

Integrated report

2018

codere

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About this report

01

01.

About this report

This is Codere's first *Integrated report*. It follows the guiding principles set down in the International <IR> Framework prepared by the International Integrated Reporting Council (IIRC)¹, the Global Reporting Initiative's sustainability reporting guidelines (GRI Standards) and the European Commission's guidelines on non-financial reporting (2017/C 215/01) under Directive 2014/95/EU.

This report contains the *Non-financial statement*, as required under Spanish Law 11/2018 (of December 28, 2018), which amends the *Code of Commerce*, the consolidated text of the Corporate Enterprises Act enacted by means of Royal Legislative-Decree 1/2010, and Spain's Audit Act (Law 22/2015) with respect to non-financial and diversity reporting.

The purpose of this report is to convey the company's reality and strategy to Codere's key stakeholders in a simple, consistent and transparent manner, and to give an account of the progress made during the year along the economic, social and environmental dimensions, its commitment to society and the environment and how it helped uphold the United Nations Sustainable Development Goals. The ultimate aim is to demonstrate the organization's ability to generate value for all of its stakeholders.

¹ As per the definitive version published in December 2013. For more information, refer to the IIRC website [<http://integratedreporting.org/>]

Scope of the information

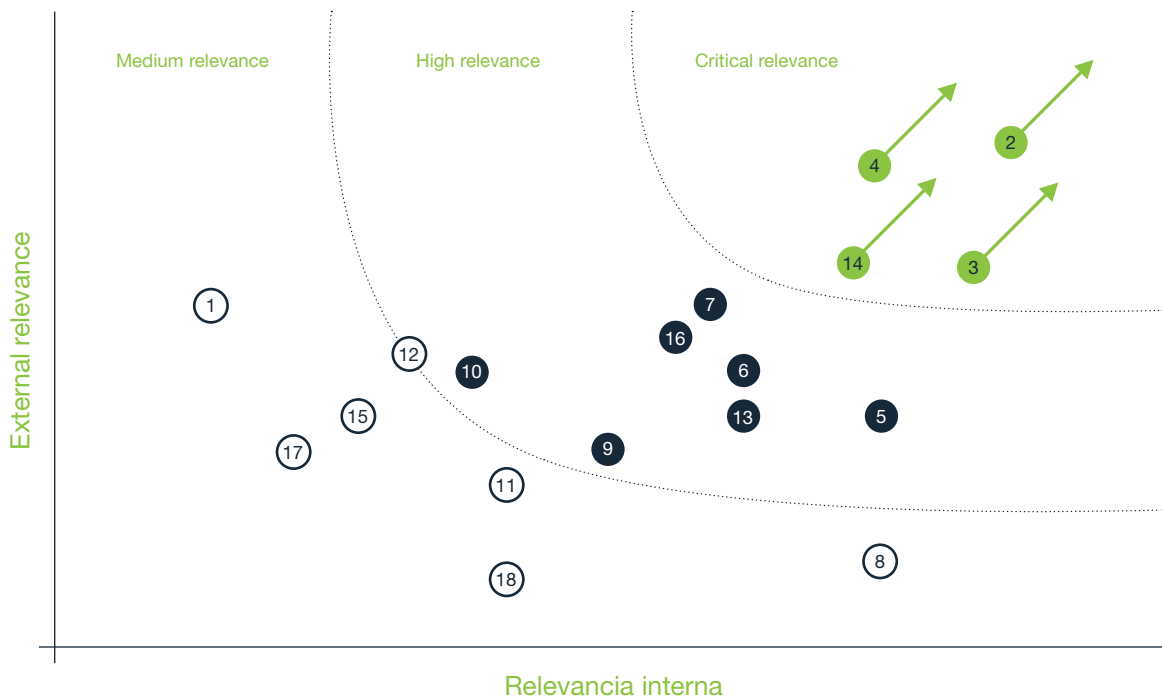
This is an annual report and includes quantitative figures corresponding to 2018. Its boundary encompasses the entire company or each of the divisions in the countries it operates in, duly indicated in each instance. In addition to information about organization's past performance, this report also includes forward-looking information.

Materiality

To draw up this report, the Codere Group identified and prioritized the non-financial topics of greatest relevance internally and externally by means of a *materiality assessment* performed in 2017 following the methodology prescribed in the Global Reporting Initiative's sustainability reporting guidelines and the principles for materiality determination processes set out in the AA1000 AccountAbility Principles Standard (2008). An assessment that was updated in 2018 by means of internal meetings with the various areas comprising the company.

That analysis enables the company to understand the relevance of the topics related with its business strategy and identify the trends, drivers and risks shaping the private gaming sector. To conduct that analysis, the company took into consideration the perceptions of the various areas comprising the firm and of its external stakeholders. It also reviewed the corporate reports published by sector peers in detail. Lastly, it consulted information sources of reference in the sustainability arena, including the European Directive as regards disclosure of non-financial and diversity information, the Sustainability Accounting Standards Board's sector guide for the Casinos & Gaming industry, guidance from relevant authorities, such as Spain's securities market regulator (CNMV) or the gaming sector watchdog (*Ministerio de Hacienda y Función Pública-Dirección General de Ordenación del Juego*) and a review of press coverage throughout 2018.

That assessment gave rise to the materiality matrix presented below which prioritizes the areas of greatest relevance for the company:



- | | |
|--|--|
| ① Environmental performance | ⑩ Stakeholder engagement |
| ② Responsible gaming | ⑪ Human rights |
| ③ Regulatory pressure | ⑫ Community engagement |
| ④ Anti-money laundering and policies for combating organized crime | ⑬ Tax contribution |
| ⑤ Political risk | ⑭ Personal data protection |
| ⑥ Customer relationship management | ⑮ Diversity |
| ⑦ Corporate governance | ⑯ Talent: training, development and management |
| ⑧ Brand management | ⑰ Workplace health and safety |
| ⑨ Operational efficiency | ⑱ Innovation |

The materiality matrix reveals that the matters of greatest significance (shaded orange) for the Codere Group are responsible gaming, regulatory pressure, the prevention of money laundering and organized crime and personal data protection.

Throughout this report, the Codere Group expands on how it approaches the topics identified as material, explaining how they are integrated into the management model and business strategy.

Statement from the Chairman

02

Dear readers:

2018 has been an intense year at Codere, and one of transition, framed by an ambitious and comprehensive Transformation Plan encompassing the business model, the organization and its processes which we keep on innovating at in order to improve customers' multichannel experience and our relationship with them.

We have regionalized our organizational structure, which has simplified it. Having tackled key development processes and rendered the corporate services center more efficient, Codere is today a more dynamic and efficient organization, aligned with the interests of its shareholders.

Codere has shaped itself as a company that is focused on its customers and their needs. It is committed to maximizing value through profitable and responsible growth. Our goal is to lead both the online and offline segments of our sector, thanks to an omni-channel offering designed to offer our users an identical experience in both channels.

To this end, in 2018, the company approved and rolled out a four-year Business Plan. Although constrained by macroeconomic conditions and stringent demands in the form of constant regulatory challenges, it paves the way, underpinned by the efficiency measures implemented, for sustained earnings growth and delivery of the commitments assumed.

One of the cornerstones of this Business Plan is the development of our online business. Last year the company hired new talent specialized in this segment and has deployed a team located between Malta, Melilla, Gibraltar and Tel Aviv. Mexico and Spain are other important growth drivers due to the opportunities both markets offer as key regions bringing growth and profitability in the online and sports-betting. Group is furthermore very well positioned to face the promising opportunities opened by the potential regulatory changes in Brasil or Argentina.

As soon as I took over as the company's chairman in 2018, I set myself the priority of fostering a



Norman Sorensen Valdez | Chairman of Grupo Codere

Our company is true to its values and emphasizes the creation of wealth by engaging with the community.

shared culture articulated around professional conduct, a customercentric strategy and our ability to innovate. Thanks to technological innovation we keep on improving customer's experience. Equally important is our transparency pledge and strong commitment. As a company listed on the Spanish stock exchange, Codere meets the corporate governance recommendations issued by the country's securities market regulator. Our 2018 Action Plan implies enhanced management of conflicts of interest, increased interaction between the members of the board and the senior management team and greater familiarity on the part of our directors with the professionals running our operations.

