

## **Riviera Holdings Corporation**

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### **FOR IMMEDIATE RELEASE:**

## **RIVIERA REPORTS RECORD RESULTS FOR THIRD QUARTER 2004**

**LAS VEGAS, NV – October 26, 2004** -- Riviera Holdings Corporation (AMEX: RIV) today reported financial results for the third quarter ended September 30, 2004. Net revenues for the quarter were \$50.6 million, up \$1.6 million or 3.4 percent from the third quarter of 2003. Income from operations was \$4.8 million, up \$1.2 million or 32.1 percent from the third quarter of 2003. Adjusted EBITDA <sup>(1)</sup> was \$9.5 million, up \$1.9 million from the third quarter of 2003 and a record for any third quarter in the Company's history. Adjusted EBITDA consists of earnings before interest, income taxes, depreciation, amortization, development and project costs, as shown in the reconciliation to net income (loss) in the tables of this release (See also Notes 1-3 to the Financial Summary Table). The net loss for the quarter was (\$2.0 million) or (\$0.57) per share compared with a net loss of (\$3.2 million) or (\$0.91) per share in the third quarter of 2003.

Net revenues for the nine months of 2004 were \$153.9 million, up \$9.1 million or 6.3 percent from the nine months of 2003. Income from operations was \$19.7 million, up \$7.0 million or 54.5 percent from a year ago. Adjusted EBITDA was \$31.1 million, up \$6.0 million from the first nine months of 2003 and a record for any first nine-month period in the Company's history. The net loss for the nine months was (\$619,000) or (\$0.18) per share compared to a net loss of (\$7.7 million) or (\$2.23) per share in the first nine months of 2003.

### **Third Quarter 2004 Highlights**

- Riviera Black Hawk revenues were up 5.9 percent
- Riviera Black Hawk EBITDA was up \$839,000 or 23.4 percent
- Riviera Las Vegas revenues were up \$871,000 or 2.4 percent
- Riviera Las Vegas EBITDA was up \$636,000 or 12.5 percent
- Riviera Las Vegas occupancy was 90.6 percent compared with 96.7 percent in the third quarter of 2003, ADR (Average Daily Rate) increased \$7.91 to \$65.23 and RevPar (Revenue Per available room) increased \$3.67 to \$59.12
- Riviera lost its bid for a Missouri casino and expensed development costs of \$1 million
- The Company has \$24 million in cash plus a \$30 million revolver
- The Company's share price rose from \$8.76 to \$19.30 during the quarter – a 120 percent improvement

## Riviera Las Vegas

Robert Vannucci, President of Riviera Las Vegas, said, “Our third quarter results were good. EBITDA was up \$636,000 or 12.5 percent over the same period last year. Revenues in the quarter increased \$871,000 compared to the same period last year. EBITDA margins increased from 14.1 percent to 15.5 percent.

“Revenue per available room (RevPar) was \$59.12, up \$3.67 or 6.6 percent compared with \$55.45 for the third quarter last year. Cash room revenue was up \$680,000 or 7 percent over last year. Convention rooms represented 33 percent of rooms sold for the quarter and 43 percent of the revenue, as the ADR was over \$84 for this sector of our business.

“Entertainment revenues increased 12.2 percent and we sold 17,000 more cash tickets this quarter than the same quarter last year.

“Gaming revenues were down 3.9 percent from the third quarter of last year, due to lower occupancy and hotel customer mix. The business mix of customers in our rooms this quarter included more convention guests who generally have a lower gaming profile but pay higher room rates. We’ve completed the installation of our new slot monitoring system on substantially all of our machines. The system provides us with new marketing tools. We recently began using these new tools and have initiated promotions and direct mail offers, which we believe will stimulate our gaming revenues in a cost effective manner, possibly as soon as the middle of the fourth quarter. We are on track to complete the conversion of approximately 560 machines (40 percent of our total) to ticket-in, ticket-out technology by the end of the year.

“Our location on the Las Vegas Strip will see more foot traffic in future periods as the Hilton Grand Vacations Club time shares, the 3,900-room Wynn Las Vegas, Palazzo – the new Venetian 3,500-room resort, luxury condominium projects and other developments draw more people to the north end. Riviera Las Vegas is located on 26 acres of prime real estate on the north end of the Las Vegas Strip. Recent land transactions on the Las Vegas Strip are indicators that our land has a fair market value well in excess of its \$21 million recorded book value.”

