



TO: Houlihan Lokey
ADDRESS: 83 Pall Mall
London, SW1Y 5 ES
United Kingdom
ATTN.: Mr. Manuel Martínez-Fidalgo, as the main representative of the Ad-Hoc Committee and the rest of the Bondholders

Alcobendas, the 17th of February, 2014

Dear Mr. Martínez-Fidalgo:

We refer to your “Final Offer” (hereinafter the **“Final Offer”**) communicated to the Board of Directors (hereinafter the **“Board”**) of Codere SA (hereinafter **“Codere”**) on February, the 2nd, 2014.

Codere’s Board reviewed the above mentioned Final Offer at the Board meeting held on February, the 5th, 2014, and therefore the Board would like to make the following remarks.

Above all, it must be noted that your Final Offer incorporates, together with elements relating to the refinancing of Codere’s debt as such, some other elements that affect substantially the structure and ownership of the equity itself. As for these latter issues, the Board of Directors lacks the right to independently dispose over them, independently of the shareholders concerned.

Therefore, and since both these elements in your Final Offer go inseparably linked, under no circumstances the Board could accept the Final Offer just as currently drafted without the shareholders’ prior consent to ensure the necessary approval of the General Shareholders Meeting.

In this regard, moreover, and as it concerns the future distribution of Codere’s equity, or, just as we explain below, of another company to which, according to the stages you proposed in your Final Offer, the equity elements of Codere S.A. will be transferred, your Offer – sent only to the attention of the Board - was directed to the wrong addressee.

The Board, as a governance body, should not and cannot make decisions that could affect the equity structure of the company without taking into consideration the

shareholders' interests and their opinions which they are entitled to express during the General Shareholders Meeting.

Furthermore, under no circumstances the Board could provide support for the approval of an offer that, even though approved by the majority shareholders, does not respect the principle of equal treatment between all shareholders, giving rise to discrimination in treatment or privileges against or in favor of some of them, an offer that violates the Spanish Companies and Securities Market legislation and ignores the Corporate Code of Good Governance.

Notwithstanding the foregoing, although necessarily taking it into consideration, the Board believes that, in the spirit of cooperation shown during all this process of negotiations with the bondholders, it should schematically express its main concerns regarding the content of your Final Offer so that you could consider them for further appropriate action.

1. - The obligation to comply with the Spanish law

The Board notes with concern that your Final Offer contains several aspects, two in particular, that seriously violate the provisions of the Spanish law and that, if accepted, would result in a serious risk of breach of law.

These risks, while they are not rectified, would expose to failure any possible agreement between the bondholders and the majority shareholders of the company and could not be approved by the Board either, regardless of the exact equity distribution and economic terms agreed.

Discrimination of Codere's minority shareholders

Your Final Offer provides for the dilution of all Codere's existing shareholders by 96.8 %; i.e., at the closing of the restructuring process, all existing shareholders in Codere would own a 3.2% of its share capital instead of the 100% they are currently own. However, your Final Offer states that certain members of Martinez Sampedro's family are entitled to a 14.30% of Codere's equity, this way provoking an unequal treatment with respect to the existing shareholders in Codere, violating the basic principles of Spanish Trade Law. To all this we should also add the entitlement to special political rights and several economical compensations for these particular members of MS family.

This proposal cannot be interpreted by the Board rather than as an incentive for certain majority shareholders to accept the Final Offer by entitling them to certain special rights, which involve discrimination, as they imply a much lower degree of

dilution compared to the rest of Codere's existing shareholders , especially to minority shareholders.

The Board would not support any possible restructuring agreement that does not guarantee equal treatment for all the shareholders.

Violation of sovereignty as for the General Meeting of Shareholders

The Board, due to strict legality reasons we are going to explain below, cannot formalize the so-called " alternative route " you proposed in order to carry out the provisions of your Final Offer against the wishes formally expressed by Codere's General Shareholders Meeting.

By the content of your letter we are being proposed to agree on a capital and debt structure the bidders acknowledge it requires the approval by the General Shareholders Meeting, as it involves equity increase operations with debt equivalent contribution, which must be subject to the General Shareholders Meeting's decision.