Codere has shaped itself as a company that is focused on its customers and their needs. It is committed to maximizing value through profitable and responsible growth.

Our company is true to its values and emphasizes the creation of wealth by engaging with the community, to which end it pursues a range of initiatives designed to shelter those most vulnerable.

We have gone to lengths to train and educate our teams. In 2018, we gave courses on responsible gaming, security and corporate governance to thousands of employees.

Indeed, the structural changes undertaken by the company in 2018 are evident in how it is managing its talent in-house, growing in relevance as a dynamiting agent of transformation, as well as our customer commitment. We have formulated the transFÓRMATE program, which is centered on efficiency, digitalization, customercentricity and change management and will be implemented during the next two-and-a-half years.

Codere views the diversity of its team as a source of value: its workforce boasts a wealth of nationalities and backgrounds; moreover, it is gender-balanced. At year-end 2018, our organization was made up of 12,141 employees from 42 countries, 91% of which were employed under indefinite contracts.

Our company is a leader. It is prepared for the opportunities the future unquestionably holds in store, which is why I believe that, despite the multiple challenges we face, our outlook is positive. By basing our development on profitable growth, operational excellence and process digitalization progress, while keeping our customers at the heart of our decision-making at all times, we are determined to continue to work hard to meet all of our stakeholders' expectations.

Best regards,

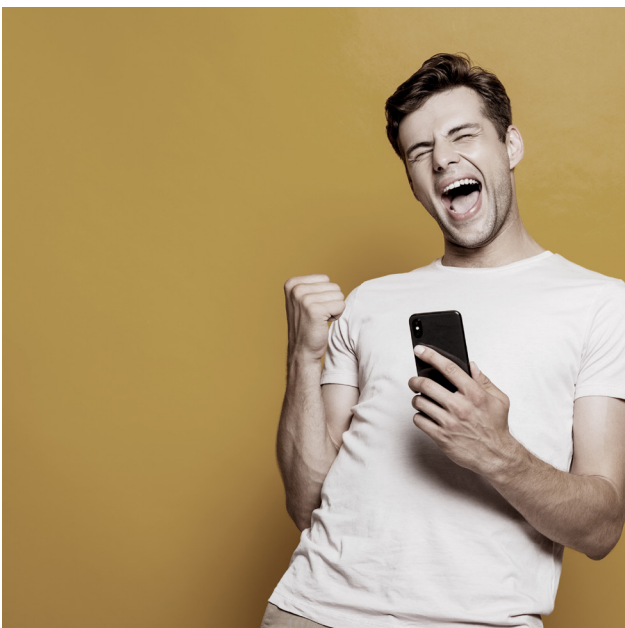
Norman Sorensen Valdez
Chairman of Codere

Business model

03

03. Business model

Codere, a multinational based in Spain, is a leading player in the private gaming industry with over 35 years' experience and a presence in seven countries in Europe and Latin America. It is Spain's only listed gaming company. It does business in this sector with the utmost transparency and responsibility, fully committed to its customers, shareholders, the regulators and other stakeholders.



The Codere Group is strategically committed to delivering sustainable growth in order to ensure a healthy earnings performance and soundness, framed by strong ethics, environmental protection and community development.

The company has over 12,141 employees at the end of 2018 and an established presence in multiple business segments: gaming machines, gaming rooms, sports-betting, racetracks and online gaming.

Since 2018, the company is structured in three geographic regions and the online division: Europe, which encompasses the operations in Spain and Italy; Northern Cone, which includes the businesses in Colombia, Mexico and Panama; and Southern Cone, which groups together the company's activities in Argentina and Uruguay. The company's central services, located in Madrid, are responsible for overall strategy, corporate policies, institutional relations, management of shared activities and coordination of the activities of the geographical business units and the online division.

Ever since it started life as a gaming machine operator in 1980, the Codere Group has been diversifying its activities within the gaming industry, a strategy that has enabled it to become a benchmark player in the various markets it operates in. Today, the Codere Group is:

- One of the leading operators of AWP machines in Spain.
- The leading player in gaming room operation in the Province of Buenos Aires (Argentina), Mexico and Uruguay;
- A prominent player in Italy.
- The leading casino operator in Panama.

In 2018, the company underwent internal and external transformation, seeking new brand positioning. In parallel, it has developed an internal exercise to define Group's culture that has to deliver distinctive value within the private gaming industry. For that purpose, workshops have been conducted gathering 120 officers and as a result, a new corporate purpose, values and vision have been found.

The initial results out of this reflection shape the fundamental direction of the group and may be presented as follows:



Purpose

Provide emotions to those who choose an entertainment experience based on gambling in a safe environment.
Be bet, emotion, excitement, fun, closeness, safety, confidence and social commitment!



Vision

- Be leaders, referents and create trends.
- Throw light to our sector, dignifying it.
- See brightness in the eyes of our people, giving them opportunities to grow and develop.
- Exceeding the expectations of our shareholders.



Values

- Put the customer in the center
- With integrity and transparency
- Working in teams committed to excellence
- With innovative attitude leveraged in technology
- With focus on efficiency to ensure our viability

The Codere Group is strategically committed to delivering sustainable growth in order to ensure a healthy earnings performance and soundness, framed by strong ethics, environmental protection and community development. The group's corporate social responsibility strategy is therefore a fundamental part of its transparency, excellence and competitiveness policy, which in turn is articulated around four cornerstones:

- Responsible gaming.
- Human capital development.
- Corporate governance and transparency.
- Firm commitment to society and the environment.

03.1

A new organization

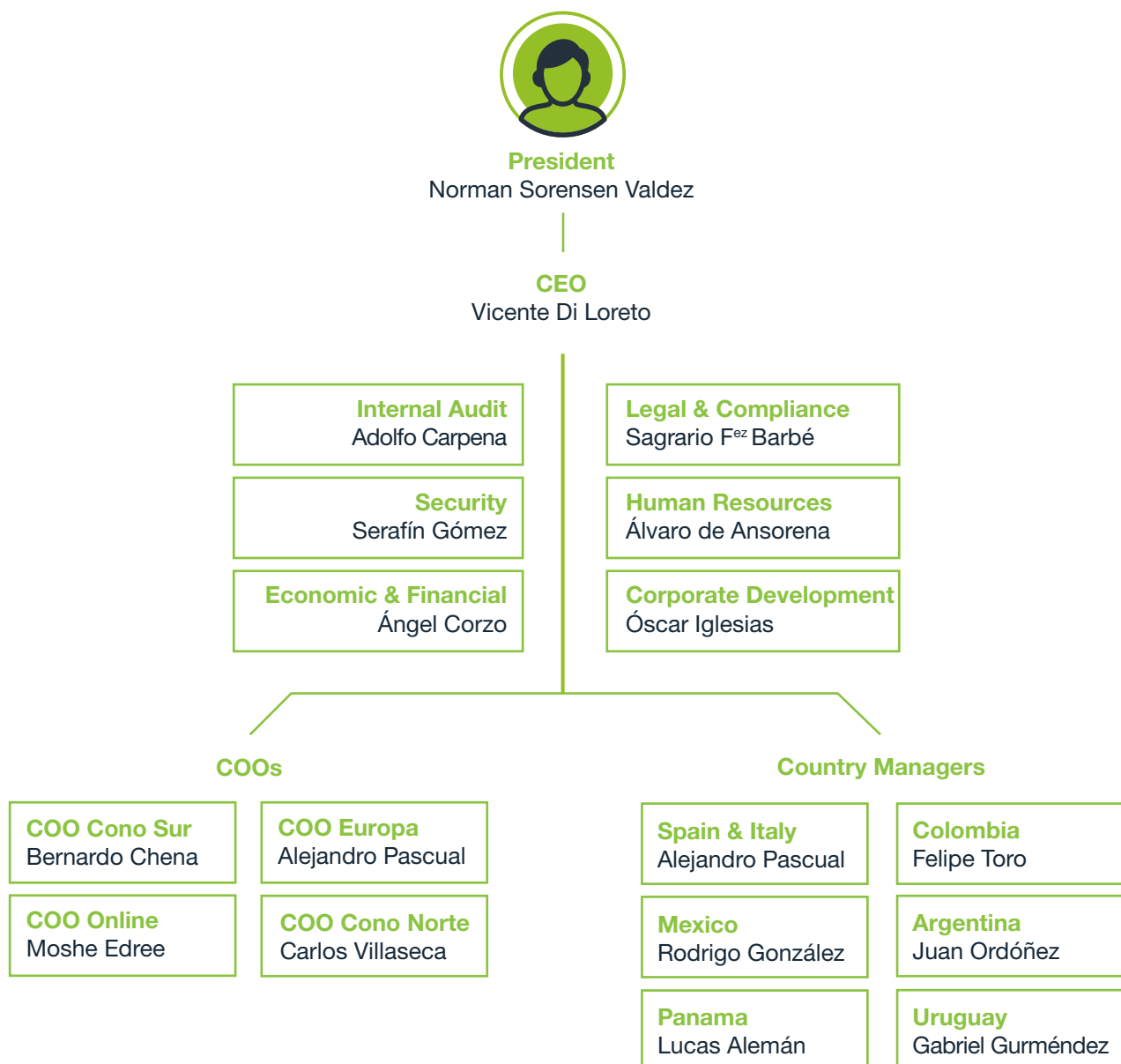
At a board meeting that took place on January 12, 2018, it was decided to relieve the Executive Chairman and Executive Vice-Chairman, appointing Norman Sorensen Valdez as non-executive Chairman and Vicente Di Loreto as CEO.

