

## **Riviera Holdings Corporation**

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### **FOR FURTHER INFORMATION**

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### **FOR IMMEDIATE RELEASE**

## **RIVIERA REPORTS RESULTS FOR THIRD QUARTER 2007**

**LAS VEGAS, NV – November 2, 2007** -- Riviera Holdings Corporation (AMEX: RIV) today reported financial results for the three- and nine-month periods ended September 30, 2007. The Company reported record Adjusted EBITDA <sup>(1)</sup>, as defined below, and operating income for the three months and nine months ended September 30, 2007.

### **Third Quarter 2007**

Net revenues for the third quarter were \$52.4 million, an increase of \$2.0 million or 4 percent from the third quarter of 2006. Income from operations was \$6.7 million, up \$700,000 or 11 percent from the third quarter of 2006. Included in income from operations in the third quarter of 2007 was \$206,000 in equity-based compensation costs related to stock option expense compared to \$183,000 in 2006, and \$160,000 of mergers, acquisitions and development costs in 2007 compared to \$281,000 in 2006. Adjusted EBITDA <sup>(1)</sup> was \$10.3 million in the third quarter of 2007 compared with \$9.5 million in 2006. Adjusted EBITDA consists of earnings before interest, income taxes, depreciation, amortization, equity-based compensation, asset impairments, and mergers, acquisitions and development costs, as shown in the reconciliation with net loss in the tables of this release (See Notes 1 and 2 to the Financial Summary table). Net loss for the quarter was \$18.3 million, or \$1.48 per share on a fully diluted basis. The net loss included the unfavorable effect of a \$7.5 million non-cash charge to record the loss on the Company's derivatives resulting from the interest rate swap on the new term loan, a non-cash charge of \$5.0 million to write off the unamortized costs and discounts and \$7.9 million for the prepayment premium related to the retirement of the Company's \$215 million 11% bonds which were extinguished on July 9, 2007.

### **Third Quarter 2007 Highlights**

- Riviera Black Hawk net revenue increased \$980,000 or 7 percent
- Riviera Black Hawk EBITDA increased \$570,000 or 12 percent
- Riviera Las Vegas net revenue increased \$1.1 million or 3 percent
- Riviera Las Vegas EBITDA increased \$419,000 or 7 percent
- The Company redeemed its 11% notes, on July 9, 2007 which was replaced with a term loan with an effective interest rate of 7.5%
- The Company has \$33.0 million in unrestricted cash plus a \$20 million revolver available

### **Nine Months Ended September 30, 2007**

Net revenues for the nine months ended September 30, 2007 were \$158.1 million, an increase of \$3.6 million or 2 percent from the same period in 2006. Income from operations was \$25.1 million, an increase of \$4.4 million or 21 percent from the 2006 period. Adjusted EBITDA <sup>(1)</sup> was \$36.1 million, an increase of \$4.2 million or 13 percent from the 2006 period.

Included in operating income for the first nine months of 2007 was \$759,000 in equity-based compensation costs related to stock option expense compared to \$589,000 in 2006, and \$448,000 of mergers, acquisitions and development costs in 2007 compared to \$1.2 million in 2006. Net loss for the nine months ended September 30, 2007 was \$12.1 million, or \$0.98 per share on a fully diluted basis, compared to net income of \$1.3 million, or \$0.10 per diluted share for the nine months ended September 30, 2006.

Included in the net loss for the nine months ended September 30, 2007 was a non-cash charge of \$5.0 million related to the Company's remaining bond costs and \$7.9 million related to the premium related to the retirement of the Company's \$215 million 11% bonds on July 9, 2007. Additionally, the Company recorded \$6.6 million as a non-cash charge related to the negative impact of the decrease in interest rates on the Company's interest rate swap. The interest swap agreement generated approximately a 7.5% fixed rate for the Company's current debt.

### **Nine-Month 2007 Highlights**

- Riviera Black Hawk net revenue was up \$2.0 million or 5 percent
- Riviera Black Hawk EBITDA increased \$2.4 million to \$15.1 million or 18 percent
- Riviera Las Vegas net revenue increased \$1.6 million to \$116.6 million or 1 percent
- Riviera Las Vegas EBITDA increased \$1.6 million to \$24.1 million or 7 percent

### **Riviera Las Vegas**

"For the nine months ended September 30, 2007, Riviera Las Vegas outpaced 2006 EBITDA by \$1.6 million. Most of the increase occurred in the second and third quarters as we continued to capitalize on the reduced competition in our market segment," commented Robert Vannucci, Chief Operating Officer of Riviera Las Vegas. "We are also very excited about the progress of our capital expenditure plan as refurbished rooms will begin to come on line in December of this year. We anticipate the upgrade to our rooms will continue to produce room rate increases.

