# 1Q-2014 results and strategy update


June 11, 2014

This presentation includes forward-looking statements.  These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends", "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology.  These forward-looking statements include all matters that are not historical facts.  They appear in a  number of places throughout this interim report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

We urge you to read the sections of our 2013 Annual Report dated May 8, 2014 entitled "Risk Factors," "Operating and Financial Review and Prospects" and "Business" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate.  In light of these risks, uncertainties and assumptions, the forward-looking events described in this interim report may not occur.

We undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise.  All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this interim report and the Annual Report.

## *Adoption of IFRS 11*

**As required by IFRS, we have adopted IFRS 11 "Joint Arrangements" for periods beginning on or after January 1, 2014. IFRS 11 requires that certain joint arrangements be reclassified and accounted for using the Full consolidation method or the Equity method, and eliminates the use of the Proportional consolidation method. The classification of the joint arrangement is determined by the rights and obligations of the parties arising under the arrangement rather than the legal form of the arrangement. As a result, Cirsa will now account for joint arrangements as follows:**

**Full consolidation method: companies where Cirsa has the right to control the significant activities will be fully consolidated (100%) in our financial statements regardless of the equity ownership.**

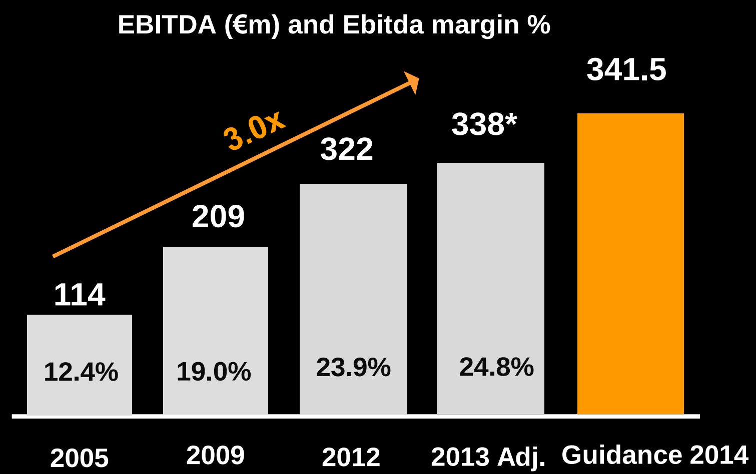
**Equity consolidation method: companies where Cirsa does not have the right to control the significant activities will not be consolidated (0%) in our financial statements regardless of the equity ownership. The net profit of such companies is recorded in the Financial results line of the P&L statement.**

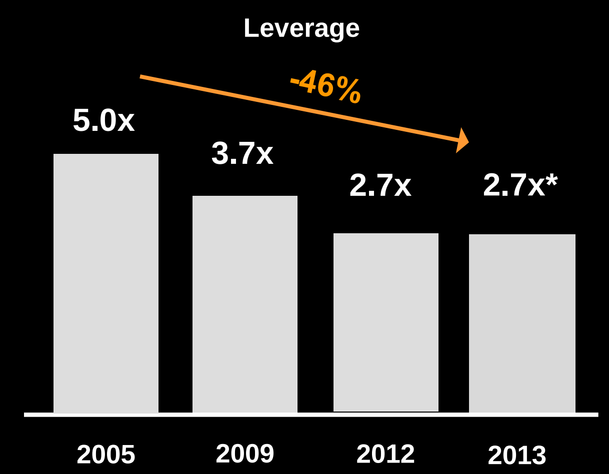
**During January 2014, we and our joint venture partners modified the management agreements for our Casino de Rosario joint venture (in which we hold a 50% ownership interest) and certain other joint ventures, as a result of which Cirsa has the right to control the significant activities of those companies. As a consequence, with effect from January 1, 2014, we will fully consolidate the results of Casino de Rosario and the other joint ventures.**

**All 2014 financial data contained in this presentation has been prepared in accordance to IFRS 11.**

# Executive summary

- **Since 2Q’06, 31 consecutive quarters delivering financial commitments**
- **Strategy delivering positive results despite economic environment in Spain & Italy and unfavourable FX in Latam:**