The group's resulting new organizational structure is based around its three major regions of influence; Europe, Northern Cone and Southern Cone. The regionalization of the business units has also affected the operating areas and certain support functions such as the IT, Finance, Audit, Security and People Departments and has resulted in a lighter cross-departmental central structure that is faster at making decisions and implementing initiatives and improvements.

The current organizational chart concentrates the operational and functional management of the business in three regional Chief Operating Officers (COOs). External and institutional relations fall to the Country Managers in each country. In addition, the company has set up a cross-group Online Division to boost the progress already made in Spain and build on that experience in all of the units in which prevailing regulations so permit. Lastly, the Digital Transformation and Platform Division is devoted to providing both the Online Division and the country units with sports-betting products.

03.1.1

Codere's organization chart



Codere's transformation strategy is being executed via the 2018-2021 *Business Plan*, which sets out the long-term roadmap for the business and defines Codere's competitive positioning and management priorities by market. The plan is structured into master initiatives based on sustainable development, operational excellence and continuous improvement.



Customercentric

Migration to a new operating management model: understanding customers' gaming trajectories and encouraging greater employee involvement to trigger changes in customer follow-up, retention and interaction.



Omni-channel

The combination of offline and online gaming products and services as an essential source of value.



Digitalization

Adaptation to emerging trends in offline and online gaming: shift in the corporate culture. New backgrounds and skills needed; systems-related jobs; predictive analysis.



Simple brand

Rollout of the new Codere brand began in February 2018: channeling of the 'We are Codere' cultural message to reinforce other changes and generate a new identity and sense of belonging.



Efficiency & Sustainability

The need to create efficient and simple structures and processes that require little supervision, entail low costs and are open to change.

This strategic approach implies transforming the organization in order to respond to the new challenges facing the sector: customer management and business digitalization.

Codere is moving away from being a logistics operator to become a customercentric manager.

This shift requires adding new technological and analytical capabilities at the organization in order to make the customer entertainment experience more sophisticated and be able to provide a higher-quality service in intensely competitive environments. Emerging technologies, coupled with growing regulation of the online gaming segment, have shaped certain user habits that are requiring us not only to ensure a compliant online gaming offering (affording full consumer protection) but also to introduce digital capabilities into the operation and management of our gaming rooms and sports-betting outlets.

In a fine example of the effort being made by Codere to shift to a new business model, in November 2016, it signed a sponsorship agreement with Real Madrid Football Club making Codere the club's official bookmaker until June 30, 2019. That alliance is enabling the company to tap the football club's global fame to generate recognition for the Codere brand in Latin America and Europe. Brand recognition is crucial to boosting both the online and offline offerings.

In 2018, the NBA Mexico City Games joined the company's list of sponsorship agreements. Codere is now the main official gaming sponsor for the NBA in Mexico as well as gaming partner for the 2018 NBA Mexico City Games 2018.

03.2

Business lines

With a track record dating back over 35 years, the company's success lies with its ability to adapt to evolving market circumstances time after time and to diversify its activities within the private gaming industry. Today, the company is focused on five business lines - gaming machines, gaming rooms, racetracks, sports-betting and online gaming - in seven countries in Europe and Latin America.



Codere operates 57.130 machines, 148 gaming rooms, 1.119 salons, 602 sports-betting and four racetracks. The company is also active in the online gaming segment in Spain, Colombia and Mexico.

Gaming machines

The management of gaming machines is the origin of the Codere Group's activities and remains one of its main business lines. Gaming or amusement machines pay out cash prizes as a function of user bets. In 2018, the company operated 57,130 machines, in Mexico, Spain, Colombia, Italy, Argentina, Panama and Uruguay. Those machines are installed in leisure venues, gaming rooms, bingo halls, casinos, hospitality establishments, etc.

Sports-betting

Sports-betting or bookmaking can take place in a range of establishments, such as casinos, bingo halls, sports venues, etc. The company boasts extensive experience in this segment with 7,659 betting outlets in 2018 between Spain, Mexico, Panama and Uruguay.

Thanks to its know-how as a sports-betting operator and its reputation for transparent management, Codere has been Real Madrid's official bookmaker since it entered into a sponsorship deal in 2016 which runs until 2019.

In 2013, Codere reaffirmed its alignment with the values of sport when it was the first gaming sector company to endorse a Spanish initiative called Companies Committed to Fair Play in Sports which promotes best practices in sponsorship and urges zero tolerance of doping worldwide.

Gaming rooms

The Codere Group is a benchmark international gaming room operator. It runs 148 gaming rooms in Europe and Latin America and is the number-one operator of bingo halls in Italy, Colombia, Panama and the Province of Buenos Aires in Argentina.

Online gaming

With the aim of becoming a leading and benchmark player in the online gaming segment and meeting its customers' emerging demands, the Codere Group continues its digital analysis and development work in the countries in which the national regulations permit online gaming. The company has had a nationwide online gaming license in Spain since 2014 as well as regional licenses in Madrid and the Basque regions. The company is also active in the online gaming segment in Colombia and Mexico and is planning to continue to develop its online strategy in new markets.

Racetracks

Since the end of the 1990s, the racetrack segment has been contracting, particularly in Latin America. Thanks to the company's experience in the gaming industry, coupled with its flexibility and ability to adapt, it has come up with successful formulae for invigorating and developing this business line. Codere has been operating racetracks in Uruguay, Mexico and Panama since 2002 under a *racino* formula which combines horse-racing with gaming facilities, permitting the installation of gaming machines at equestrian centers or racetracks for financing purposes.

Codere, a multinational based in Spain, is a leading player in the private gaming industry with over 35 years experience and a presence in seven countries in Europe and Latin America.

03.3

Responsible gaming

The Codere Group, in its capacity as an operator of games of chance, is committed to offering an appropriate, healthy and closely scrutinized amusement environment in order to ensure its customers receive a gaming proposition protected by all the required guarantees. It pledges to collect all corresponding taxes and minimize any undesired impacts on society as a result of its business activities. The local commitments to responsible gaming are framed by the legal requirements of each of the company's operating markets and are articulated around four main axes with which it attempts to reach its stakeholders and society in general: information, education, dissemination and self-exclusion. Codere understands that addiction to gambling is an undesired effect of its activity. As such, it takes advantage of its influence in this area and earmarks resources and efforts to the prevention of compulsive gambling.



Information

Aware of the importance of directly providing its customers with pertinent information about gaming risks and best gaming practices, the Codere Group prepares and distributes information with the pertinent warnings. That is one of the cornerstones of its responsible gaming effort.

In 2018, Codere Italy launched its second campaign against profiteering by distributing material to customers and employees in all of its gaming rooms featuring the slogan “*L’usura non è un gioco*” [Profiteering is no game]. This initiative is part of the extension and expansion of *Codere Training*, a training platform for operators developed with the help of experts which the group launched in Italy in 2016.

In Argentina, the company has created the figure of ‘responsible gaming counsellor’; these guidance counsellors are specialized in the prevention of problematic gambling.

In 2018, the company had nine counsellors in its rooms plus another two trainers who educated 425 employees on responsible gaming and addiction prevention matters.

