



GAMING EXECUTIVE SUMMIT EUROPE 2008

8 - 10 July 2008

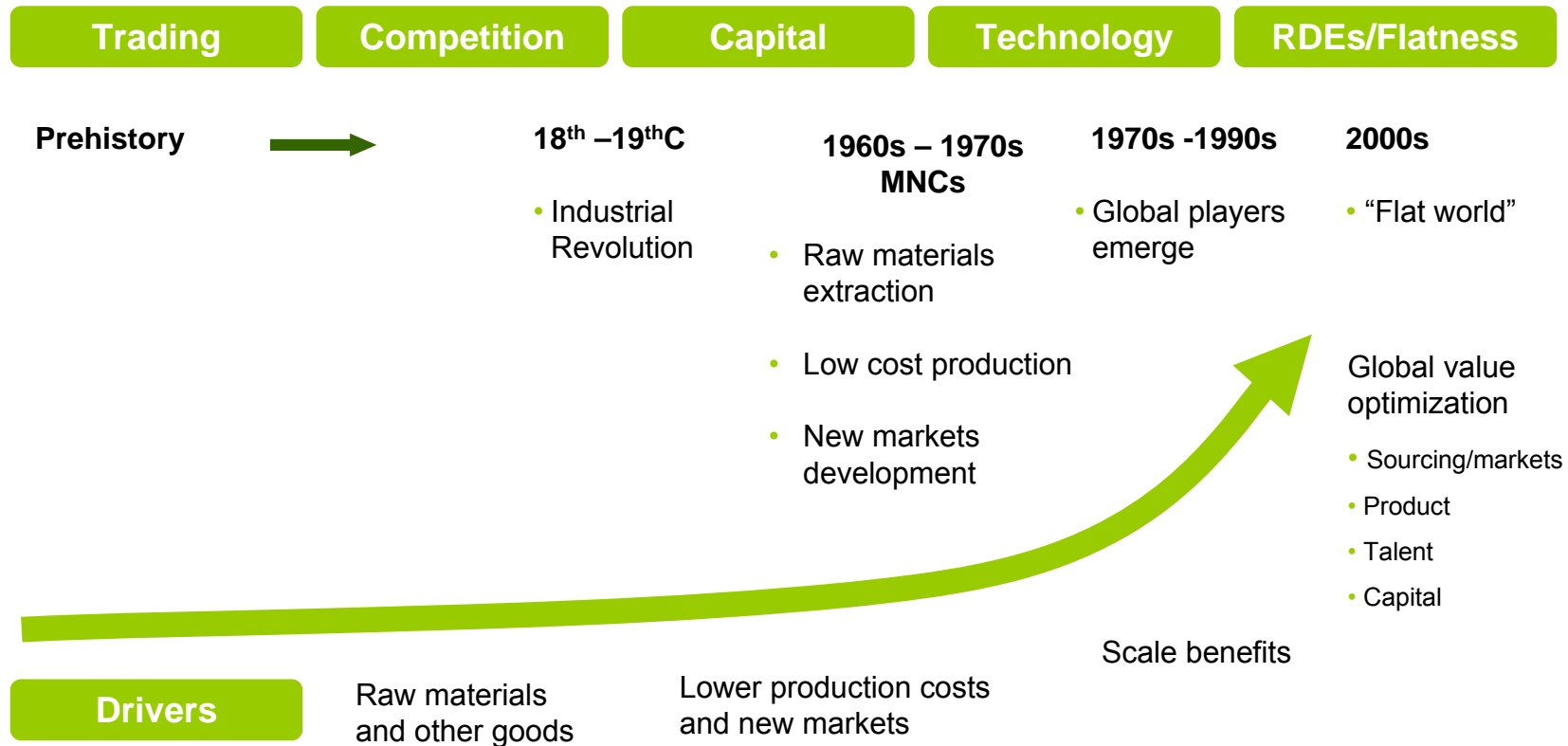
Globalization and gaming: A financial perspective

Robert A. Gray – Codere, S.A

Agenda

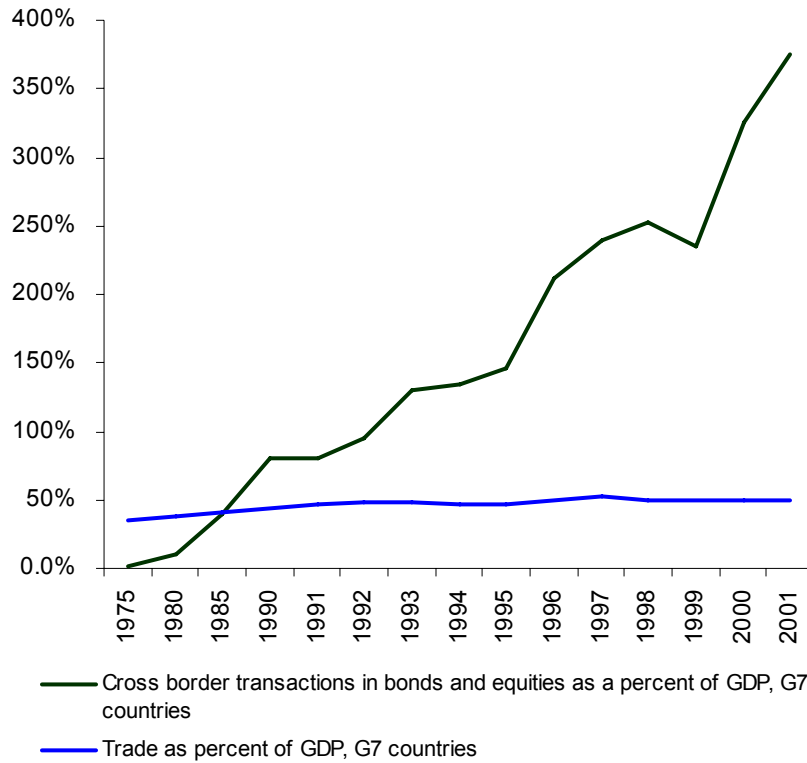
- Internationalization of the gaming sector lags other sectors . . .
- . . . But cross-border interest is rapidly accelerating in the gaming business
- The trend toward globalization will intensify, driven by:
 - Market mobility, particularly through the internet
 - Investor demands for competitive returns