“EBITDA in Las Vegas increased \$400,000, or 7 percent for the third quarter of 2007. Revenue increases in our room and entertainment divisions, combined with controlled operating costs, produced an EBITDA margin of 16 percent compared with 15.5 percent in the same quarter of 2006. The room revenue increase was attributable to an increase in the ADR (Average Daily Rate), which was \$79.13 in the third quarter of 2007, up \$4.85 or 6.5 percent compared to 2006. RevPar (Revenue per Available Room) increased \$3.76 or 5 percent.”

### **Riviera Black Hawk**

Mark Lefever, President of Riviera Black Hawk, said, “We continue to be delighted with the momentum and increases in all operating measures generated by our Black Hawk team. Our success in this market is a result of our database marketing efforts and our team’s ability to continue to provide outstanding guest experiences.

“Our results have generated an EBITDA increase for the nine months ended September 30, 2007 of 18 percent to \$15.1 million, due in large part to our continued success in offering a value-based entertainment experience to our guests.

“We have begun making the necessary changes to our property in preparation of the statewide smoking ban, which is effective January 1, 2008. We believe our entire plan will provide smokers and nonsmokers an experience that will be second to none in the greater Denver market.”

### **Consolidated Operations**

William L. Westerman, Chief Executive Officer, said, “Our team continues to focus on the daily operations at both properties, as shown in our record adjusted EBITDA. With our previously announced capital expenditure plan focused on updating our room product in Las Vegas, and our casino floors in both Las Vegas and Black Hawk, we believe we are positioned in the marketplace to continue to generate increases in revenues and operating income for the foreseeable future. We believe these improvements will enhance our guests’ overall experience at both properties, while generating stronger long-term financial results for our Company.

“Third quarter 2007 net income was adversely impacted by a one-time charge of \$12.9 million to record the call premium and the write off of the remaining deferred refinancing costs on the 11% notes we redeemed in July, and by a \$7.5 million non-cash charge for the effects of the interest rate environment on our swap agreement for our new \$225 million debt. With this refinancing, our effective rate is now fixed at approximately 7.5%, which is a significant reduction to our previous borrowing arrangements. We are pleased with our rate, and are not concerned with the non-cash charge or benefits that resulted from our swap agreement. The current expense reflects the cost that would be required only if we were to break our swap agreement.”

Mr. Westerman stated that the Company, through its investment advisor Jefferies and Company, is continuing the strategic process to maximize shareholder value.

### **Conference Call Information**

In conjunction with the release of third quarter 2007 financial results, Riviera will broadcast a conference call at 2 p.m. Eastern Daylight Time today, Friday, November 2, 2007. Investors can listen to the call via the Internet at [www.rivierahotel.com](http://www.rivierahotel.com) or by dialing (888) 792-8352. The conference call rebroadcast will be available at (877) 519-4471, code 9328343.

### **Forward –Looking Statements**

The forward-looking statements in this news release, which reflect our best judgment based on factors currently known to us, involve significant risks and uncertainties including the implementation and future results of the capital expenditure plan, the future results of our ongoing strategic process for maximizing shareholder value, pending litigation involving takeover efforts that we have opposed, hotel and casino market conditions, the effect on Riviera Black Hawk of the Colorado smoking ban that becomes effective on January 1, 2008, increases in energy costs, general economic and political conditions, regulatory requirements and other risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission. Our actual results may differ materially from what is expressed or implied in our forward-looking statements. We do not plan to update our forward-looking statements even though our situation or plans may change in the future, unless applicable law requires us to do so.

### **About Riviera Holdings Corporation**

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's stock is listed on the American Stock Exchange under the symbol RIV.

— Tables Follow —

**Riviera Holdings Corporation**

Financial Summary

(Amounts in thousands except per share amounts)