Codere Panama is a member of ASAJA, the Panamanian association of games of chance managers. As a member, it is obliged to promote responsible gaming and is not allowed to broadcast any television advertisements that could incite gambling.

Education

In Mexico, with the support of the Youth Integration Center, Codere brings employees to sessions on how to combat compulsive gambling and other addictions such as smoking and alcoholism, so they are equipped with the information needed to detect general symptoms of problematic gambling and contribute to its prevention and treatment. In 2018, a total of 18 sessions were organized in a number of gaming facilities in the country.

In Panama, all employees can avail of a program called “Be responsible, don’t gamble too much” which similarly gives them the information needed to guide players identified as exhibiting compulsive behavior.

Dissemination

Codere, as part of its firm commitment to injecting transparency into the private gaming industry and with the aim of providing the public with objective information about its activities and collaborating on public responsible gaming policies, presented the 2018 *Gaming in Spain Yearbook* last October. That publication is prepared in collaboration with Madrid’s Carlos III University through its Policy and Governance Institute (IPOLGOB), which collects data pertaining to the gaming sector in Spain from the social and economic perspectives, taking an academic - and therefore neutral and objective - view of the industry.

In addition, at the end of 2018, Codere Mexico, together with the National Autonomous University of Mexico (UNAM), specifically its Legal Research Institute, presented a book titled *De la suerte, los milagros y otros azares* [On luck, miracles and other fortunes], which analyzes gaming as a social activity and attempts to draw a picture of player attitudes and habits. An educational campaign was launched in the Mexican gaming rooms in conjunction to promote Gamblers Anonymous Mexico.

The company maintains a firm commitment to grant greater transparency to the gaming industry, for which it promotes publications that provide objective information about the activity.

Codere Panama exhibited at the country's "*First Gaming Forum in Panama*" last year, raising the profile of the company's commitment to regulatory compliance. That same subsidiary also sponsored an Anti-Money Laundering the Counter Terrorism Financing Forum, which also addressed the promotion of responsible, licit gaming.

Dissemination of the dangers of compulsive gambling entails the constant provision of information throughout the group's gaming facilities, which is why users will always find posters and brochures in all of its gaming rooms.

Pilot program: "When gaming is no longer a game"

In 2018, the Codere Group launched a pilot program in Argentina titled "When gaming is no longer a game" for the provision of information to all hall employees with direct customer contact, so that they can in turn provide assistance and information about the problems and risks of gambling. With the aim of helping potential compulsive gamblers and provide their families and friends with guidance, the company also created the figure of "counsellor".

It also prints up brochures and lays them out in readily accessible locations covering three different topics:

1. "Responsible gaming program": this describes the program's actions and objectives.
2. "Self-diagnosis test": for customers looking to identify what style of players they are.
3. "Families, friends and/or next of kin": this brochure provides information to affected parties so that they can broach the subject with empathy.

After an evaluation at the end of the pilot test, the idea is to roll the program out to the other halls operated by the company in this country.

Self-exclusion

The self-exclusion means giving customers with issues and their relatives the choice of signing up, voluntarily, for a register that then denies them access to games once their identity has been verified in gaming rooms. It offers a framework for actively engaging with players where legislation so permits, as it does in Spain, Argentina and Panama.

03.4

Historical milestones

- 
- 1980** • Start-up of Codere's business as a gaming machine operator in the region of Madrid.
 - 1983** • Gradual expansion of the company's activities nationwide. The Group spreads its activity to Catalonia and The Valencia Region.
 - 1984** • Star of geographic diversification in Colombia, Latin America and of business diversification with the addition of gaming rooms, sports-betting and casinos.
 - 1998-1999** • Star of management of bingo halls in Argentina and in Mexico, with CIE and Grupo Caliente.
Codere is authorized to install gaming machines in bingo halls in Argentina.
 - 2000** • Acquisition of the Canoe Bingo Hall in Madrid.
Acquisition of Operibérica adding 3,500 new machines to the business in Spain.
 - 2001-2002** • Ongoing international expansion to Italy, securing a concession for service management in 16 bingo halls.
Monitor Clipper Partners invests 40 million euros in Codere.

- 
- 2003** ● Codere España S.L. takes out a mezzanine loan for 135 million euros.
Segregation of businesses: Spain and International.
Codere attains the management of Hipódromo Nacional Maroñas of Montevideo (Uruguay)
- 2004** ● Start-up of machine management in Italy.
Start of management of TEB in Mexico.
Acquisition of Grupo Royal in Argentina.
Bond issue for 335 millions euros.
Acquisition of Operbingo in Italy.
- 2006** ● Codere begins operation in Brazil.
Bond issue for 160 and 165 millions euros.
Purchase of Bingo Palace and Codere Network in Italy.
Acquisition of MAE Recreational Machines in Mallorca (Spain) and Promojuegos in Mexico.
The Martines Sampredo family purchase the stake of the Franco brothers and the ICG and MCP funds.
- 2007** ● Codere IPO.
Acquisition of 49% of ICELA in Mexico.
Acquisition of Maxibingo in Italy.
Renewal of certain bingo licenses in Argentina.
- 2008** ● License for sports-betting in the Madrid and Basque regions.
Inauguration of a casino in Panama.
Cashless (TITO) systems start to be introduced in Argentina.
- 2009** ● Codere renews the license of the La Plata (Argentina) Bingo Hall.
Codere is awarded the tender for the reconstruction and management of the Hotel Casino Carrasco in Montevideo (Uruguay).
Codere inaugurates the Casino Crown Palatino in Bogotá (Colombia)
- 2010** ● Consolidation of position in Mexico and purchase of Grupo Caliente.
Acquisition of six casinos in Panama.
Codere starts its sports betting operations in Navarra (Spain).
First VLT machines installed in Codere's gaming rooms.

2011

Codere Italy closes the purchase of the gaming machine operators FG Slot Services, Gap Games and Gaming Re. Codere becomes the exclusive distributor of international simulcasting. Start of the renovation works on the Hotel Casino Carrasco.

2012

Acquisition of 35,8% of CIE. Codere places a bond issue for 300 million US\$. The company obtains the license for the possession, use and exploitation of the Hipódromo de las Piedras racetrack in Uruguay for 30 years. Inauguration of the Sala Crwon Casino Zona T hall in Bogotá, Colombia.

2013

Re-inauguration of the Carrasco Casino and reopening of the Hipódromo de las Piedras racetrack, both in Uruguay. Celebration of the 70th anniversary of the Hipódromo de las Américas recatrack in Mexico. Simultaneous transmission of horse races throughout North America.

2014

Codere reaches an agreement with the essential terms for the restructuring of Group capital and debt. Agreement for simulcasting between the Maroñas and Las Piedras racetracks in Uruguay and The Hipódromo de Cristal racetracks in Porto Alegre, Brazil. Codere leads on-premise betting in Spain and launches the web App: codere.es.

2015

Growth of Codere Italy through the purchase of local operators. Codere Apuestas operates under national license and incorporates casino games into its online activity. Finalization of the integration process of the Crown brand in Panama.

2016

Completion of the financial restructuring process. Formulation of the 2016-2020 *Business Plan*. Corporate debt refinancing allows for lower interest expense. Codere acquires the additional 50% of HRU, its subsidiary in Uruguay. Codere becomes Real Madrid's official bookmarker. Start-up of online gaming operations in Mexico.

2017

Codere renews the licenses for eight casinos and the Hipódromo Presidente Ramón racetrack in Panama for 20 years. The company acquires the totality of shares of the joint operation with Grupo Caliente in Mexico.

Codere colombia obtains the license fot sports betting and online activity for five years.

Codere Italy acquires 51% of Norigames S.R.L. and 51% od Fe.bi.lot.

2018

New management team appointment, new Business plan 2018-2021 adoption.

Transformation plan implementation.