## **Riviera Black Hawk**

Ron Johnson, President of Riviera Black Hawk, said, “The third quarter was another record-breaking quarter for Riviera Black Hawk. We were able to achieve all-time highs for any quarter for gaming revenue, total revenue, EBITDA, and market share. Net revenues reached a record \$13.8 million during the quarter. EBITDA for the quarter grew by 23.4 percent compared to last year’s third quarter, to a record \$4.4 million. EBITDA margin increased by 4.5 percentage points to 32.1 percent.

“The third quarter benefited from the continued strength of our marketing programs. We continue to invest our marketing dollars in areas that profitably build slot revenues and market share. We were able to achieve record results even though the primary highway providing access to the market was closed 11 days in September for repairs.

“We are also encouraged that gaming revenue in the Black Hawk/Central City Market continued to grow in the third quarter. Year-to-date the market has grown by 3.1 percent. Improved economic conditions in the Denver Metro area and effective marketing programs by casinos in the market appear to be the driving force behind this growth. We are looking forward to the new access road expected to be open before year end. This new road will provide additional access to the Black Hawk/Central City Market, expanding the capabilities of the market to handle additional weekend traffic.”

## **Consolidated Operations**

William L. Westerman, Chairman of the Board, said, "We are pleased the trend of improved performance continued in the third quarter of 2004. Consolidated adjusted EBITDA increased by 24.7 percent for the third quarter compared with 2003. The third quarter adjusted EBITDA of \$9.5 million and first nine months adjusted EBITDA of \$31.1 million both set records for any third quarter and first nine month periods. Our adjusted EBITDA for the first nine months of 2004 approximated our EBITDA for the entire year of 2003."

### Conference Call Information

In conjunction with the release of third quarter 2004 financial results, Riviera will broadcast a conference call at 2 p.m. Eastern Daylight Time on Tuesday, October 26, 2004. Investors can listen to the call via the Internet at <http://phx.corporate-ir.net/playerlink.zhtml?c=96408&s=wm&e=942903> or [www.theriviera.com](http://www.theriviera.com) or by dialing 800-946-0785. A rebroadcast of the conference is available beginning at 5 p.m. EDT on October 26 through midnight on November 1, by dialing 719-457-0820, code 897708.

### **Safe Harbor Statement:**

The forward-looking statements included in this news release, which reflect management's best judgment based on factors currently known to it, involve risks and uncertainties including expansion objectives and timetables, hotel and casino market conditions, financing requirements, regulatory approvals and other risks and uncertainties detailed from time to time in the Company's filings with the Securities and Exchange Commission, including the Report on Form 10-K for December 31, 2003. Actual results may differ materially.

### **About Riviera Holdings:**

Riviera Holdings Corporation owns and operates the Riviera Hotel and Casino on the Las Vegas Strip and the Riviera Black Hawk Casino in Black Hawk, Colorado. Riviera is traded on the American Stock Exchange ("AMEX") under the symbol RIV. Informal discussions with AMEX staff indicate that the Company may meet the standards of AMEX policy Sec. 1003(a). According to that policy, AMEX will not normally consider suspending dealings in or delisting the securities of a company, which is below the earnings or net worth standards if the Company is in compliance with the following:

- (1) Total value of market capitalization of at least \$50,000,000; or total assets and revenue of \$50,000,000 each in its last fiscal year, or in two of its last three fiscal years; and
- (2) The company has at least 1,000,000 shares publicly held, a market value of publicly held shares of at least \$15,000,000 and at least 400 round lot shareholders.