Globalization: a conceptual timeline



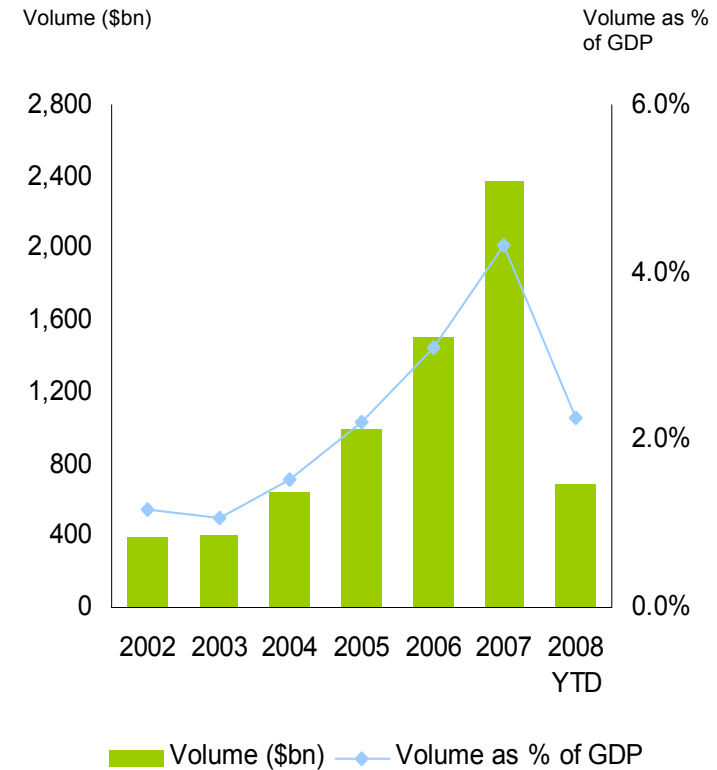
Globalization today is driven by investment, not trade