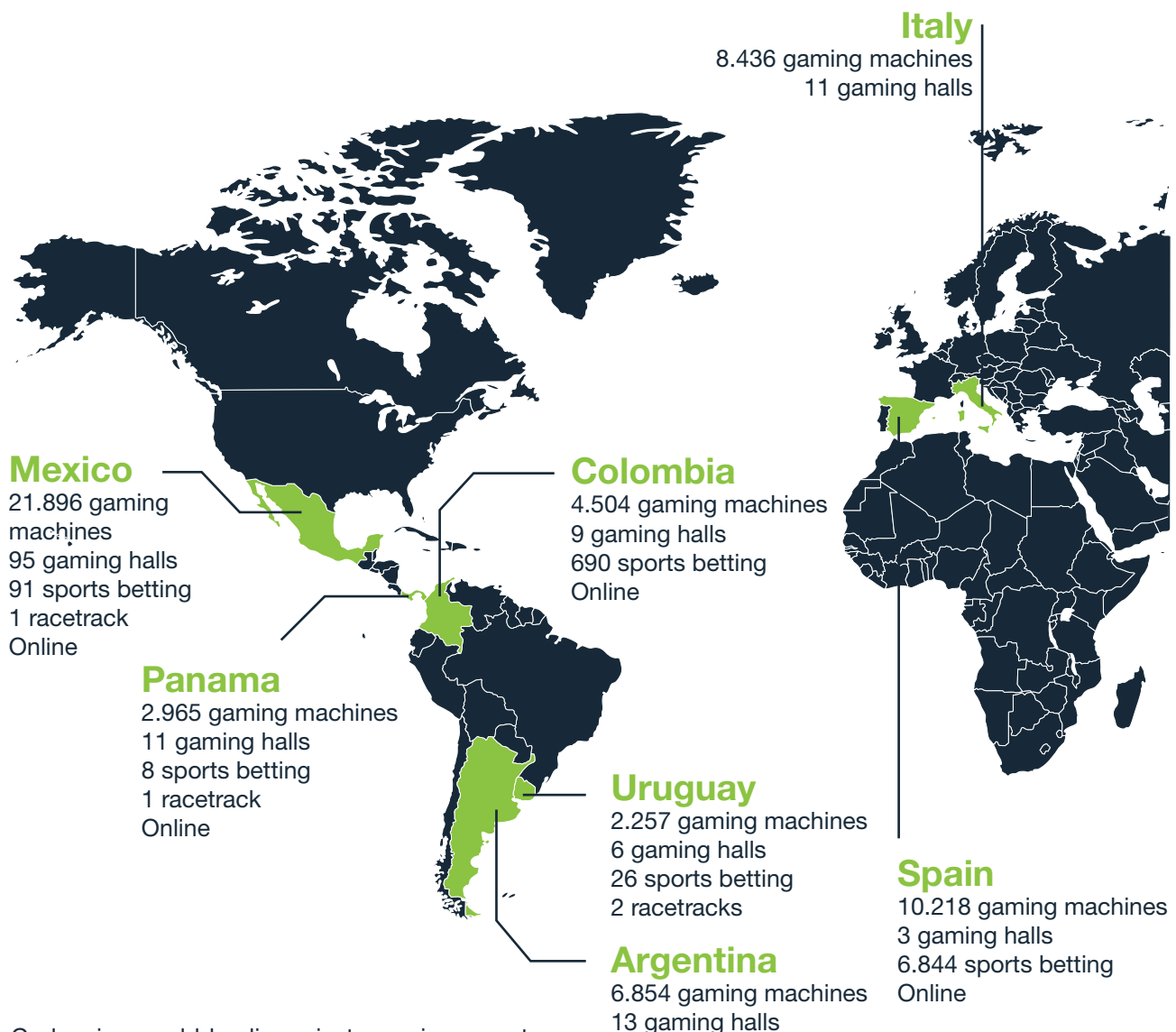
Online project expansion.

Mexico license renewal.

NBA collaboration signature.

03.5

Codere's global footprint



Codere is a world-leading private gaming operator. It operates slot machines, gaming rooms and arcades, sports-betting facilities, online gaming and racetracks in Mexico, Argentina, Spain, Italy, Colombia, Panama and Uruguay. At year-end 2018, we were operating 57,130 slot machines, 148 gaming rooms, 1,119 arcades, 602 sports-betting outlets and four racetracks and were offering online gaming in Spain, Mexico and Colombia.

Machines: include AWP's, VLT's, electronic bingo machines and all manner of machines other than those owned by third parties. Gaming rooms: Only includes gaming establishments with over 50 machines. Sports-betting outlets: in Spain, this number reflects the no. of self-service betting kiosks; in other markets it reflects the number of outlets. In Panama, 44 agencies associated with sports-betting are excluded.

Below is a description of the key characteristics of our business in each of our markets:

Mexico

Codere is Mexico's number-one gaming room operator with one racetrack and 95 gaming halls equipped with 21,896 machines, 91 sports-betting outlets and an online platform. The company also holds licenses to build and operate 40 additional gaming rooms in this market and a concession to operate a leisure complex in Mexico City which encompasses the Las Américas racetrack (el Hipódromo de las Américas), an amusement park and Mexico's largest convention center (which is being operated by CIE - *Compañía Interamericana de Entretenimiento* under an outsourcing agreement executed on June 1, 2013).

Operations

The core Codere's business in Mexico is the creation and management of gaming rooms in which slot machines are operated and in some cases tables, bingo and sports-betting. We also have an incipient online gaming activity in this market. The business is conducted mainly through AMH, in which the company has an 84.8% stake, and Codere Mexico, a wholly-owned subsidiary. Between each of these entities' subsidiaries, Codere holds 135 permits to operate gaming rooms. Those permits terminate between 2027 and 2048. As for taxation in Mexico, the local and regional authorities have been gradually reinforcing the regulatory framework and introducing local gaming taxes, developments which have increased our effective tax burden.

As for profitability, adjusted EBITDA in this market reached a record high of 106 million euros in 2018.

Competition

The main competitors of the company in Mexico at year-end 2018 were Pringsa (41 gaming rooms, 21 of which are operated by Cirsa, with approximately 11,412 machines); Caliente (35 rooms with approximately 8,668 machines); PlayCity (17 rooms and approximately 7,507 machines); Big Bola (20 rooms and approximately 6,139 machines); and Winpot (16 rooms and 5,853 machines).

Codere's market share stands at over 26% and it is expected to continue to gain share as the company invests further and grows in this country.

21.896
gaming machines

95
gaming halls



Argentina

The Codere Group is the largest gaming room operator in the Province of Buenos Aires, with 13 gaming rooms, 6,854 machines and 11,692 bingo outlets. Codere's gaming rooms are located primarily in inner and greater Buenos Aires (eight facilities) and the tourist city of Mar del Plata (four); the last is located in the provincial capital of La Plata.

Operations

Codere's operations in the country are articulated around bingo licenses (one per room) which are due to terminate in two cycles, the first between 2021 and 2024 (eight licenses) and the second between 2028 and 2029 (five licenses). In those rooms we operate slot machines as well as traditional bingo games.

As for taxation, among the markets we operate in, Argentina is the country with the second highest effective gaming tax rate (after Italy). Those taxes comprise a mix of provincial and federal taxes on amounts wagered, on gross gaming revenue, on gross income and, more recently, a new tax on winnings of between 1% and 3%, which was implemented in 2019.

The Argentine business unit recorded adjusted EBITDA of 96 million euros in 2018.

Competition

Codere operates 13 of the 45 bingo halls licensed in the Province of Buenos Aires. Its main competitors are AGG, Golden Jack, Grupo Midas and Casino Club, each of which operates between three and four facilities.

Codere's market share is estimated at close to 43%.

11.692
bingo outlets

43%
market share



Spain

Codere is the number-two operator of slot machines in Spain and the leading player in the in-person sports-betting segment. The group has a presence in all 17 Spanish regions as well as a significant online presence. The company operates Spain's largest bingo hall (Bingo Canoe) as well as other gaming rooms.

Operations

Codere's business in Spain comprises the traditional slot machine segment (the route business), sports-betting, online gaming and, to a lesser degree, the operation of gaming rooms, where in addition to traditional machines there are other products such as electronic roulette tables and sports-betting and bingo stations. Specifically, at year-end 2018, the company was operating 10,218 machines, 1,064 bingo spots and 6,844 sports-betting stations in 7,694 bars, 976 gaming arcades, 72 sports-betting stores run by the company and three bingo halls.

Adjusted EBITDA amounted to 26 million euros in Spain in 2018.

Competition

The traditional route business is highly fragmented. By our estimates, Codere is the number-two operator in the country with a market share of close to 5% by number of machines; Cirsa is the market leader with a share of around 15%. In the in-person sports-betting segment, Codere is the main player with a market share of close to 25%.