--Tables Follow--

**Riviera Holdings Corporation**

Financial Summary

(\$ in 000s except per share amounts)	<u>Three Months Ended September 30</u>				<u>Nine Months Ended September 30</u>			
	<u>2004</u>	<u>2003</u>	<u>Var</u>	<u>%Var</u>	<u>2004</u>	<u>2003</u>	<u>Var</u>	<u>%Var</u>
<b>Net Revenues:</b>								
Riviera Las Vegas	\$36,815	\$35,944	\$ 871	2.4%	\$113,575	\$107,706	\$5,869	5.4%
Riviera Black Hawk	13,802	13,029	773	5.9%	40,296	37,086	3,210	8.7%
Total Net Revenues	50,617	48,973	1,644	3.4%	153,871	144,792	9,079	6.3%
<b>Operating Income:</b>								
Riviera Las Vegas	3,592	2,556	1,036	40.5%	15,435	10,509	4,926	46.9%
Riviera Black Hawk	2,889	2,147	742	34.6%	8,495	5,751	2,744	47.7%
Development and Project Costs	(1,010)	0	(1,010)		(1,010)	0	(1,010)	
Corporate Expenses	(661)	(1,062)	401	37.8%	(3,173)	(3,478)	305	8.8%
Total Operating Income	4,810	3,641	1,169	32.1%	19,747	12,782	6,965	54.5%
<b>Adjusted EBITDA (1):</b>								
Riviera Las Vegas	5,709	5,073	636	12.5%	21,352	18,476	2,876	15.6%
Riviera Black Hawk	4,418	3,579	839	23.4%	12,926	10,114	2,812	27.8%
Corporate Expenses (3)	(661)	(1,062)	401	37.8%	(3,173)	(3,478)	305	8.8%
Total EBITDA	9,466	7,590	1,876	24.7%	31,105	25,112	5,993	23.9%
<b>Adjusted EBITDA Margins (2):</b>								
Riviera Las Vegas	15.5%	14.1%	1.4%		18.8%	17.2%	1.6%	
Riviera Black Hawk	32.0%	27.5%	4.5%		32.1%	27.3%	4.8%	
Consolidated	18.7%	15.5%	3.2%		20.2%	17.3%	2.9%	
Net income (loss)	\$(1,988)	\$(3,153)	\$1,165		\$ (619)	\$ (7,748)	\$7,129	
<b>EARNINGS (LOSS) PER SHARE DATA:</b>								
Shares used in calculating net income (loss) per basic and fully diluted common share	3,488	3,477	11		3,487	3,473	14	
Net Income (loss) per basic and diluted common share	\$ (0.57)	\$ (0.91)	\$ 0.34		\$ (0.18)	\$ (2.23)	\$ 2.05	

- (1) Adjusted EBITDA consists of earnings before interest, income taxes, depreciation, amortization and development and project costs, as shown in the reconciliation to net income (loss) in the tables of this release. Adjusted EBITDA is presented solely as a supplemental disclosure because management believes that it is 1) a widely used measure of operating performance in the gaming industry, and 2) a principal basis for valuation of gaming companies by certain investors. Management uses property-level EBITDA (earnings before interest, income taxes, depreciation, amortization and corporate expense) as the primary measure of the Company's business segment properties' performance, including the evaluation of operating personnel. Adjusted EBITDA should not be construed as an alternative to operating income as an indicator of the Company's operating performance, as an alternative to cash flows from operating activities as a measure of liquidity, or as any other measure determined in accordance with generally accepted accounting principles. The Company has significant uses of cash flows, including capital expenditures, interest payments and debt principal repayments, which are not reflected in Adjusted EBITDA. Also, other gaming companies that report Adjusted EBITDA information may calculate Adjusted EBITDA in a different manner than the Company. A reconciliation of Adjusted EBITDA to net income (loss) is included in the financial schedules accompanying this release.
- (2) Adjusted EBITDA margins represent Adjusted EBITDA divided by Net Revenues
- (3) Development and project costs associated with the Missouri casino project totaling \$600,000 were written off during the quarter and \$410,000 of Missouri casino project costs included in corporate expenses in the first two quarters of 2004 were reclassified as development and projects costs in the current quarter.

