Codere, S.A.'s share capital. The July 2009 Agreement included a full release of any and all remaining claims arising out of the initial sale and purchase agreements between the Mártinez Sampedros and the Francos.

The SPV's activities are limited to the holding of Codere, S.A. shares and certain other limited actions required or permitted under the SPV financing documentation. Although Codere, S.A. is not a party to such documentation and has no financial obligations to the SPV, certain events relating to Codere, S.A., including a change of control of Codere, S.A., would require the SPV to repay any amounts outstanding under such financing.