	Three Months Ended September 30				Nine Months Ended September 30			
	2007	2006	Var	%Var	2007	2006	Var	%Var
<b>Net Revenues:</b>								
Riviera Las Vegas	\$ 37,940	\$36,887	\$ 1,053	2.9%	\$ 116,597	\$ 114,975	\$ 1,622	1.4%
Riviera Black Hawk	14,440	13,462	978	7.3%	41,475	39,500	1,975	5.0%
Total Net Revenues	52,380	50,349	2,031	4.0%	158,072	154,475	3,597	2.3%
<b>Operating Income:</b>								
Riviera Las Vegas	4,572	4,026	546	13.6%	19,277	17,235	2,042	11.8%
Riviera Black Hawk	3,695	3,521	174	4.9%	10,204	8,614	1,590	18.5%
Mergers, Acquisitions and Development Costs, net	(160)	(281)	121	(43.1)%	(448)	(1,159)	711	61.3%
Equity-Based Compensation	(206)	(183)	(23)	(12.6)%	(759)	(589)	(170)	(28.9)%
Asset Impairment	0	0	0	NM%	0	(16)	16	NM%
Corporate Expenses	(1,237)	(1,095)	(142)	(13.0)%	(3,210)	(3,413)	234	6.8%
Total Operating Income	6,664	5,988	676	11.3%	25,064	20,672	4,423	21.2%
<b>Adjusted EBITDA (1):</b>								
Riviera Las Vegas	6,131	5,712	419	7.3%	24,143	22,529	1,614	7.2%
Riviera Black Hawk	5,440	4,870	570	11.7%	15,132	12,774	2,358	18.5%
Corporate Expenses	(1,237)	(1,095)	(142)	(13.0)%	(3,210)	(3,444)	234	6.8%
Total Adjusted EBITDA	10,334	9,487	847	8.9%	36,065	31,890	4,175	13.1%
<b>Adjusted EBITDA Margins (2):</b>								
Riviera Las Vegas	16.2%	15.5%	0.7%		20.7%	19.6%	1.1%	
Riviera Black Hawk	37.7%	36.2%	1.5%		36.5%	32.3%	4.2%	
Consolidated	19.7%	18.8%	0.9%		22.8%	20.6%	2.2%	
Net income (loss)	\$ (18,254)	\$ (432)			\$ (12,118)	\$ 1,266		
<b>EARNINGS PER SHARE DATA:</b>								
Weighted average basic shares outstanding	12,326	12,170			12,303	12,122		
Basic earnings (loss) per share	\$ (1.48)	\$ (0.04)			\$ (0.98)	\$ 0.10		
Weighted average diluted shares outstanding	12,326	12,170			12,303	12,374		
Diluted earnings (loss) per share	\$ (1.48)	\$ (0.04)			\$ (0.98)	\$ 0.10		

(1) Adjusted EBITDA consists of earnings before interest, income taxes, depreciation, amortization, equity-based compensation, asset impairment loss on extinguishments of debt, the effects of the accounting for our interest rate swap agreement, and mergers, acquisitions and development costs, net, as shown in the reconciliation with net income in the tables below in this release. Adjusted EBITDA is presented solely as a supplemental disclosure because we believe 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. We use property-level EBITDA (earnings before interest, income taxes, depreciation, amortization and corporate expense) as the primary measure of our business segment properties' performance, including the evaluation of our operating personnel. Adjusted EBITDA should not be construed as an alternative to operating income, as an indicator of our 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. We have 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 EBITDA or Adjusted EBITDA may calculate it in a different manner than we do. A reconciliation of net income to Adjusted EBITDA is included in the tables below in this release.

(2) Adjusted EBITDA margins represent Adjusted EBITDA divided by Net Revenues.

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Riviera Holdings Corporation and Subsidiaries

Reconciliation of Net Income to Adjusted EBITDA

(Amounts in thousands)	Net Income <u>(Loss)</u>	Other Income <u>(Expense)</u>	Operating Income <u>(Loss)</u>	Depre- ciation <u>Impairment</u>	Asset Impairment	Mergers			Adjusted EBITDA
						Equity Based <u>Comp</u>	Acquisitions, Development & Costs	Management Fee	
<b>Third Quarter 2007:</b>									
Riviera Las Vegas	\$ 4,628	\$ 56	\$ 4,572	\$ 2,331	-	-	-	\$ (772)	\$ 6,131
Riviera Black Hawk	1,996	(1,699)	3,695	973	-	-	-	772	5,440
Corporate	<u>(24,878)</u>	<u>(23,275)</u>	<u>(1,603)</u>	<u>-</u>	<u>-</u>	<u>206</u>	<u>160</u>	<u>-</u>	<u>(1,237)</u>
	\$ (18,254)	\$ 24,918	\$ 6,664	\$ 3,304	\$ -	\$ 206	\$ 160	\$ -	\$ 10,334
<b>Third Quarter 2006:</b>									
Riviera Las Vegas	\$ 4,051	\$ 25	\$ 4,026	\$ 2,231	-	-	-	\$ (545)	\$ 5,712
Riviera Black Hawk	1,606	(1,915)	3,521	804	-	-	-	545	4,870
Corporate	<u>(6,089)</u>	<u>(4,530)</u>	<u>(1,559)</u>	<u>-</u>	<u>-</u>	<u>183</u>	<u>281</u>	<u>-</u>	<u>(1,095)</u>
	\$ (432)	\$ (6,420)	\$ 5,988	\$ 3,035	\$ -	\$ 183	\$ 281	\$ -	\$ 9,487
<b>Nine Months Ended September 30, 2007:</b>									
Riviera Las Vegas	\$19,422	\$ 145	\$ 19,277	\$ 6,872	-	-	-	\$ (2,006)	\$ 24,143
Riviera Black Hawk	4,693	(5,511)	10,204	2,922	-	-	-	2,006	15,132
Corporate	<u>(36,223)</u>	<u>(31,816)</u>	<u>(4,417)</u>	<u>-</u>	<u>-</u>	<u>759</u>	<u>448</u>	<u>-</u>	<u>(3,210)</u>
	\$ (12,118)	\$ (37,182)	\$ 25,064	\$ 9,794	\$ -	\$ 759	\$ 448	\$ -	\$ 36,065
<b>Nine Months Ended September 30, 2006:</b>									
Riviera Las Vegas	\$17,315	\$ 80	\$ 17,235	\$ 6,772	-	-	-	\$ (1,478)	\$ 22,529
Riviera Black Hawk	2,867	(5,747)	8,614	2,682	-	-	-	1,478	12,774
Corporate	<u>(18,916)</u>	<u>(13,739)</u>	<u>(5,177)</u>	<u>-</u>	<u>16</u>	<u>589</u>	<u>1,159</u>	<u>-</u>	<u>(3,444)</u>
	\$ 1,266	\$ (19,406)	\$ 20,672	\$ 9,454	\$ 16	\$ 589	\$ 1,159	\$ -	\$ 31,890