As an "alternative ", you offered us what you have called a version suggested by your advisers that would in fact lead to the same final result, by means of a transfer of assets and liabilities of CODERE S.A. to a company created for this purpose in Luxembourg as a double company structure of same nationality, and governed by British law.

This suggestion implies either a breach of law or directly a law fraud:

a) It is considered to be a breach of law as the global transfer of assets and liabilities under the Spanish law cannot be carried out without the formal authorization of the General Shareholders Meeting.

- the Act nr.3/2009 April, the 3rd, on Structural Amendments to Trading Companies, effective from June 24th, 2012 , stipulates its application to " the transformation, merger, division or global transfer of assets and liabilities including international transfer of registered office " in art. 1.

- This above mentioned Act in its articles 85 to 91 defines the legal regime of the general assignment of assets and liabilities process, and in its article 87 expresses how "this global transfer will require the mandatory approval of the transferor's General Shareholders Meeting." It is, therefore, a peremptory norm, and the infringement of this norm by the Company determines the nullity of the act in question.

- In terms of its content, the General Board's agreement is subject to general requirements as well as to those imposed by the already mentioned articles;

basically, the shareholders hold the right of enhanced information, which means they will not only be provided with the documents submitted to approval during the General Shareholders Meeting, but they will also be provided with the "project of global transfer" approved by the Board of Directors as well as with a report issued by the Board itself "explaining and justifying in details the project of global transfer". Under no circumstances one should accept as valid an unlawful approval of such transaction.

b) Nor can it be allowed, in the opinion of the Board of Directors, to ignore the jurisdiction of the General Shareholders Meeting ranking the operation as "a mere contribution of a branch of activity" and not as a "process of global transfer of assets and liabilities" which, considering its true nature, would hold the characteristics of a typical law fraud, and would consequently appear in the eyes of any impartial observer as aiming solely at the infringement of the peremptory norm mentioned above. Its legal consequence is clear; its due application is not hindered, resulting that the act committed against the mentioned peremptory norm shall be declared null and void and therefore claimable by any interested party.

c) Further still, the National Securities Market Commission itself (hereinafter, the Spanish "**CNMV**") provides a specific recommendation under the paragraph 3.a of the Unified Code of Good Governance of Listed Companies which says that : *"Although not expressly required by the Trade laws, one should submit to the approval of the General Shareholders Meeting all transactions involving a change in the company's structure and in particular the following ones : the transformation of listed companies into holding companies through subsidiarization or incorporation of the company's core business to other independent entities, even though the latter has full control over them . "*

d) It goes without saying that your proposal exceeds by far the limits the CNMV establishes in the recommendation quoted above, aiming to allow the company's takeover by the bondholders over all the elements that make up Codere's assets and liabilities, without considering the legal requirements under the securities market legislation related to takeovers in public listed companies, mentioned recently also by the CNMV and considered to be of mandatory compliance by this Board.

2 - Proposed Debt Structure

As this Board let you know on several occasions, most recently in our letter of January 13th, 2014, we believe that the proposed debt structure for Codere , reiterated in your Final Offer, is not optimal for the company and can be improved in various aspects just as indicated by our advisers. There is no need for Codere to receive 400 million Euros, amount for which the company should pay high interests and to accept a more than unreasonable dilution of all its existing shareholders. What Codere really needs is to

reduce the cost of its debt in a reasonable way over the necessary period of time in order for its business results to regain the initial right path.

3. – Board's position with respect to the Final Offer

The Board reiterates its willingness and that of Codere's existing shareholders to continue negotiating in order to reach to an agreement with the bondholders, if possible, before May, 2nd. However, the Board also brings to your attention that it cannot tolerate the unequal treatment to Codere's existing shareholders or certain maneuvers that can be classified as fraudulent or aim solely to Codere's takeover by means of its debt instruments.

The Board would also like to finally reiterate the validity of all the proposals that Codere made to the bondholders, set forth in our letter of January 13th, 2014 and attached hereto.

Sincerely yours,

Luis Argüello Álvarez
Secretary of the Board
Codere, S.A.