

REPORT ISSUED BY THE BOARD OF DIRECTORS OF CODERE S.A. IN ITS MEETING HELD ON MAY 10 2018, REGARDING THE PROPOSAL OF ITEM 7 ON THE AGENDA OF THE GENERAL SHAREHOLDERS MEETING WHICH SHALL TAKE PLACE ON JUNE 27 2018 ON FIRST CALL, AND ON JUNE 28 2018 ON SECOND CALL

This report is issued in compliance with art. 286, 297, 506 and others of the Spanish Companies Act to justify the proposal to authorise the Board of Directors, as broadly as may be required by law, to:

a) In accordance with the provisions of art. 297.1.b) of the Spanish Companies Act to increase the share capital in one or several times, at any time, within a period of five years since the date in which the General Shareholders Meeting takes place, and up to a maximum amount of 101,942,960,36 euros (equal to 20% of the current share capital), through the issuance of new shares of the same class and series than the current ones or the different classes and series – in each case with or without share premium and with or without voting rights- for monetary contributions, and with the power to establish the terms and conditions of the capital increase and the new shares, and with the power to offer the non-subscribed new shares in the term or terms of the pre-emptive subscription right and stating that in the event of incomplete subscription, the capital increase will be made only in the subscribed amount and to amend the wording of the article of the Bylaws on share capital.

b) To override totally or partially pre-emptive subscription rights subject to the requirements and limits of art. 506 of the Spanish Companies Act.

It is also proposed, to authorize to the Board of Directors to (i) request admission on trading of the new shares issued under this resolution and to implement all the measures needed in this respect before the competent bodies of the different securities markets and (ii) to subdelegate in any of the Board of Directors members the powers granted in said decision, provided that they may be delegated.

In accordance with art. 297.1.b) of the Spanish Companies Act, the General Shareholders Meeting may vest in the Board of Directors the power to increase Company capital in one or several stages up to a specified sum without consulting the General Shareholders Meeting, subject to the requirements established for the amendments of the Bylaws.

Those capital increases may under no circumstance involve over half the Company capital at the time the authorisation is forthcoming and must be implemented within no more than five years of the meeting's decision. Additionally, Recommendation 5 of the Unified Code of Good Governance of listed companies suggests that the Board of Directors should not make a proposal to the General meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

Art. 286 of the Spanish Companies Act, in relation with art. 297 states that directors must issue a written report with the rationale of the proposal.

In that sense, the Board of Directors understands that the proposed decision to the general meeting is motivated by the opportunity to grant the Board of Directors with the power provided by law, in order to allow capital increases that may deem appropriate, within the limits, terms and conditions previously agreed by the general meeting.

In general, it is not possible to predict in advance the financing needs of the Company and the need to call a general meeting, with the consequent delay and increase in costs, may impede the Company to get a quick and effective answer to the needs of the market. The delegation power stated in art. 297.1.b) of the Spanish Companies Act allows to avoid those difficulties and grants the Board of Directors with an appropriate degree of flexibility to cover the Company needs, according to circumstances.

To this end, it is proposed to the General Shareholders Meeting to delegate to the Board of Directors the power to increase the share capital of the Company, up to a maximum amount of 101,942,960,36 euros (equal to 20% of the current share capital). This proposal also includes the authorization to the Board to subdelegate in any of the Board of Directors members the powers granted in said decision, provided that they may be delegated.

Additionally, and in accordance to art. 506 of the Spanish Companies Act for listed companies, when the general meeting authorizes the Board of Directors to increase the share capital under art. 297.1.b) abovesaid, it may also authorize the Board to waive the pre-emptive rights regarding the issuance of the shares which are object of the delegation, when the interests of the Company so require, although said proposal of waiver must be included in the call of the general meeting, and the Board shall issue a report with the rationale of the proposal, which must be made available to all shareholders.

The Board of Directors estimates that this possibility, which substantially widens the margin of manoeuvre and the response capacity of the simple delegation of the power to increase the share capital as stated in art. 297.1.b) of the Spanish Companies Act, is justified by the flexibility and agility that sometimes, is needed to act in the markets to seize those moments in which the conditions are the best.

Nevertheless, the partial or total waiver of the pre-emptive rights is only a power that the general meeting grants to the Board of Directors, but its execution will depend on the Board decision, upon analyzing the circumstances and always and complying with the Law.

Additionally, it should be highlighted that, if the Board of Directors resolves to exclude the pre-emptive subscription right regarding a capital increase implemented under the authorisation given, it shall issue (at the time of resolving it) a report explaining the reasons of interest which justify it, together with the mandatory report of the auditors as stated in art. 506 of the Spanish Companies Act. Both reports will make available to all the shareholders and informed to the first general meeting to take place after the capital increase decision, in accordance to what the law states.

Proposal of resolution to be submitted to the General Shareholders meeting:

"To authorize the Board of Directors, as broadly as as may be required by law, and in accordance to art. 297.1.b) of the Spanish Companies Act, to increase the share capital in one or several times, at any time, within a period of five years since the date in which the General Shareholders Meeting takes place, and up to a maximum amount of 101,942,960,36 euros (equal to 20% of the current share capital), through the issuance of new shares of the same class and series than the current ones or the different classes and series – in each case with or without share premium and with or without voting rights- for monetary contributions, and with the power to stablish the terms and conditions of the capital increase and the new shares, and with the power to freely offer the non-subscribed new shares in the term or terms of the pre-emptive subscription right and stating that in the event of incomplete subscription, the capital increase will be made only in the subscribed amount and to amend the wording of the article of the Bylaws on share capital.

Furthermore, the Board is also empowered to waive totally or partially pre-emptive subscription rights subject to the requirements and limits of art. 506 of the Spanish Companies Act. The Board of Directors will be alos authorized to (i) request admission on trading of the new shares issued under this resolution and to implement all the measures needed in this respect before the competent bodies of the different securities markets and (ii) to subdelegate in any of the Board of Directors members the powers granted in said decisión, provided that they may be delegated.

May 2018