**Balance Sheet Summary**

	Sept 30, <u>2007</u>	Dec 31, <u>2006</u>
Cash and short term investments	\$32,975	\$25,285
Total current assets	45,642	34,142
Property and equipment, net	168,056	171,320
Total assets	219,136	213,682
Long-term debt, net of current portion	225,405	214,124
Total liabilities	261,030	244,216
Total shareholders' deficiency	(41,894)	(30,534)

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RIVIERA HOLDINGS CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2007	2006	2007	2006
Revenues:				
Casino	\$ 28,935	\$ 28,262	\$ 87,941	\$ 85,206
Rooms	14,812	13,996	46,276	43,085
Food and beverage	7,976	8,110	24,937	25,754
Entertainment	4,102	3,625	9,959	11,166
Other	1,684	1,534	5,041	4,970
Total	<u>57,509</u>	<u>55,527</u>	<u>174,154</u>	<u>170,181</u>
Less promotional allowances	<u>(5,129)</u>	<u>(5,178)</u>	<u>(16,082)</u>	<u>(15,706)</u>
Net revenues	<u>52,380</u>	<u>50,349</u>	<u>158,072</u>	<u>154,475</u>
COSTS AND EXPENSES:				
Direct costs and expenses of operating departments:				
Casino	13,849	14,246	42,460	42,968
Rooms	7,520	6,981	21,619	20,602
Food and beverage	6,129	6,194	18,608	18,646
Entertainment	2,684	2,372	6,353	7,714
Other	368	338	1,043	1,137
Other operating expenses:				
General and administrative	11,496	10,731	31,924	31,518
Mergers, Acquisitions and Development Costs, net	160	281	448	1,159
Equity-Based Compensation	206	183	759	589
Asset Impairment	-	-	-	16
Depreciation and amortization	3,304	3,035	9,794	9,454
Total costs and expenses	<u>45,716</u>	<u>44,361</u>	<u>133,008</u>	<u>133,803</u>
INCOME FROM OPERATIONS	<u>6,664</u>	<u>5,988</u>	<u>25,064</u>	<u>20,672</u>
OTHER EXPENSE:				
Interest expense, Net	(4,569)	(6,420)	(17,660)	(19,406)
Loss on Retirement of Debt	(12,878)	-	(12,878)	-
Loss on Derivatives	(7,471)	-	(6,644)	-
Total other expense	<u>(24,918)</u>	<u>(6,420)</u>	<u>(37,182)</u>	<u>(19,406)</u>
NET INCOME:	<u>\$ (18,254)</u>	<u>\$ (432)</u>	<u>\$ (12,118)</u>	<u>\$ 1,266</u>
EARNINGS PER SHARE DATA:				
Shares used in calculating net income (loss) per common share:				
Basic	12,326	12,170	12,303	12,122
Diluted	12,326	12,170	12,303	12,374
Net Income (Loss) per common share:				
Basic	\$ (1.48)	\$ (0.04)	\$ (0.98)	\$ 0.10
Diluted	\$ (1.48)	\$ (0.04)	\$ (0.98)	\$ 0.10