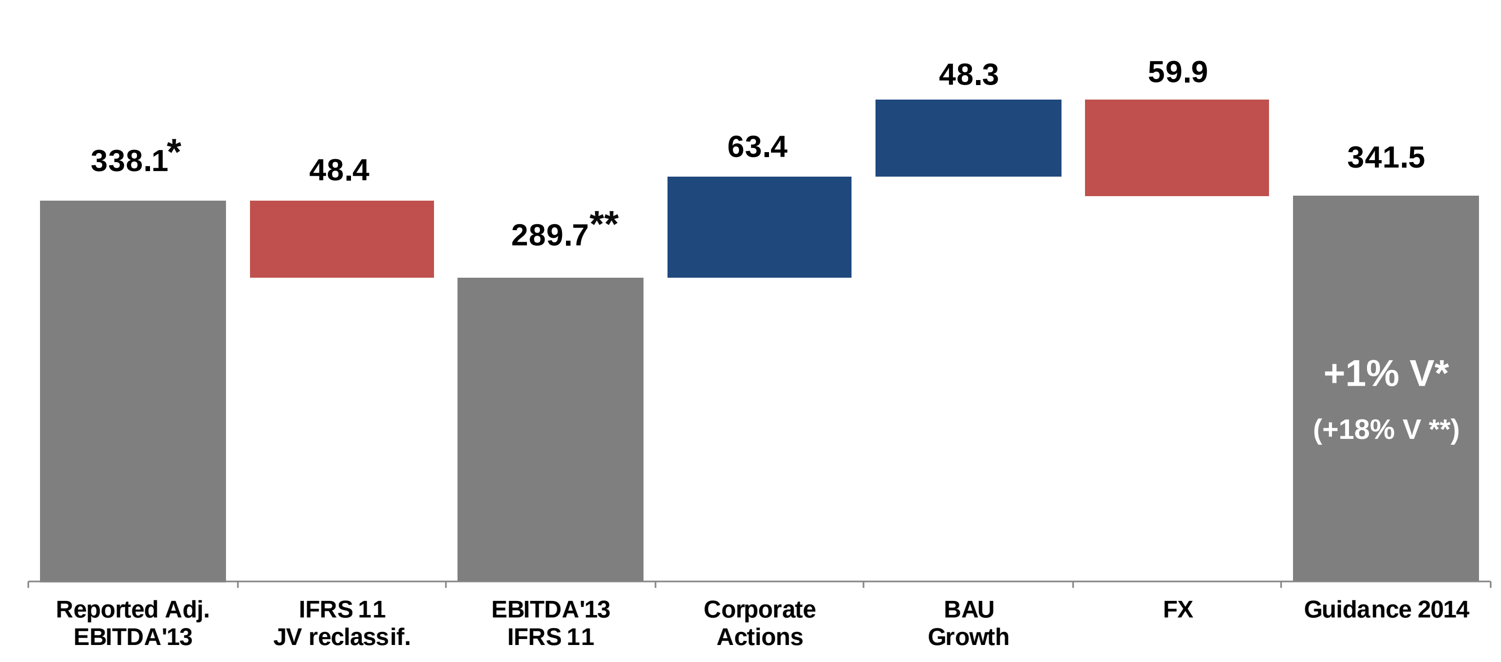




**(*) Adjusted Ebitda: Ebitda prior to the one-settlement payment of €36 million to the Italian CdC**

- **Strategy started in September 2006 remains valid**
  - Focus on profitable growth and consolidation of existing businesses
  - New strategic plan for 2014-17 developed under same strategic pillars: (i) continuous EBITDA improvement / leverage reduction, (ii) efficiency & productivity, and (iii) investment focus and rigour
  - Detailed action plans and roadmaps for 2014 in place
- **2014-17 strategic plan expected to deliver improvement in profitability (12.4% in ‘05 to 24.8% in ‘13) and leverage reduction, from 5.0x (2005) to 2.7x (Adj. 2013); strategic target ≈ 2.5x**
- **1Q’14 EBITDA €75.9m, +9.0% vs. 1Q’13 IFRS11**

***Since 2Q’06 growing EBITDA at +14.5% CAGR 2005 - 2013***

# Guidance: EBITDA 2014 *(€ million)*

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(**) 2013 financial statements have been restated in accordance with IFRS 11