10.218
gaming machines



Italia

Codere is a leading player in Italy with 11 bingo halls (with 5,139 spots) and 8,436 machines. It is also one of the 13 network concessionaires operating in this market. There were 15,256 machines (a mix of own and third-party machines) connected up to this network at year-end 2018.

The bingo business is run through 11 licenses, one per hall. Those licenses are being operated on a provisional basis until the government determines the new concession regime, pending since 2016. The license held by Codere Network and the video-lottery terminal (VLT) licenses terminate in 2022. In 2018, Codere's Italian business suffered significant regulatory and tax impacts. On the regulatory front, the application of the 2016 Stability Act translated into a 30% reduction in the machine fleet of the company. As for taxation, the gaming tax levied on AWP and VLT devices was raised on several occasions in 2018, with a third hike already implemented in 2019.

Codere's adjusted EBITDA amounted to 28 million euros in Italy in 2018.

Competition

As with the Spanish market, the Italian gaming market is highly fragmented. In the bingo segment, it is estimated that Codere is one of the top three players, whereas in the machine operation segment it is a relatively small player.

RoW

At 31 December 2018, the company had 11 casinos, one racetrack and eight sports-betting outlets and 2,965 gaming machines, apart from the online activity in Panama; nine gaming halls and 690 sports betting outlets and 4,504 gaming machines in Colombia; and the Casino Carrasco and HRU businesses which include six gaming halls, 2,257 gaming machines, the Maroñas and Las Piedras racetracks in Montevideo and 26 sports-betting outlets in Uruguay.

Leading player

Codere in numbers

04

04. Codere in numbers

Business lines



57.130
Gaming machines



29.537
Bingo outlets



7.700
Sports-betting



148
Gaming halls



1.119
Recreational rooms



10.000
Pubs



602
Betting rooms



4
Racetracks



Online Gaming

Social



12.141
Employees



39,35%
Women



90,87%
Indefinite contracts



17.562
Training hours



7.600
Suppliers



211.267€
Donated to NPO

Economic



1.476 M€
Revenue



282,9 M€
Adjusted EBITDA



14,5 M€
Consolidated profit
before taxes

Corporate governance

05

05. Corporate governance

Codere, true to its commitment to good governance and transparency, abides by Spain's Corporate Enterprises Act, the consolidated text of the Spanish Securities Market Act and the Good Governance Code for Listed Companies ("Corporate Governance Code") approved by Spain's securities market regulator (the "CNMV" for its acronym in Spanish).

The corporate governance practices and rules at Codere are oriented towards sustainable economic and social value creation and continuous improvement with the overriding goal of ensuring financial stability and upholding the interests of its investors and shareholders, helping to earn credibility vis-a-vis all of its stakeholders. More specifically, the Codere Group focuses its corporate governance practices on three key aspects:



The corporate governance practices and rules at Codere are oriented towards sustainable economic and social value creation and continuous improvement.

05.1

Governance standards

The company's highest governing bodies are the Annual General Meeting, at which its shareholders exercise their influence, and the Board of Directors. As provided in its Bylaws, the company has delegated in the Board of Directors approval of the organization's strategy and the organizational resources needed to carry it forward and oversight and monitoring of management to ensure the objectives set are met and company's interests and corporate purpose are upheld.

Corporate governance standards, rules and policies.

With the aim of providing its shareholders and investors with information about its governance rules, while complying with regulatory requirements in this respect, Codere publishes all of its policies and rules on its website.

- Bylaws
- General Meeting Regulations
- Board Regulations
- Code of Conduct and Ethics
- Internal Securities Markets Code of Conduct
- Corporate Social Responsibility Policy
- Director Remuneration Policy

The company, as provided in its Bylaws, the company has delegated in the Board of Directors approval of the organization's strategy and the organizational resources needed to carry it forward and oversight and monitoring of management to ensure the objectives set are met and company's interests and corporate purpose are upheld.

The company's body of in-house rules was updated in 2018. Notably, the Bylaws and General Meeting Regulations were amended to allow the possibility of calling an Extraordinary General Meeting with 15 days' notice. The Board Regulations were updated to incorporate certain aspects of the Corporate Governance Code (*Código de buen gobierno*) of CNMV.

At year-end 2018, Codere's Board of Directors was made up of eight directors, six of whom are proprietary directors, with the other two independent:

Name	Position	Directorship	Time on the board
Norman Raúl Sorensen Valdez	Chairman Non-executive	Independent	2 years
Luis Argüello Álvarez	Secretary, non-member	-	-
José Antonio Martínez Sampedro	Director	Proprietary	19 years
Luis Javier Martínez Sampedro	Director	Proprietary	19 years
Masampe S.L. (represented by Pío Cabanillas Alonso)*	Director	Proprietary	10 years
Manuel Martínez-Fidalgo Vázquez	Director	Proprietary	2 years
David Reganato	Director	Proprietary	2 years
Timothy Lavelle	Director	Proprietary	2 years
Matthew Turner	Director	Independent	2 years

*Masampe S.L. was named director in 2008, an appointment it accepted in 2009.

In keeping with prevailing legislation, specifically the recommendations made in the *Corporate Governance Code*, the work of the Board of Directors is additionally articulated around three committees with specific duties: the Audit Committee; the Compliance Committee; and the Appointments, Remuneration and Corporate Governance Committee.



Audit Committee

This committee's overriding task is to support the Board of Directors with its financial and risk oversight duties, review of market communications and control of the functioning of the company's Audit Department. It is also tasked with supervising and establishing the group's financial control processes and rules and reporting to the board on its *annual and interim financial statements*.

In 2018, Codere's Audit Committee met 11 times and ratified resolutions in writing without an actual session on one occasion. It named a new chairman, Norman Raúl Sorensen Valdez, and is made up of two independent directors (including the chairman) and one proprietary director.

in terms of compliance with the *Internal Securities Markets Code of Conduct*.

Matthew Turner was named chairman of this committee in 2018. It is made up of two independent directors (including the chairman) and two proprietary directors sat.

It met nine times in 2018.

Codere has formulated a *Director Selection Policy* to ensure that motions to appoint or re-elect directors are based on prior analysis of the board's needs and that its composition respects the criteria of professionalism, complementary skills, balance and diversity.

Director assessments are conducted internally at Codere and encompass evaluations of the board and of its various committees. At a meeting held on April 11, 2018, Codere's Board of Directors conducted the prescribed board evaluation which was based on a survey sent to each of the directors with 65 questions about the workings of the board. Those surveys, which are kept anonymous and confidential, are reviewed by the secretary or vice-secretary. The conclusions reached are presented to the Appointments, Remuneration and Corporate Governance Committee which then reports to the Board of Directors and prepares an *Action Plan* for correcting any shortcomings detecting during the evaluation process.



Compliance Committee

This committee's main duties include ensuring that the group monitors the compliance regulation as well as the gaming regulations in Spain and abroad and assesses the internal control systems in place at the various companies in respect of their obligations under gaming and anti-money laundering legislation.

In 2018, Matthew Turner was voted in as the new chairman. The committee is made up of an independent director (the chairman) and two proprietary directors.

The Compliance Committee met eight times in 2018.



Appointments, Remuneration and Corporate Governance Committee

This committee's duties include assessing the skills, knowledge and experience of director candidates, making recommendations to the board on director and executive appointments and terminations, proposing and overseeing the company's remuneration policy and reviewing and suggesting improvements

2018 Action Plan

The *Action Plan* presented in 2018 included the following three areas for improvement, among others:

Conflict management

One of the objectives set down in the *2018 Action Plan* was to establish a new procedure for managing conflicts of interest to ensure appropriate knowledge of the matters at stake and optimal decision-making. To this end, it was decided to continue to have the Audit Committee review related-party transactions quarterly and to analyze a potential amendment of the *Board Regulations* to attribute the management of conflicts of interest and of related-party transactions to the same committee.

Greater familiarity with senior management's duties and skills

Another objective established in the *Action Plan* was to foster greater interaction between the members of the Board of Directors and the senior management team in order to boost directors' knowledge and enhance their perspective of the business. To meet this goal it was decided to ask the Country Managers and other senior executives to make regular presentations to the board, with a particular focus on the online business.