Trade and investment flows



Source: Investment Review

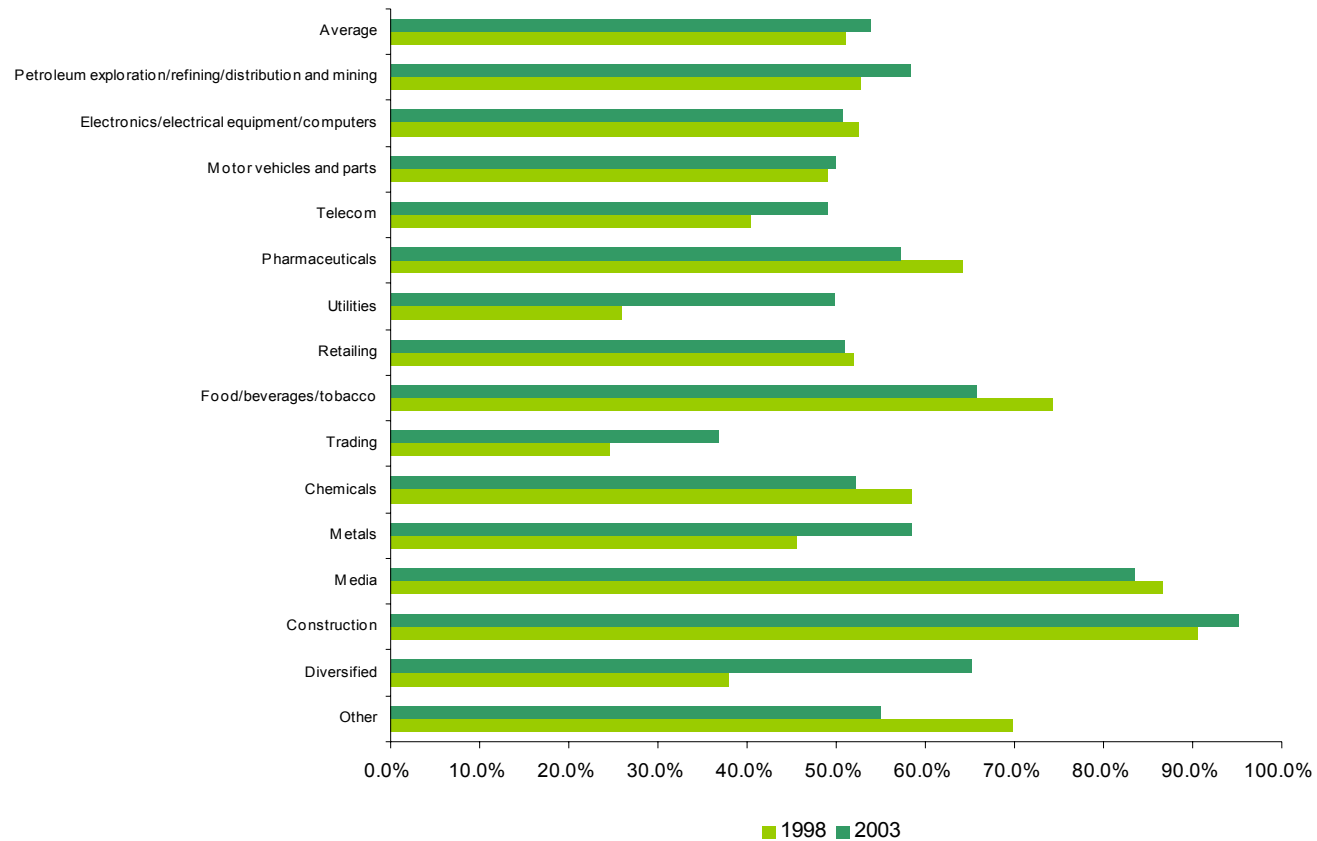
Cross-border mergers and acquisitions



Source: Thomson SDC, IMF

Industry statistics show increasing multinational scope

Average TNI* per industry



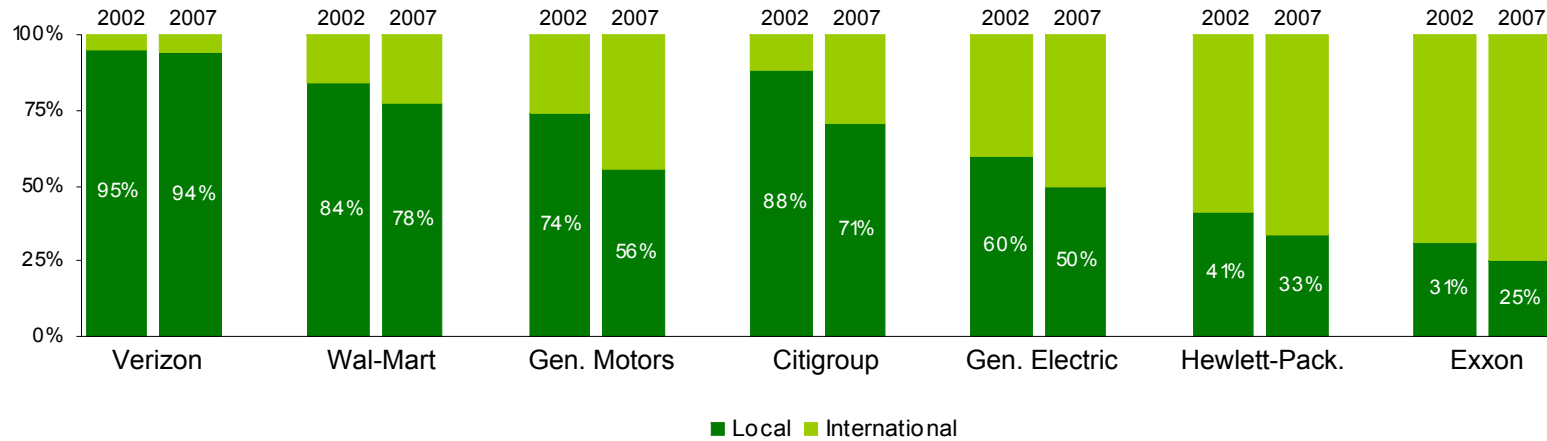
Average TNI* per industry

Source: UNCTAD, 2007

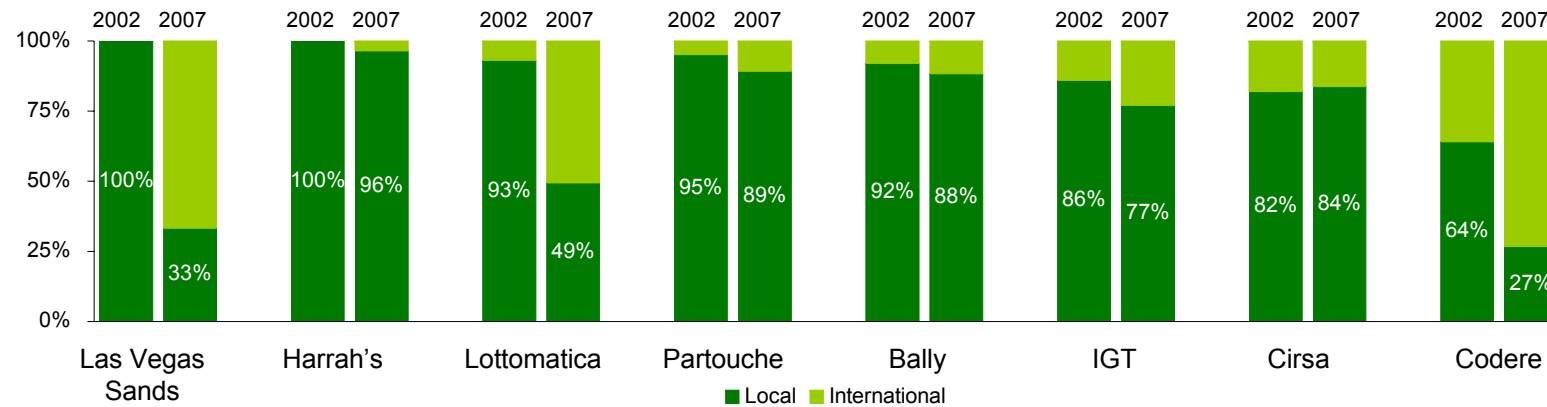
* "Transnationality index", which is calculated as the average of three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment

Revenue mix evolution of industry leaders

Selected Industries



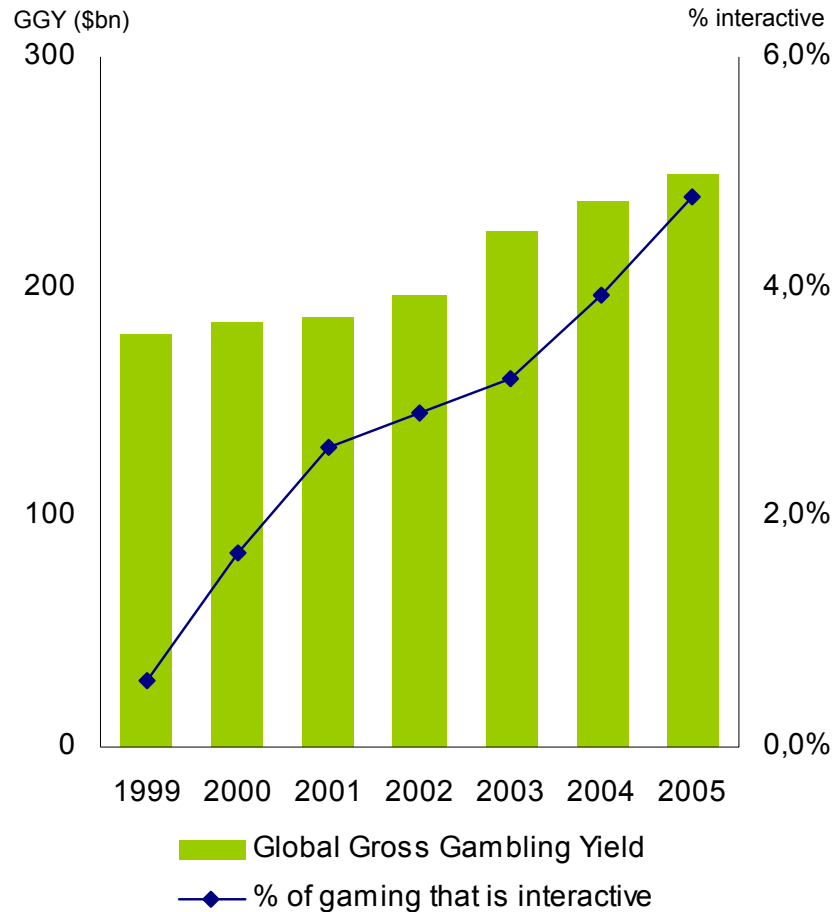
Gaming Industry



Source: Company data.

Gaming companies have enjoyed rapidly-growing, regulated home markets

Global gaming markets



Source: GBGC Analysis

Note: Interactive includes Internet, Mobile Phone/Device and iTV

Examples

USA gambling revenue grew 8% CAGR from 1990 – 2006; “to grow 6.9% p.a. from \$33.4bn in 2005 to \$74.5bn in 2010”

Italy’s gambling market “is expected to grow to €61bn by 2101, up 64%... retail market 32% CAGR... interactive gambling to grow 40% CAGR”

“The UK betting and gaming sector presents an attractive investment opportunity in the medium term... It offers strong reliable cash flows and an option on growth in the wake of full implementation of the 2005 Gaming Act in September 2007

Holy Cow! Macau: a key catalyst



Las Vegas Sands Corp.

(Revenues, \$m)	2005	2006	2007
Las Vegas	844	960	984
Macau	897	1,227	1,967
Total Net Rev.	1,741	2,237	2,951



Wynn Resorts, Ltd

(Revenues, \$m)	2006 Q1	2007 Q1	2008 Q1
Las Vegas	277	331	287
Macau	-	305	492
Total Net Rev.	277	635	779

International expansion has emerged as an industry growth trend...



Bloomberg.com

Macau Overtakes Las Vegas Strip in Gaming Revenue

Macau's gaming revenue surged 22 percent in 2006, surpassing the Las Vegas Strip as the world's biggest casino market.

The Chinese city's gambling industry reaped \$6.95 billion in revenue, according to the Web site of the industry regulator. Analysts estimate the Las Vegas Strip took in between \$6.5 billion and \$6.6 billion last year.

23 January 2007



Harrah's to build Las Vegas-style gambling complex in Spain

Harrah's Entertainment, operator of casinos such as Caesars announced a project to build a Las Vegas-style gambling and leisure complex in Ciudad Real, 190 kilometers south of Madrid.

Construction on the project, 60 percent-owned by Harrah's and 40% by El Reino, is set to begin in late 2006 on a 29-acre site, with completion expected in 2008.

30 November 2005



William Hill Forms Spanish Joint Venture

The UK bookmaker **William Hill** and the Spanish gaming group **Codere** said that they have signed a memorandum of understanding to create a joint venture to operate in Spain.

The proposed joint venture would bring together William Hill's bookmaking expertise and Codere's leadership position in gaming businesses within Spain, creating a powerful proposition for the Spanish market.