- **IFRS11 JV' s reclassification impact on EBITDA of -€48.4m**
- **EBITDA '13 under IFRS11 €289.7m**
- **Executed corporate actions to gain JV's control (IFRS11), impacting +€63.4m**
- **"Business as usual" operating plans implementation to deliver +€48.3m of EBITDA in 2014**
- **Overall FX expected impact of -€59.9m, mostly driven by the Argentinian peso devaluation (-64%)**
- **Guidance 2014: €340/343m**

***2014 EBITDA guidance of ~ +1% . Business as usual operating growth plans offset by expected FX devaluation***

# Cirsa at a glance (as of March, 31st 2014)

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- **Four main business units**: **B2B** (slots design / manufacturing for Spanish market & interconnectivity systems), **Slots route operations**, **Casinos**, and **Bingo/Arcade** halls
- Operates **73,500** machines, **114** casinos, **78** bingo halls, **867** betting locations and **116** arcades
- #1 gaming operator in Spain.
  - ➢ #1 AWP supplier, >50% m.s.
  - ➢ #1 AWP route operator
  - ➢ #1 Bingo operator
  - ➢ #1 Arcade operator
  - ➢ #1 Sports betting operator
- #1 gaming operator in Panama, Argentina and Colombia
- Achieving a leading positioning in Italy and Mexico


| | Spain | Italy | Panama | Colombia | Mexico | Argentina | Others | Total |
|---|---|---|---|---|---|---|---|---|
| **Slot Machines (1)** | 30,885 | 12,996 | 7,621 | 5,899 | 7,054 | 7,807 | 1,236 | 73,498 |
| **Casinos** | 5 | - | 27 | 65 | - | 10 | 7 | 114 |
| **Bingo Halls** | 46 | 12 | - | - | 20 | - | - | 78 |
| **Betting Locations** | 867 | - | - | - | - | - | - | 867 |
| **Arcades** | 116 | - | - | - | - | - | - | 116 |

*(1) Includes machines seats from different businesses in each country*

***Market leadership across core markets and business segments***

# Strategy delivering positive results in a complex environment

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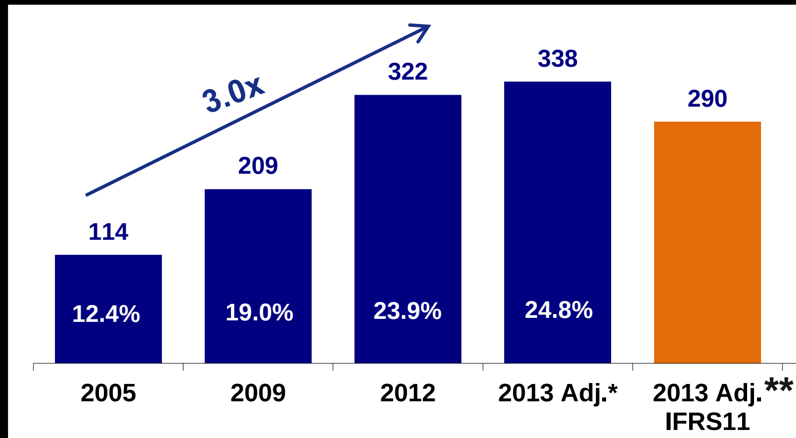
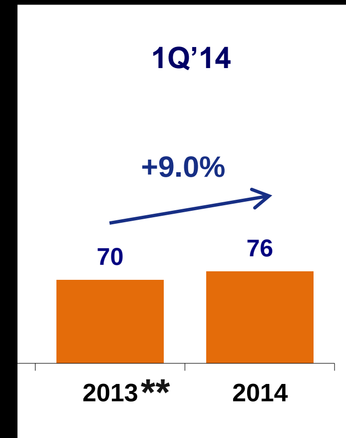
## EBITDA (€ m), EBITDA margin (%) & Leverage evolution




| | | | | |
|---|---|---|---|---|
| 5.0x | 3.7x | 2.7x | 2.7x * | 3.0x * |

| | |
|---|---|
| 2.7x | 2.7x * |

(*) Adjusted Ebitda: Ebitda prior to the one-settlement payment of €36 million to the Italian CdC
(**) 2013 financial statements have been restated in accordance with IFRS 11

