

## REPORT ISSUED BY THE BOARD OF DIRECTORS OF CODERE S.A. ON THE PROPOSAL SUBMITTED TO THE EXTRAORDINARY SHAREHOLDERS' MEETING TO BE HELD NEXT JULY 30 2020 (FIRST CALL) OR JULY 31 2020 (SECOND CALL).

### I. LEGAL INTRODUCTION.

Article 160.f) of the Spanish Companies Law states that the General Shareholders' Meeting is the competent body to discuss and decide on the following:

*"f) Acquisition, disposal or transfer to another company, of any essential assets. Assets are considered essential when the sum of the transaction exceeds twenty-five percent of the share value shown in the latest approved balance sheet".*

This article was included in the Spanish regulation by means of Law 31/2014, December 3, which amended the Spanish Companies Law, to improve corporate governance, increasing the powers of the general shareholders' meetings by including the mandatory approval by this body, of acquisition, disposal or transfer to another company of any essential assets operations.

This regulation does not define the concept of "essential asset", so in order to facilitate it, the legislator has introduced a legal presumption of a quantitative nature consisting of understanding that operations amounting to 25% of the value of the company's assets, according to the last approved balance sheet, affect essential assets.

The purpose of this amendment was to involve the General Shareholders' meeting in an active manner, in management matters that have structural effects on the Company. In this way, regardless of whether it is the administrative body the one which, assisted by the management, designs strategy, the current trends of shareholder participation and communication with investors that require their participation in the structural decisions of the company are imposed.

All this was duly included in the Regulations of the General Shareholders' Meeting of "Codere S.A." in section 7<sup>o</sup>.m).

### II. REFINANCING OPERATION.

In the context of the refinancing of certain financing transactions granted to Codere, S.A. (the "**Company**") and to other entities belonging to the Codere Group (the "**Group**") and, in particular, the issuance by Codere Finance 2 (Luxembourg), S.A. (the "**Issuer**") of up to €250,000,000 (the "New Notes") super senior secured notes due 30 September 2023, by means of two tranches:

- (a) a first tranche, for an amount of €85,000,000, at an effective interest rate of 12,75% until the implementation of certain amendments in the Existing Notes, and of 10,75%, after said implementation to be issued by no later than 15 August 2020 (and which might have been issued at the date of the Extraordinary General Meeting); and

(b) a second tranche, for an amount of €165,000,000, at an effective interest rate of 10,75%, to be issued, subject to the satisfaction of certain conditions, upon implementation of certain amendments to the Existing Notes (as this term is defined below)

it is intended that the Company grants certain security interests (among them, without limitation, a pledge over the shares in Codere Luxembourg 1 S.à r.l. and over the credit rights arising from any intragroup loans) in favour of the creditors of the New Notes and/or their agents or representatives. Additionally, if the requisite support from existing noteholders is obtained, certain amendments will be made to the terms and conditions of the issuances of € 500,000,000 6.750% senior secured notes due 1 November 2021 and US\$300,000,000 7.625% senior secured notes due 1 November 2021, both issued on 8 November 2016 by the Issuer and to which the Company is party as Parent Guarantor (the "**Existing Notes**"). Accordingly, the General Meeting confirms the authorisation given by the Extraordinary General Meeting of the Company held on 15 December 2016 in connection with the security interests granted by the Company, or indirectly by any of its subsidiaries, as security of the Existing Notes (the "**Existing Security Interests**").

Given that the Shares represent more than 25% of the value of Codere, S.A.'s assets as shown on the last approved balance sheet, in accordance with article 160. f) of the Law on Corporations, the Extraordinary Shareholders' Meeting of Codere, S.A. is required to authorize the granting of such pledge on the Shares, as well as any other necessary security interest in relation to the New Notes, and to extend such authorization to any security interest granted indirectly by Codere, S.A.'s subsidiaries in relation to the New Notes.

Finally, it should be noted that this type of guarantee is completely common in corporate financing operations. So much so that Codere, S.A. itself has already pledged the aforementioned Shares of Codere Luxembourg 1 S.à r.l. as security, inter alia for the Existing Notes, subject to authorisation by the General Meeting of Shareholders in accordance with the current Companies Act. In addition, as a result of the amendment to the terms and conditions of the Existing Notes, the Extraordinary General Meeting is also required to confirm the authorisation granted by the Extraordinary General Meeting of Shareholders of Codere, S.A. on 15 December 2016 in relation to the security interests granted by Codere, S.A. and indirectly by any of its subsidiaries as security for the Existing Notes.

Consequently, and for the successful completion of the aforementioned refinancing operation, the Board proposes that the General Meeting of Shareholders approve the resolution to grant the necessary guarantees in relation to the aforementioned refinancing operation.

Madrid, July 10 2020