01 August 2006

...reflected in industry M&A activity



LONDON CLUBS INTERNATIONAL

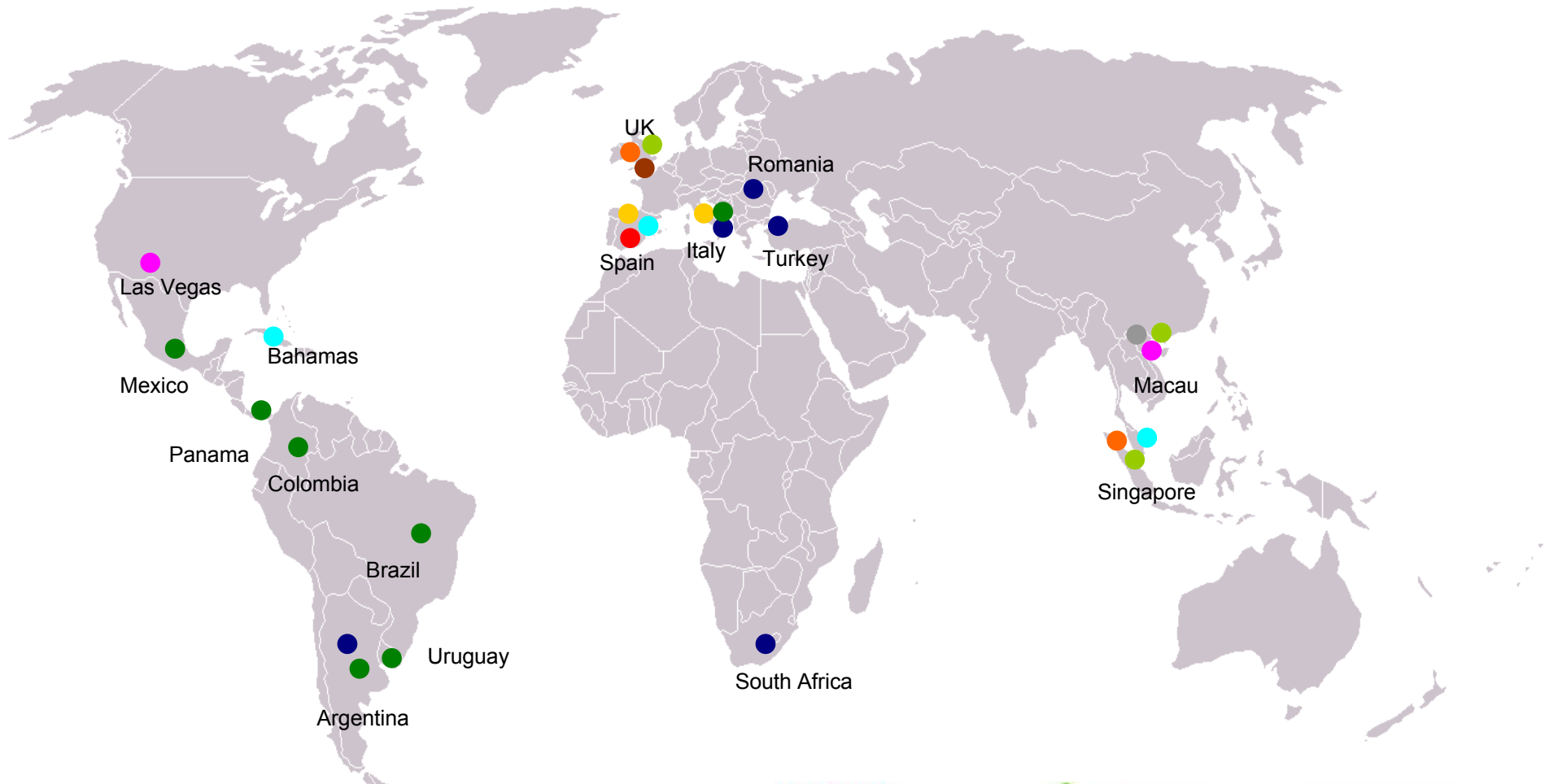


WELCOME TO Gateway Casinos



- Gala acquired Coral Eurobet, a bookmaker and internet gaming operator, for £2.18bn in October 2005
- The deal creates Europe's pre-eminent integrated betting and gaming company with strong market positions in licensed betting offices, bingo and casinos, and a high quality multimedia offer
- The enlarged company has an enterprise value of more than £4bn. It trades from 1,450 outlets, employs a total workforce of 17,000 and has more than 2.2 million active customers
- Gruppo Lottomatica acquired of Gtech in January 2006 to create a fully integrated lottery operator and gaming technology solutions provider
- Gtech's international footprint offers a unique opportunity for an Italian company to create a worldwide leader in its industry
- The resulting group holds the #1 position in lotteries with approximately 80% US and 63% international market share and creates a leading platform to capture global growth opportunities
- Harrah's acquired of UK-listed casino operator London Clubs International in August 2006
- Harrah's Entertainment had sought to establish a significant presence in the UK casino market
- LCI's strong market position, excellent management and strong development pipeline provide a strong base for expansion
- PBL announced in March 2006 the acquisition of a Macau gaming subconcession from Wynn Resorts for US\$900 million
- Provides the Melco-PBL joint venture a platform to conduct casino operations in Macau
- PBL joined Macquarie Bank to acquire Gateway Casinos through a newly created joint venture for C\$800m in April 2007
- Gateway Casinos is one of the largest casino operators in Western Canada