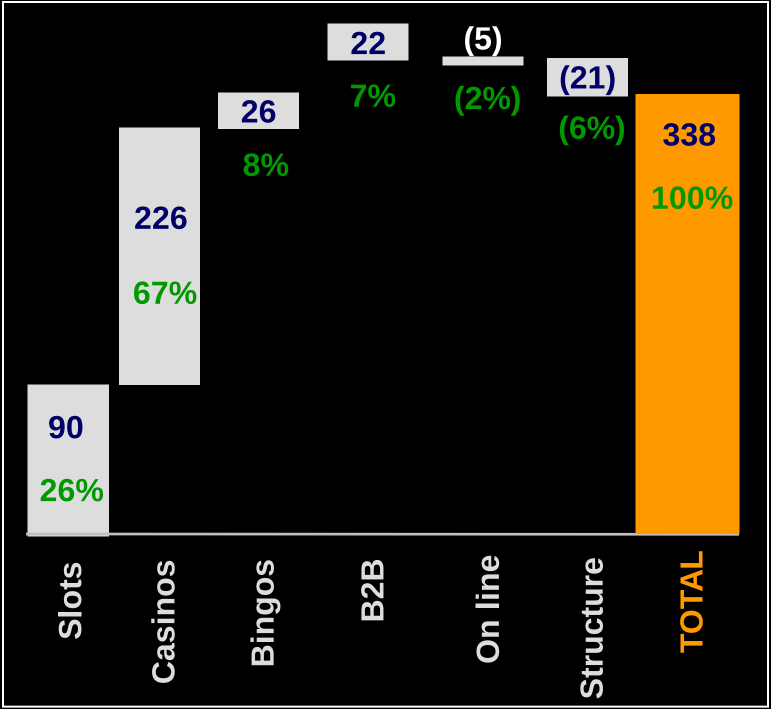
## Financial evolution highlights

- Net operating revenues growth 2005-13: +5.0% yoy
- EBITDA +14.5% yoy, from €114m (2005) to €338m (Adj. 2013); 3.0x improvement
- EBITDA margin improved 1,240 bps to 24.8% in Adj. 2013 from 12.4% in 2005, x2
- Despite of weak macro economics in Spain, unexpected tax increase in Italy and unfavourable FX in Latam, achieved 2013 guidance
- Leverage improved to current 2.7x in Adj. 2013 from 5.0x in December 2005
- 1Q'14 EBITDA €75.9m +9.0% vs. 1Q'13 IFRS11, in 2014 guidance

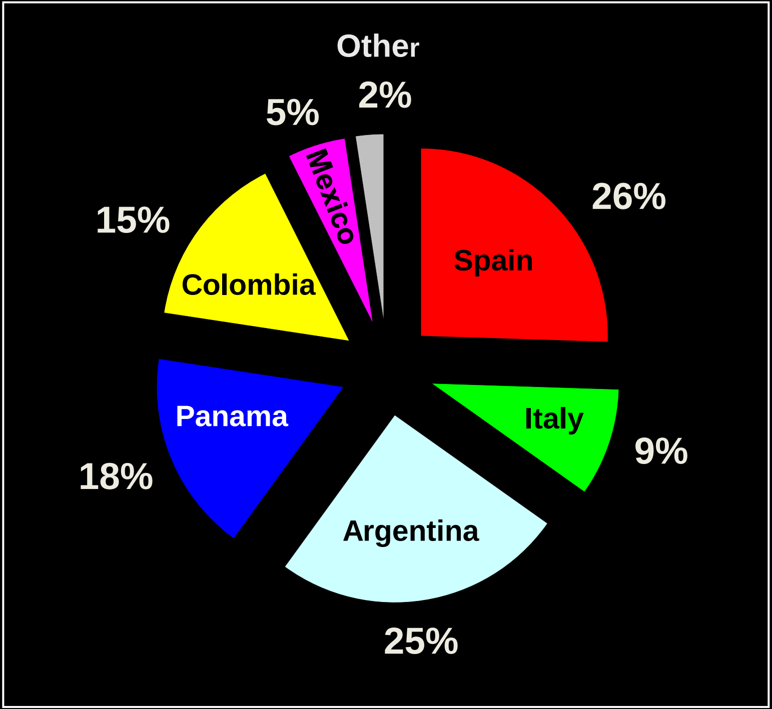
***Consistently achieved business and financial commitments, always hit guidance***