<b>Riviera Holdings Corporation</b>	Net	Provision	Interest	Operating	Development		Manage-	
<b>Reconciliation of Net</b>	Income	For	Income &	Income	& Project	Depr-	ment	Adjusted
<b>Income (Loss) to Adjusted EBITDA</b>	<u>(Loss)</u>	<u>Tax</u>	<u>(Expense)</u>	<u>(Loss)</u>	<u>Costs</u>	<u>eciation</u>	<u>Fee</u>	<u>EBITDA</u>
<b>Third Quarter 2004:</b>								
Riviera Las Vegas	\$ 2,256	\$ 1,234	\$ (102)	\$ 3,592	\$ -	\$ 2,634	\$ (517)	\$ 5,709
Riviera Black Hawk	913	-	(1,976)	2,889	-	1,012	517	4,418
Corporate	<u>(5,157)</u>	<u>(1,234)</u>	<u>(4,720)</u>	<u>(1,671)</u>	<u>1,010</u>	<u>-</u>	<u>-</u>	<u>(661)</u>
	\$ (1,988)	\$ -	\$ (6,798)	\$ 4,810	\$ 1,010	\$ 3,646	\$ -	\$ 9,466
<b>Third Quarter 2003:</b>								
Riviera Las Vegas	\$ 1,591	\$ 922	\$ (43)	\$ 2,556	\$ -	\$ 2,871	\$ (354)	\$ 5,073
Riviera Black Hawk	113	-	(2,034)	2,147	-	1,078	354	3,579
Corporate	<u>(4,857)</u>	<u>(922)</u>	<u>(4,717)</u>	<u>(1,062)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,062)</u>
	\$ (3,153)	\$ -	\$ (6,794)	\$ 3,641	\$ -	\$ 3,949	\$ -	\$ 7,590
<b>Nine Months Ended September 30, 2004:</b>								
Riviera Las Vegas	\$ 9,898	\$ 5,348	\$ (189)	\$ 15,435	\$ -	\$ 7,358	\$ (1,441)	\$ 21,352
Riviera Black Hawk	2,521	-	(5,974)	8,495	-	2,990	1,441	12,926
Corporate	<u>(13,038)</u>	<u>(5,348)</u>	<u>(14,203)</u>	<u>(4,183)</u>	<u>1,010</u>	<u>-</u>	<u>-</u>	<u>(3,173)</u>
	\$ (619)	\$ -	\$ (20,366)	\$ 19,747	\$ 1,010	\$ 10,348	\$ -	\$ 31,105
<b>Nine Months Ended September 30, 2003:</b>								
Riviera Las Vegas	\$ 6,571	\$ 3,810	\$ (128)	\$ 10,509	\$ -	\$ 9,051	\$ (1,084)	\$ 18,476
Riviera Black Hawk	(398)	-	(6,149)	5,751	-	3,279	1,084	10,114
Corporate	<u>(13,921)</u>	<u>(3,810)</u>	<u>(14,253)</u>	<u>(3,478)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,478)</u>
	\$ (7,748)	\$ -	\$ (20,530)	\$ 12,782	\$ -	\$ 12,330	\$ -	\$ 25,112

**Balance Sheet Summary**

(\$ in 000's)

	Sep 30,	Dec 31,
	2004	2003
Cash and short term investments	\$24,477	\$19,344
Total current assets	34,369	27,361
Property and equipment, net	177,213	180,293
Total assets	223,510	221,538
Total current liabilities	33,674	29,788
Long-term debt, net of current portion	215,441	215,875
Total shareholders' (deficiency) equity	(30,601)	(30,037)

**RIVIERA HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(\$ In 000's except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2004	2003	2004	2003
Revenues:				
Casino	\$ 27,548	\$ 27,215	\$ 84,177	\$ 80,683
Rooms	11,672	11,040	35,889	33,494
Food and beverage	8,588	8,567	26,454	25,109
Entertainment	5,499	4,981	15,726	13,851
Other	1,971	2,024	6,137	6,034
Total	<u>55,278</u>	<u>53,827</u>	<u>168,383</u>	<u>159,171</u>
Less promotional allowances	<u>4,661</u>	<u>4,854</u>	<u>14,512</u>	<u>14,379</u>
Net revenues	<u>50,617</u>	<u>48,973</u>	<u>153,871</u>	<u>144,792</u>
COSTS AND EXPENSES:				
Direct costs and expenses of operating departments:				
Casino	13,550	14,425	40,886	42,392
Rooms	6,602	6,377	19,622	18,721
Food and beverage	6,162	5,840	18,129	16,893
Entertainment	3,825	3,182	10,602	9,057
Other	755	747	2,194	2,105
Other operating expenses:				
General and administrative	10,257	10,812	31,333	30,512
Development and Project Costs	1,010	-	1,010	-
Depreciation and amortization	<u>3,646</u>	<u>3,949</u>	<u>10,348</u>	<u>12,330</u>
Total costs and expenses	<u>45,807</u>	<u>45,332</u>	<u>134,124</u>	<u>132,010</u>
INCOME FROM OPERATIONS	<u>4,810</u>	<u>3,641</u>	<u>19,747</u>	<u>12,782</u>
OTHER INCOME (EXPENSE):				
Interest expense	(6,804)	(6,788)	(20,382)	(20,548)
Interest income	6	(6)	16	18
Total other income (expense)	<u>(6,798)</u>	<u>(6,794)</u>	<u>(20,366)</u>	<u>(20,530)</u>
NET INCOME (LOSS)	<u>\$ (1,988)</u>	<u>\$ (3,153)</u>	<u>\$ (619)</u>	<u>\$ (7,748)</u>
EARNINGS (LOSS) PER SHARE DATA:				
Shares used in calculating net income (loss) per basic and fully diluted common share:	3,488	3,477	3,487	3,473
Net Income (loss) per basic and fully diluted common share	\$ (0.57)	\$ (0.91)	\$ (0.18)	\$ (2.23)

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