Key players are placing big bets on globalization



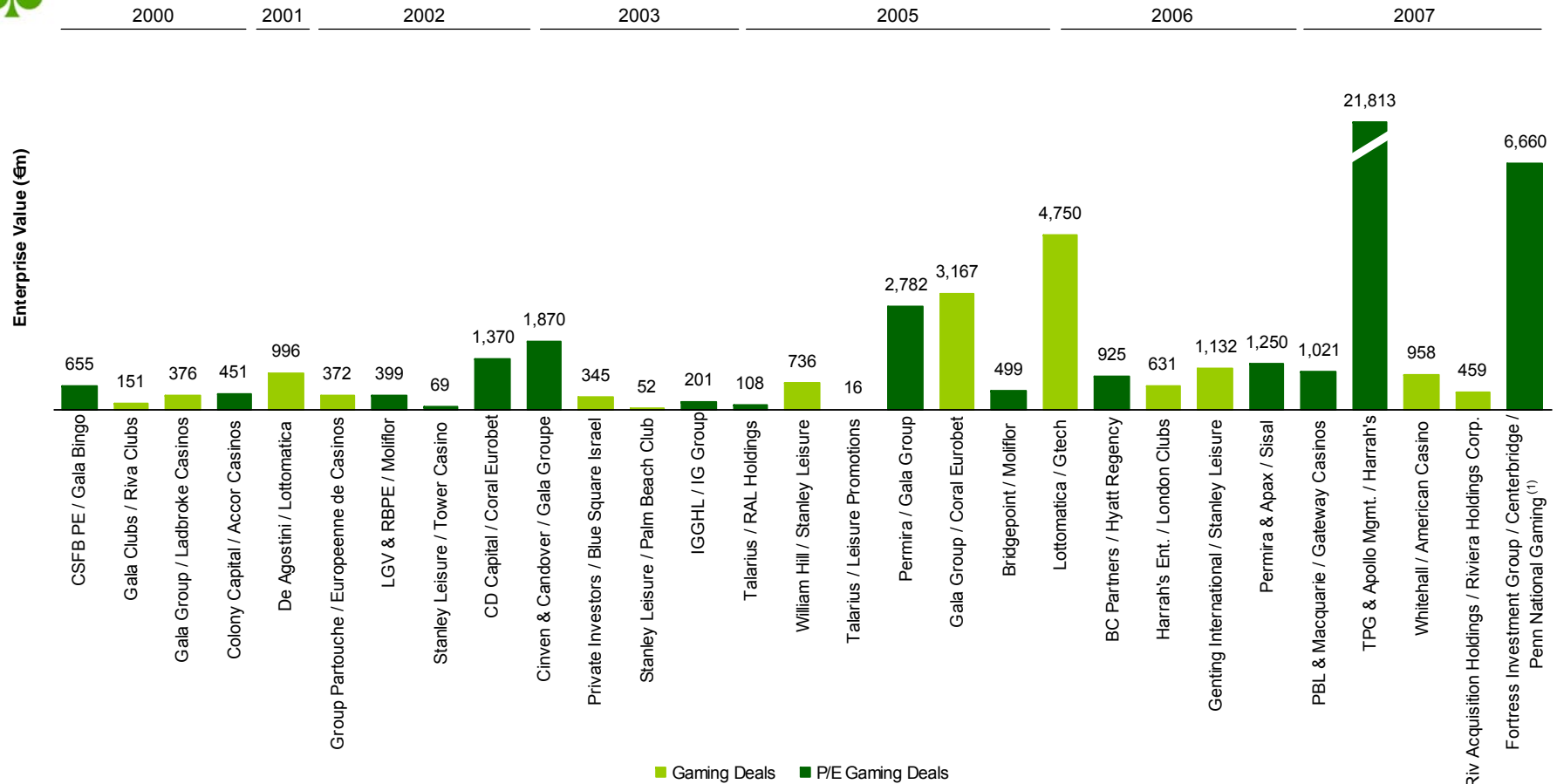
Institutional investor interest is driving change

ColonyCapital





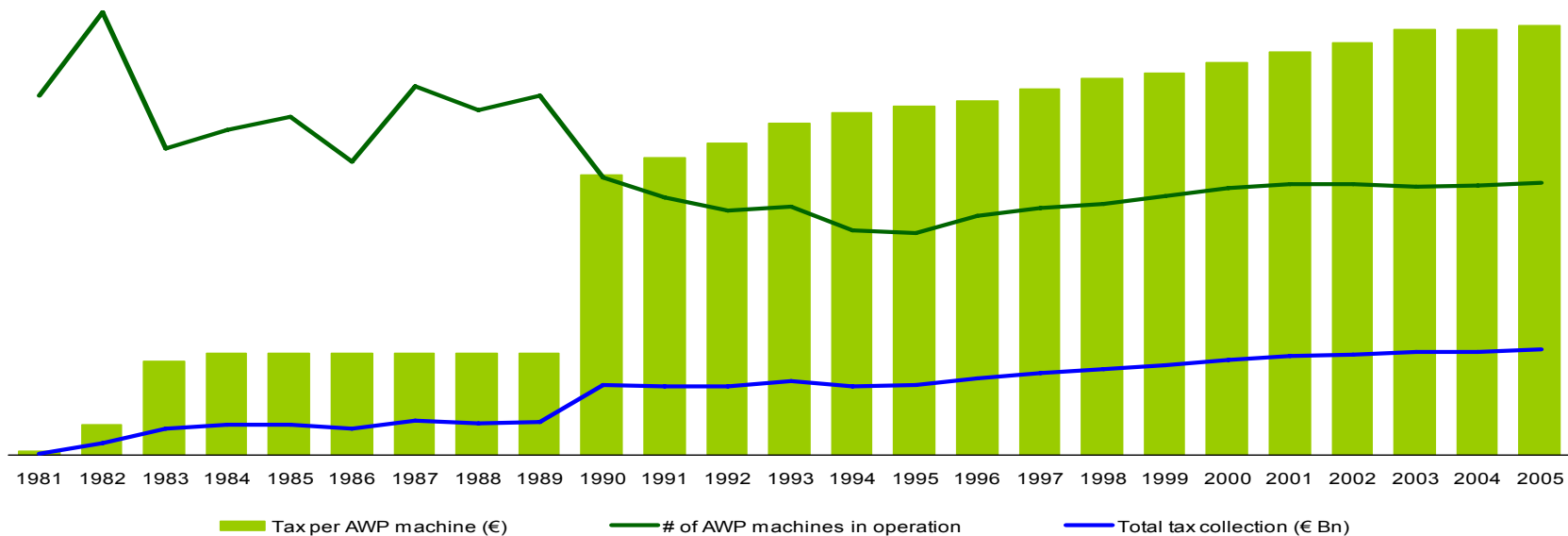
Institutional investor interest is a growing force in sector M&A activity