# Diversification: 2013 Adj. EBITDA* mix by business segment & geography

### Adj. EBITDA* by business unit (€ m)




### Adj. EBITDA* by geography




(*) Adjusted Ebitda: Ebitda prior to the one-settlement payment of €36 million to the Italian CdC

- EBITDA mix showing business segment diversification
- Casino EBITDA highly geo diversified, 114 casinos in 7 geographies, adding quality to overall results

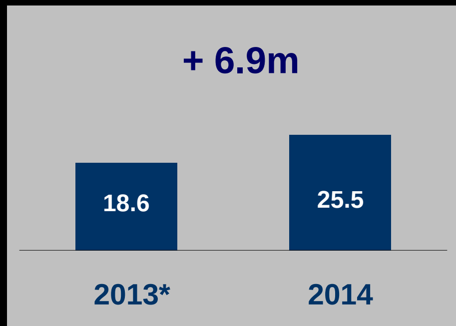
- EBITDA mix shows high geographical diversification
- Europe 35% of EBITDA while Latam 65%, in 2007 Europe 59% and Latam 41%
- 68% of EBITDA generated in hard currencies (Spain, Italy, Panama and Colombia)

# 1Q'2014 results on track

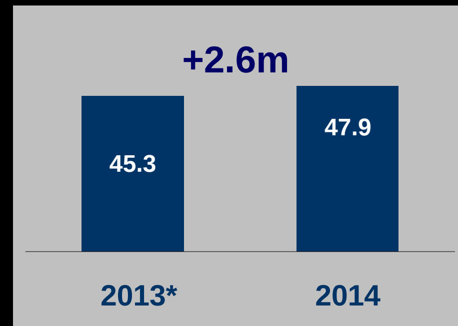
## 2014 EBITDA guidance: € 340m / € 343m

(€ Million)

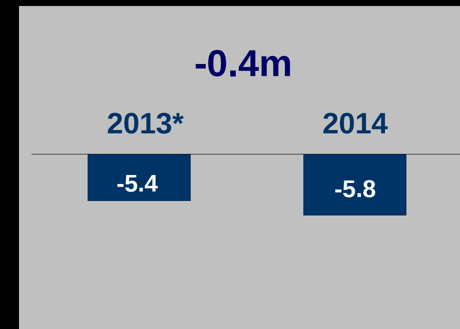
### Slots




### Casinos

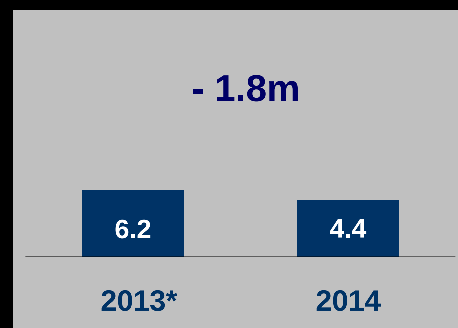



### Structure & On-line

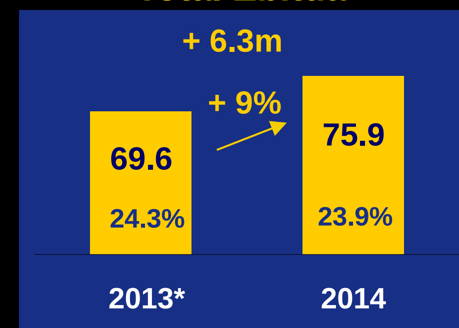



### Bingos


### B2B




### Total Ebitda

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## Financial evolution highlights

- 1Q'14 EBITDA growth driven by Slots and Casinos improvement while weak market conditions in Spain have negatively impacted B2B and Bingos
- Slight decrease of EBITDA margin (from 24.3% to 23.9%) due to IFRS11 adoption
- 1Q'14 supports 2014 guidance achievement

***On track for 2014***

# Strategy 2014-17 … basics remain the same

**Consistent execution of our strategy since 2006 has delivered significant results in EBITDA growth (+14.5% yoy since 2005) and leverage reduction (from 5.0x 2005 to 2.7x 2013 Adj.)**

## 3 key strategic levers

- **Focus on core businesses and geographies**
- **Efficiency, organisation & restructuring**
- **Reduce leverage**

## 3 strategic objectives

- **Continuous EBITDA improvement through revenue mix management and cost optimization**
- **Productivity programs across businesses and geographies**
- **Selective acquisitions / investments with focus and rigour**