Attendance by operations managers at Audit Committee meetings

The last major objection set down in the *Action Plan* was to give the directors better knowledge of the professionals running the company's operations, to which end they have been invited to the Audit Committee's meetings to make presentations.

Director assessments are conducted internally at Codere and encompass evaluations of the board and of its various committees.

05.1.2

Director remuneration

Codere approved a *Director Remuneration Policy* at an Extraordinary General Meeting on November 10, 2016. The policy consists of a fixed annual sum depending on the directors' positions and the committees they sit on and the corresponding degree of dedication or responsibility implied, with an annual limit on the amount of remuneration payable to all of the directors in their capacity as such of 3 million euros.

Based on that shareholder-approved policy, the board then established the following terms:

Position and responsibility	Assignment/ year
Membership of the board	€100,000
Chairman of the Audit Committee	€65,000
Member of the Audit Committee	€60,000
Chairman of the Appointments, Remuneration and Corporate Governance Committee	€65,000
Member of the Appointments, Remuneration and Corporate Governance Committee	€60,000
Chairman of the Compliance Committee	€65,000
Member of the Compliance Committee	€60,000

However, to prevent excessive costs, the board also capped the maximum amount receivable by any single director at 150,000 euros.

05.2

Control system and procedures

With the aim of providing the group with a set organizational structure and corporate culture, applicable to all of its companies regardless of their area of influence, formal intervention mechanisms have been put in place. One of the most important tools in this system is the Contracting Pool, which, since its creation in the middle of 2009, has handled over 650 significant purchasing transactions at the corporate (four in 2018) and subsidiary levels, fostering transparency, ensuring competition among suppliers and ultimately reducing procurement costs for the company.

A new combined Purchasing and Contracting Pool was reformulated and implemented in 2018 for the Spanish business unit and corporate area; the new technology platform is layered over the company's management systems, which has made all processes and procedures highly efficient. The budget threshold for the purchasing transactions to be considered by the Pool starts at 25,000 euros.

05.2.1

Risk management

Everything the Codere Group does to control and mitigate risks is framed by the basic guidelines established by the Board of Directors in the *General Risk Management and Control Policy* and the *Risk Tolerance Document*. These basic principles include:

- Consideration of risk-reward criteria.
- Segregation at the operating level of risk-taking areas and the areas responsible for risk analysis, control and oversight.
- Safeguards to ensure correct utilization of risk-hedging instruments.
- Transparent reporting on the group's risks and effectiveness of the corresponding control systems.
- Due compliance with the corporate governance rules and corporate values established in the *Code of Ethics and Conduct*.



That policy defines the key lines of initiative and eight classes of risk identified by the company: corporate governance risks; operational risks, regulatory risks; tax risks; borrowing risks; country risks; technological risk; and reputational risk. The key stages and activities of the group's risk control and management system are:

Responsibilities of Codere's risk control and management system

1. Definition of risk tolerance thresholds by the Board of Directors.
2. Annual identification and analysis of the key risks by the heads of each business unit and/or department at the local level.
3. Annual updating of the company's various risk maps (local, technological and corporate).
4. Reporting about the main risks, particularly any exposures that overstep the limits set by the Board of Directors.
5. Implementation of policies, guidelines and limits and control over their enforcement by means of the procedures and systems needed to mitigate the impact of risk materialization.
6. Regular assessment and communication of the results of the risk control and management effort.
7. The system audit by the senior managers in the Internal Audit Department.

Moreover, the Codere Group counts with a corporate *Tax Risk Policy* which is reviewed by the Audit Committee.

At the local level, each business unit prepares a regular report on the activities performed and the risks materializing in each country. That information is consolidated by the Internal Audit Department and used to update the risk maps and prepare the *Integrated Report* which must be presented to the Audit Committee.

By updating the company's risk maps, Codere's Internal Audit Department defines its annual work plan, which includes all of the year's findings, and the risk management process. To prepare that plan it reviews all of the internal processes and procedures and implementation of the improvements identified during the year. The plan identifies the risks materializing for the company and the gaming industry during that year.

Also annually, the various business units in each country are subjected to an internal review procedure called the *Quality Review*. Each year, the Internal Audit Department organizes outside reviews for each country's projects so that the subsidiary managers are evaluated by their peers, thus generating synergies and ensuring uniform processes across the entire group.

Internal Audit milestones in 2018

1. Performance of operational audits focused on the main risks, in keeping with the specific plans for each country.
2. Continued operation of the early alert system for the prevention of revenue loss and monitoring of the Revenue Assurance project in Mexico, which was also extended to Panama and Spain.
3. Maintenance of the auditor recommendation monitoring committees.
4. Verification of due compliance in the rooms and of tax controls.
5. Transformation of the team structure in the country units.
6. Improvements to the gaming IT tools.
7. Opening of a specific line for online business activities.
8. Performance of a number of due diligence processes for corporate acquisitions.

Risk management and control procedure at the Codere Group

A number of residual risks (i.e., risks that persist following implementation of the corresponding controls) materialized in 2018:

Regulatory risk

The gaming industry is closely regulated all around the world. The activities carried out by the company in both online and offline segments are regulated by a host of laws, depending on the country in question. In some instances, the company has to face iron-clad controls, limits on permits and high taxation; in other markets it faces steep competition and lax taxation. The tax, compliance and data protection regulation is relevant in all the instances. As a result, flexibility and the ability to adapt to its surroundings are key at Codere. In Spain alone, each of the country's 17 regions has its own offline gaming regulations (the regional governments have this jurisdiction), while in the online gaming arena there is one set of national laws for all the territory.

Moreover, the regulation of matters related to the gaming industry (such as smoking, opening hours or location restrictions, etc.) can also have an adverse effect on the group's revenue and ability to expand its business. The authorities can deny, revoke, suspend or refuse the renovation of the group's existing licenses as license renewal is subject to regulatory uncertainty to the extent not clear and open to interpretation or modification.

Reputation risk

In every sector there is a clear connection between regulatory risk and reputational risk, particularly in the current era of information and communication. This reality is even more patent in a sector in which the applicable regulations and legislation are constantly being updated and the public perception has not always been benevolent.

The gaming industry is complex and society is not always aware of its importance in terms of job creation and tax generation. As a result, the sector has set up a platform, a gaming business board - Cejuego - which represents companies accounting for roughly 75% of sector turnover in Spain, with the aim of making its voice heard and improving the industry's image. To this end, in 2018, the association held close to 100 meetings with the various stakeholders with the aim of transmitting a transparent image of the gaming business.

Riesgo-país

The company has been diversifying geographically and currently operates in several regions to limit its exposure to political and economic risk. Like any other company, however, is exposed to macroeconomic and political tensions in the markets it is present. However, it is worth highlighting that despite the losses recognized in the first half of 2018, the group's adjusted EBITDA amounted to 282.9 million euros in 2018, marking growth in operating profit despite the macroeconomic difficulties prevailing in Argentina, evidencing the benefits of the group's geographic diversification and its ability to continuously fine-tune its business.

Risk of corruption and bribery

Corruption and bribery are among the main risks arising from the Codere Group's business activities. On February 27, 2018, with the aim of taking additional steps to combat these issues and adopting a preventative stance, the Board of Directors approved a group-wide *Anti-Corruption and Prevention of Irregular Conduct Manual*, which is available on the corporate website.

That manual is accompanied by a practical *Anti-Corruption Guide* which identifies the main forms of corruption that could affect the Codere Group's business and a series of preventative measures, including the existence of a whistle-blowing channel and due diligence procedures for suppliers, business partners, customers and staff.

Risk of breach of its gaming platforms

Vulnerabilities in the company's gaming platforms could lead to unauthorized access and/or system overrides, with potential loss of income or sensitive information for the firm.

As soon as threats and risks of this nature are detected by the Codere Group, mitigation plans are set in motion in an attempt to recover previously estimated profits, by means of:

- Group participation in the corresponding sector associations.
- Appropriate institutional relations efforts.
- The establishment of process streamlining and operational efficiency plans.

The activities carried out by the company in both online and offline segments are regulated by a host of laws, depending on the country in question.

05.3

Compliance

The Codere Group's compliance strategy implies going beyond the regulatory and legislative requirements specific to each of its operating markets so as to uphold the true spirit of responsible gaming and fair play. As a result, Codere's compliance rules are an essential component of its business strategy.