(1) Pending transaction

Codere: a case study

Development of gaming tax and number of machines in Spanish AWP market

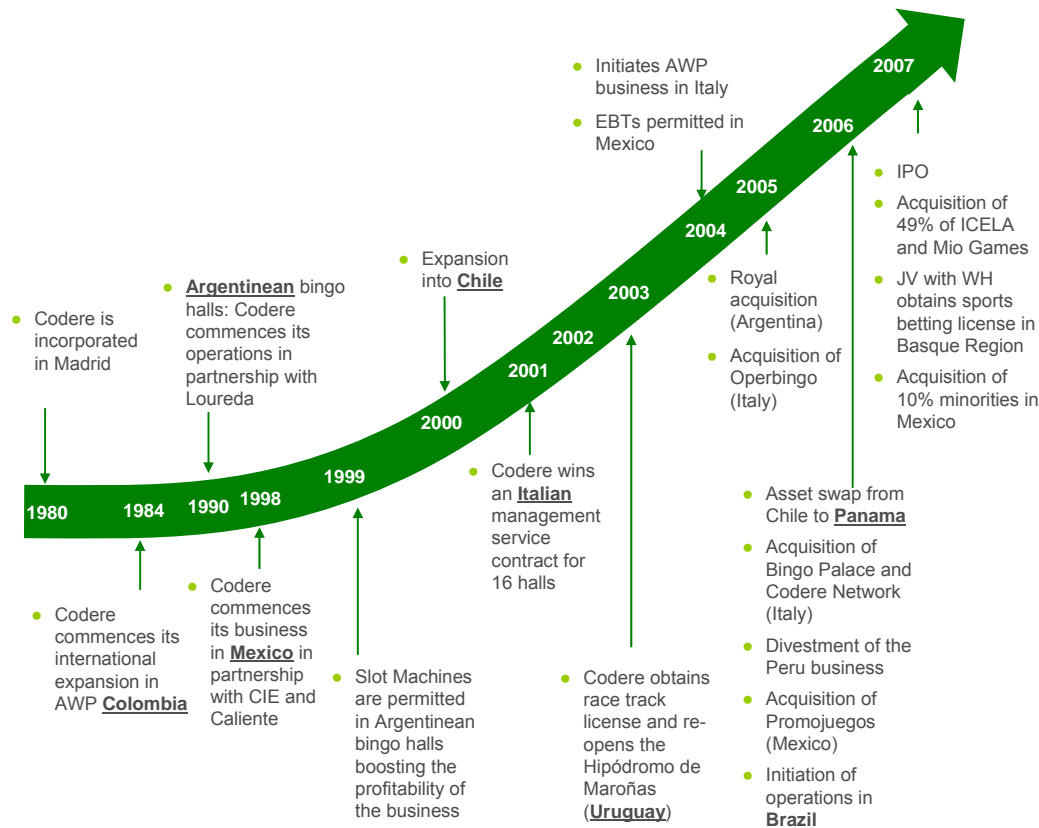


Tax pressure in the mature AWP Spanish market triggered Codere's international expansion



Codere's international expansion

Expansion Timeline

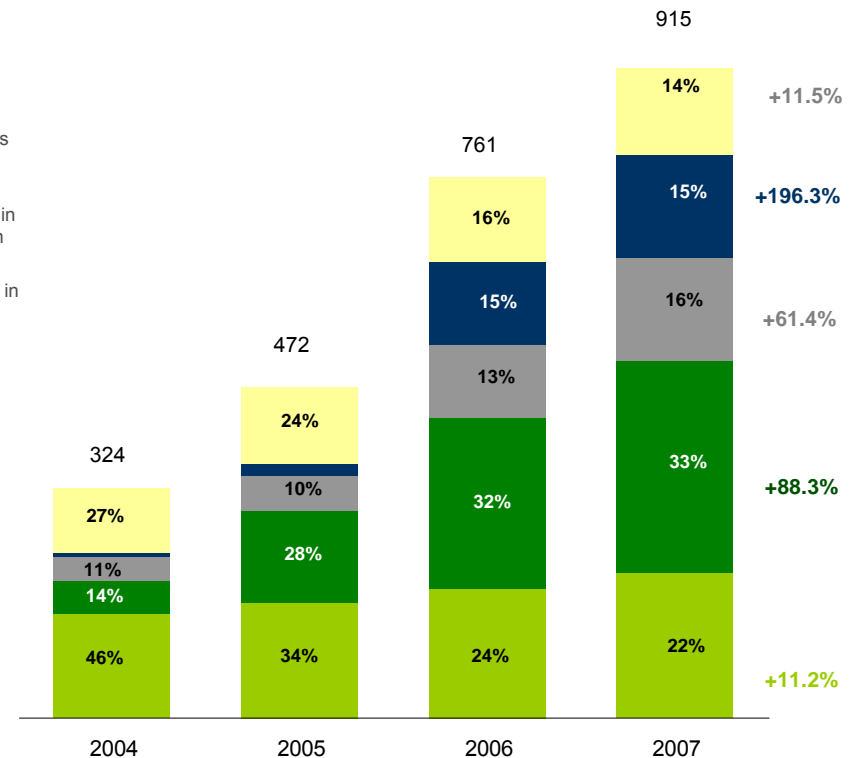


Revenues

(In € millions)

■ Spain AWP ■ Argentina ■ Mexico ■ Italy ■ Others

CAGR 04-07





Codere today is a gaming MNC . . .