## Comments / Facts

– **EBITDA improvement**: quality & growth
  - Product and geo **diversification**
  - **+14.5% CAGR since 2005**

– **Discontinuation of non-performing businesses /** markets
  - **Headcount reduction** (excluding growth, > 5,100 since 2Q’06)
  - **B2B R&D focus in AWP Spain and interconnectivity / productivity systems** (jackpots, lotteries and operational efficiency)

– **Selective growth**
  - Investment focus in **core business / markets** (Spain, Italy, Latam, ∆ halls 61 & ∆ machines 32,000 since 2Q’06)
  - **New operations (**Rosario, Colombia-Unidelca, Panama new halls, Valencia, Slots M&A)

***Existing management team proven track record, now ready to deliver 2014-17 commitments***

# Slots: EBITDA (€m) and key actions

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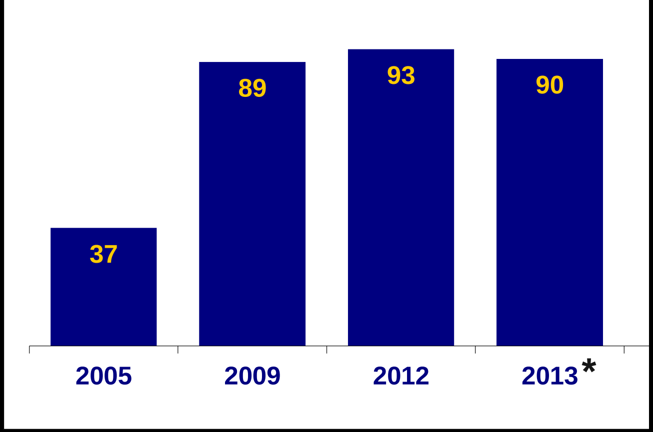


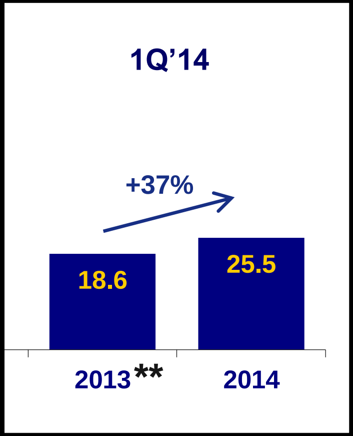


**1Q'14 Highlights:**

- **EBITDA growth driven by Spain's improvement and new operations integration**

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**Spain**

- **Market conditions still negatively impacted by macroeconomics**
- **Concentration opportunities** through selective M&A in a highly fragmented market. **Acquired +6.900 machines**, growing m.s. to 14.6%
- **Focus on margin improvement through efficiency and cash generation programs:**
  - Rev/machine improvement through machines replacement (mostly kits vs. full machines)
  - Discontinue underperforming machines and replacement by new signed POS (reopenings & new bars)
  - Improving commercial terms, 57% of bars in 55/45% split
  - Market access investment reduction: shift from fixed to variable terms (achieved 68% of total renewal deals)
  - "Smart Slot": testing new online technology to improve revenues & cost. Allow better understanding of bars/players
- **New regulations** to facilitate new product introduction and channels to increase customer base
- ***Sportium* betting JV:** EBITDA>0 in 2013, leadership in Madrid and Aragon. Launched Valencia, Murcia & Galicia in 2013, and Castilla La Mancha and Catalonia in 2014