- Manages 52,195 AWP and EBT machines, 130 bingo halls and 56 off-track betting facilities, 5 casinos and 3 racetracks
- #2 AWP operator in Spain (c.6.2% market share)
- #1 bingo operator in Mexico, through agreements with local partners
- #1 gaming operator in the province of Buenos Aires
- Leading gaming operator in other growth markets (Italy, Panama, Colombia, Brazil and Uruguay)
- €954 million revenues and €208 million EBITDA LTM (€230 million adjusted)

Key Operating Metrics / Codere's Footprint

	Spain	Argentina	Mexico	Italy	Panama	Colombia	Uruguay	Brazil	Total
Machines	15,738	4,464	18,366	2,362	1,462	8,274	1,529		52,195
Bingo Halls	1	14	96	12		7			130
Casinos					4	1			5
Race Tracks			1		1		1		3
OTBs			44		4		4	4	56

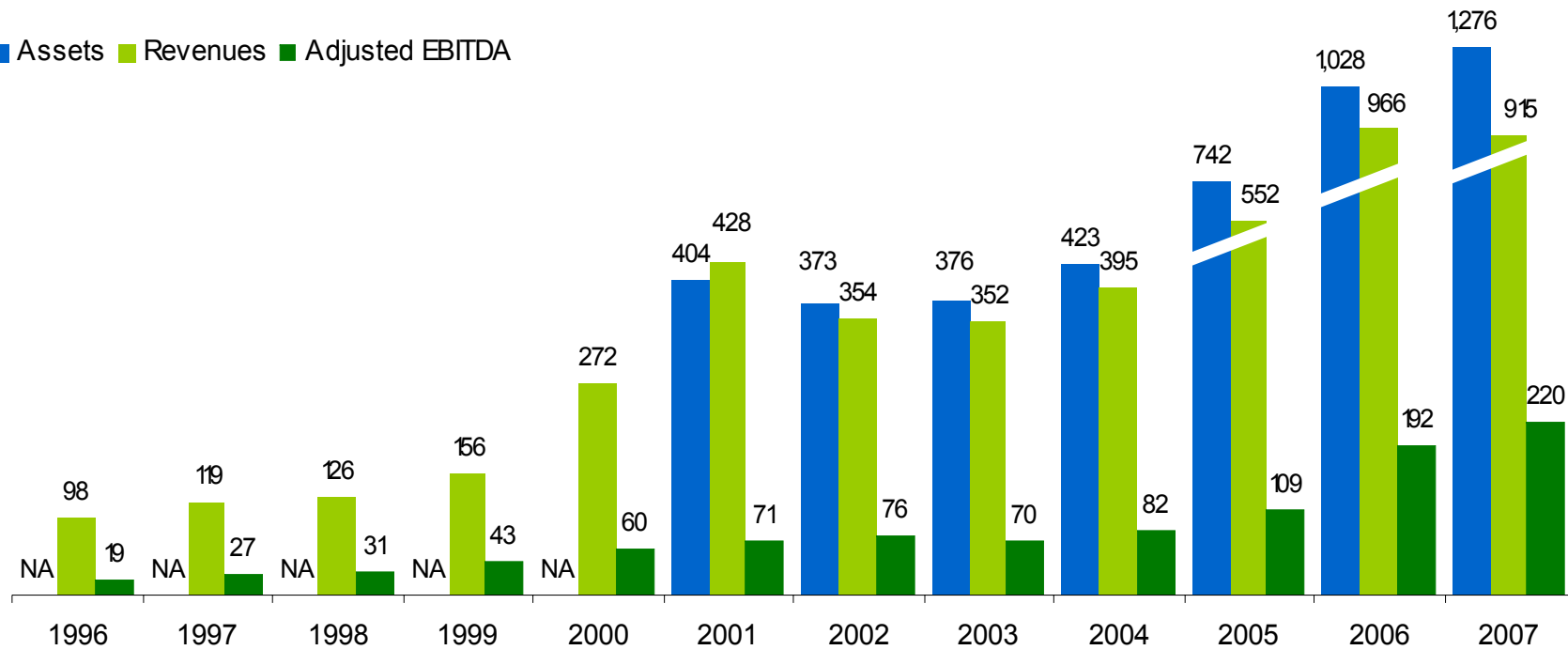
Note: As of 31 March 2008.



(1) Excludes Corporate Overhead.

... financed by international investors

■ Assets ■ Revenues ■ Adjusted EBITDA



Capital raised

- €45m syndicated loan
- €72m syndicated loan
- €40m convertible preferred
- €135m mezzanine
- €335m HY Bond
- €165m HY Bond
- €160m HY Bond
- IPO €129m

Note: For consistency we have used Spanish GAAP figures throughout except 2007 where we have used IFRS

Concluding thoughts

- Gaming companies have enjoyed rapidly-growing, protected home markets
- International focus is intensifying, driven by
 - Perceived international markets opportunity, sparked by success in Macau
 - On-line gaming
 - Investor appetite and search for returns
- Regulation will limit the pace of change, but...
- Managements can lead this process – or follow