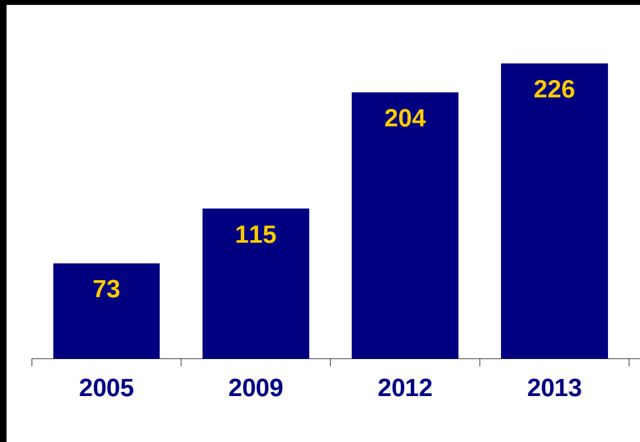
**Italy**

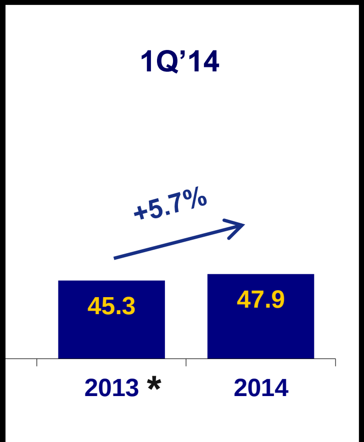
- **Completed VLT deployment (2,583); focus on POS and VLT supplier mix**
- **Italy's contribution to overall Company EBITDA reduced due to higher taxes (+ €21.1M increase in 2013)**
- **AWP: grow market share through best performing machines and POS strategy. Selective M&A**

***Consolidating market leadership with best-in-class slot machines in optimal POS; implementation of efficiency programs, key to improve margins***

# Casinos: EBITDA (€m) and key actions

CIRSA

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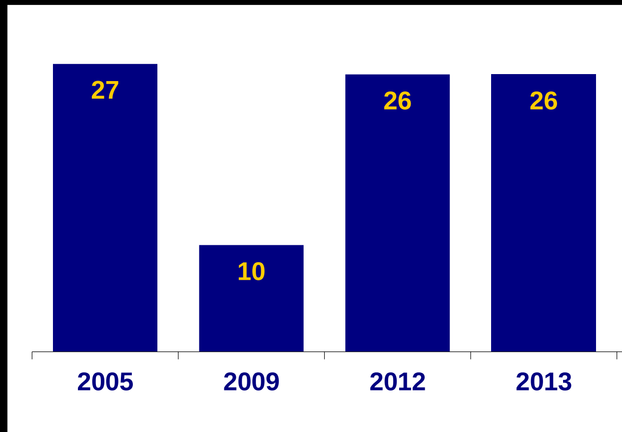
**1Q'14 Highlights:**

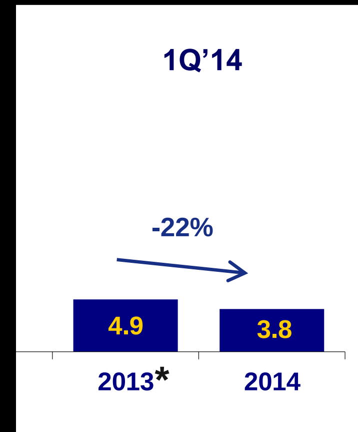
- **Operational improvements (Δmachines/Δm2) and casino de Rosario 100% incorporation offsetting unfavorable FX in Latam (mostly Argentinian devaluation) driving 1Q'14 improvement**

- **Key initiatives across all markets:**
  - Best in class slot machines and hall extensions (+1,400 machines/ +9,900 m2, >1,000 machines replacement 1Q'14)
  - Tables and games mix optimization to maximize margins
  - Development of a full entertainment offer concept (gaming, shows, F&B)
- **Panama:** licence extended to 2037, halls extension (machines and m2) and relocations
- **Colombia:** leadership consolidation through > 10% machines replacement and expand best halls in key cities
- **Argentina:**
  - Growth through new games and machines and efficiency programs to offset inflation
  - Opened 2 new halls (33% stake) at prime locations in Buenos Aires Metropolitan area
- **Peru:** acquisition of 9 electronic halls (1,200 machines) in Arequipa in April'14 (2nd largest city)
- **Spain:** All Casinos improving performance & acquisition of casino Las Palmas
- **Growth priorities: (i) increase machines portfolio in existing halls (ii) extend existing locations (iii) new halls**

***Market leadership in Spain & Latam through a complete entertainment offer***

# Bingos: EBITDA (€m) and key actions

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**1Q'14 Highlights:**

- 1Q'14 EBITDA basically driven by the unexpected closure of one of our top halls in Mexico in 1Q'13

## Spain

- Macroeconomics and smoking ban still impacting overall results
- Continue portfolio review and looking for consolidation opportunities
- Regulatory initiatives: increase product offer, allow marketing activities & margins improvement (tax shifts to prizes)
- Product offer: eBingo in all regions. Launching of New Bingo, game with more prizes and better margin, to retain and develop new customers

## Italy

- Bingo's VLT's performing above rest of channels
- Traditional Bingo cards & AWP impacted by VLT deployment
- Results deterioration due to tax increases

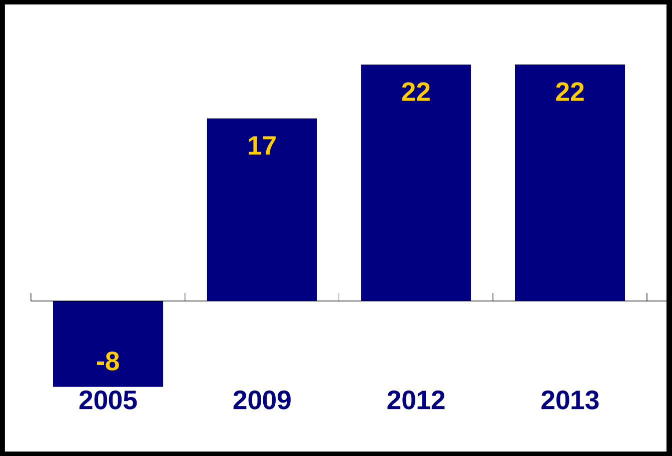
## Mexico

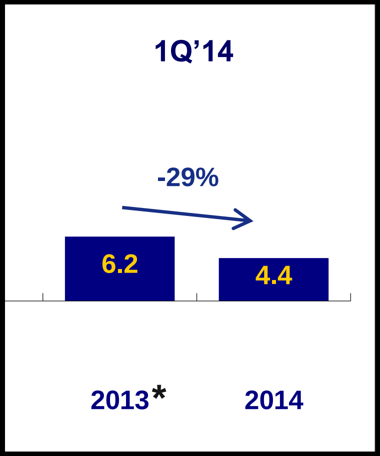
- Market positioning through best-in-class complete offer
- Selective investments: increase machines portfolio in existing halls, extension of existing locations and selective openings
- Becoming a significant EBITDA contributor, from - €3.5m 2009 to €17.4m 2013 (5% of Group EBITDA)

***Mexico driving overall EBITDA trend***

# B2B: EBITDA (€m) and key actions

CIRSA

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**1Q'14 Highlights:**

- **Despite a consolidated market leadership (>55%), weak market conditions impacting 1Q'14 EBITDA**

- **Spain's AWP market leadership: achieved consistent market share above 55%**
  - Since 2008 Cirsa consistently covers market top revenue models
  - High market share "secures" sales in kits and refurbished machines segment in a shrinking market
- **AWP focus: productivity programs driving bottom line results in a recessionary market**
  - Cost efficiency programs (220 bps. margin improvement vs. 2012)
  - Working capital turns improvement (80% improvement vs. 2012)
- **R&D focus in profitable segments, key to sustain future market leadership and profitability**
  - AWP R&D funnel designed to provide 2-4 new hits per year in Spain
  - Casino systems to improve productivity: TiTO, player tracking and WAP technologies
  - Retain and update interconnectivity technologies (jackpots, hall to hall, lotteries, etc.)
  - All R&D programs selected to impact P&L

***B2B profitability driven by Spanish market leadership and interconnectivity technologies***

# Summary

- **Commitment and credibility**
  - Since 2006 management team consistently delivered, quarter after quarter, business and financial commitments
  - 2014 guidance: EBITDA €340/343m, leverage 2.5x ~ 3.0x

- **Current strategy, based on profitable growth, business consolidation & selective acquisitions, delivering excellent results**
  - Strategy resulted in a significant EBITDA improvement (€114m '05 to €338m 'Adj. 2013, x 3)
  - 1Q'14 +9%V (IFRS11), fuelled by consolidation of existing businesses and investments execution, on track to achieve guidance
  - EBITDA margin on revenues doubled: 12.4% in '05 to 24.8% in 'Adj. 2013, +1,240 bps.
  - Leverage ratio reduction from 5.0x (Dec'05) to 2.7x (Adj. Dec'13)

- **2014-17 strategic plan to remain focused on core business segments and geographies to continue improving profitability**
  - Improve EBITDA / reduce leverage
  - Cost management and investment rigour through efficiency and productivity programs
  - Keep B2B focus on AWP Spanish market & gaming productivity

***Management team ready to execute solid plans to keep delivering stakeholder commitments***