The Group is particularly engaged with stringent compliance with anti-money laundering and counter terrorist financing legislation, as well all the regulations applicable to gaming activities.

To supervise these matters, Codere has a dedicated Compliance Area which reports to the Legal Department and coordinates the work of the regional compliance divisions (North Cone, South Cone, Europe and the online division) and is tasked with monitoring and controlling application of the group's *Code of Ethics and Conduct*, training employees on compliance matters and performing due diligence procedures on staff and third parties, among other duties.

Due diligence process in 2018

Country	Employees	Third parties
Headquarters	9	12
Spain	49	1.144
Argentina	264	188
Colombia	193	221
Italy	0	79
Mexico	77	450
Panama	73	355
Uruguay	152	66
Total	813	2.514

Employee training is a matter of the utmost importance at Codere. The Compliance Area is in charge of training all of the professionals dealing with anti-money laundering, counter terrorist financing, anti-corruption, the *Code of Ethics and Conduct* and security at the group. In 2018, of 3,939 employees were trained in the prevention of money laundering and terrorism financing, and 3,225 employees in the Code of ethics and anticorruption (19% more respectively than the total training in 2017). It is noteworthy that during 2018 trainings on *Code of ethics* and on anticorruption were unified in the same module.

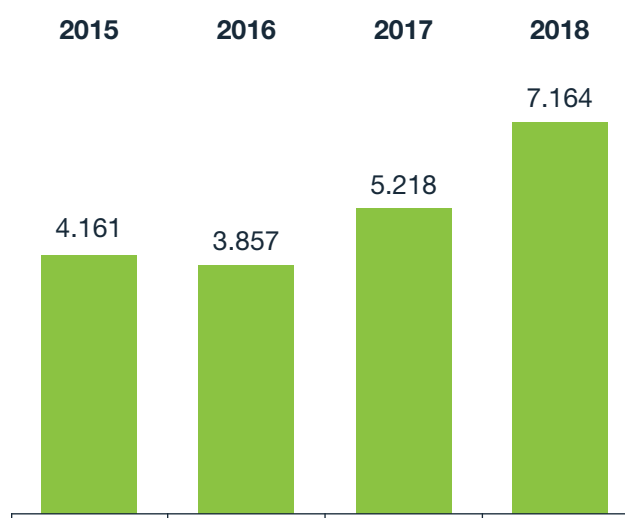
The Codere Group's *Code of Ethics and Conduct*, which is available for consultation by any of its stakeholders, embodies the company's commitment to acting ethically and transparency in everything it does. That code must be acknowledged and upheld by all group employees and executives and all new hires.

In it, Codere undertakes to conduct its activities in accordance with the legislation prevailing everywhere it does business. It is based on the strictest international standards, such as the United Nations Universal Declaration of Human Rights, the International Labor Organization's Conventions and Declaration on Fundamental Principles and Rights at Work, the OECD's Guidelines for Multinational Enterprises and the United Nations Global Compact.

The company operates a whistle-blowing channel that can be used by any of its stakeholders to report any incident involving a breach of the code in any of its operating markets. As set down in the *Global Whistle-Blowing Channel Management Policies* approved by the Compliance Committee in February 2012, the channel is managed to ensure the confidentiality, independence and protection safeguards required in Spanish and international legislation so as not to harm or undermine the affected parties. The corporate services area and the various business units have their own whistle-blowing channels which are managed locally, albeit with the support of the Corporate Compliance and Security Areas and any other departments that need to be involved. In 2018, a total of 103 complaints were received, 12% of which were handled anonymously. Ninety-four per cent of the complaints received have been resolved satisfactorily and the outstanding 6% are still being addressed.

The Compliance Area, once it receives a complaint, classifies the reports into one of five categories: misconduct; customer service; fraud; mobbing; or harassment.

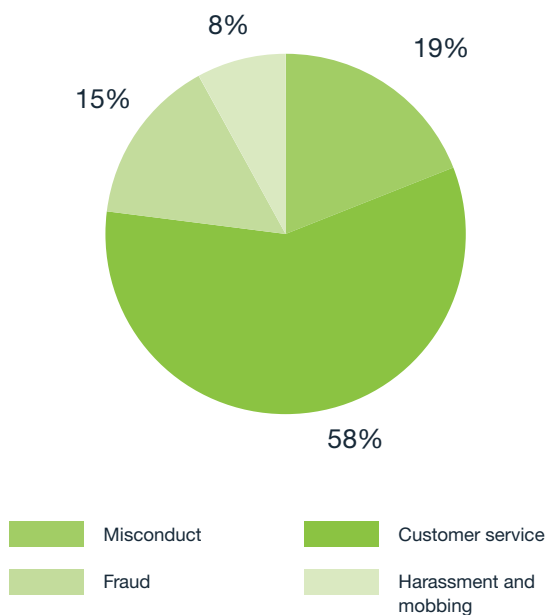
Corporate Governance Training 2018



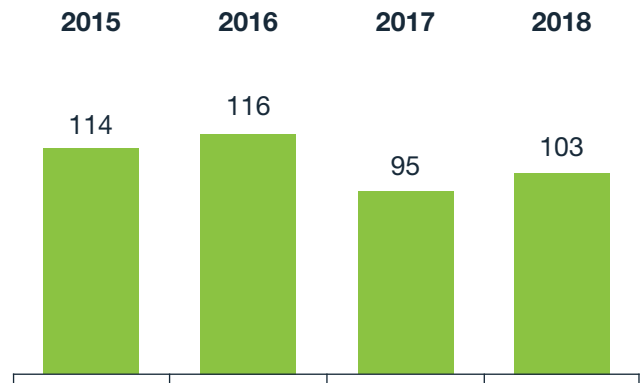
Complaints received in 2018

Country	No. of complaints
Headquartes	1
Spain	31
Argentina	14
Colombia	11
Italy	0
Mexico	32
Panama	12
Uruguay	2
Total	103

Complaints type received in 2018



Whistleblowing channel



The Codere Group places special emphasis on the safety of its employees and customers. All of its gaming rooms are equipped with permanent monitoring systems and crime prevention measures.

The Security Department sees its mission as protecting the company's customers, employees and assets so as to guarantee business continuity via monitoring and supervision measures. Those measures notably include evacuation and fire extinction plans and the installation of security cameras, smoke alarms, safe-boxes and other security equipment.

The Compliance Area prepares a document regularly which must be approved by the Compliance Committee and compiles the year's documentation from each business unit, including legislative and regulatory developments and information about the key compliance risks detected. That document is submitted to external review by an expert who verifies the information reported and prepares a report with potential areas for improvement.

The gaming sector is regulated like few others. That is why the Compliance Area has to keep meticulous track of new legislation applicable to the industry country by country. Among other controls, it has to identify the players that have won more than a specific amount (which varies by country). Codere identifies all of the players looking to play offline by means of a form which must be filled out in order to collect prize-money. Also, to create an online profile, players have to register on the website and upload a photo of their national identity cards. In this manner the company is able to check that its customers are adults and manage money laundering risks by reporting suspicious transactions to each country's pertinent authorities.

05.4

Data protection

Personal data protection has increased in importance in recent years. The General Data Protection Regulation (GDPR) took effect in Europe in May 2018 and Latin America has also been reinforcing its data protection rules. To adapt to the new European regulations and deploy similar initiatives in Latin America, Codere, as a listed company and online gaming provider, has rolled out a series of measures that, in guaranteeing the protection of all subjects' data and minimizing the risks of data leaks, are bound to strengthen the group's reputation, reinforcing the safety and trust of its clients.

In 2017 and 2018, in preparation for the GDPR, the company executed the *Technical adaptation project* as well as the *Legal adaptation project* to make sure it was ready for the new legislation. Specifically, it has named a data protection officer (DPO), who is in charge of the data protection function and reports directly to Codere's Management Committee through its Cybersecurity Committee.

As part of the *Legal adaptation project* in Spain, the company prepared and analyzed an inventory of each department's data processing activities; adapted all of the company's policies and websites for the GDPR; revised all contracts with suppliers, employees and gaming co-operators; prepared a registry of the data processing taking place at Codere; and defined and implemented a procedure for handling data protection related claims.

The company is also working on reviewing data protection regulations in all of the markets it operates in with a view to implementing the European procedure in Latin America.

Lastly, in early 2017, it launched a *Security Master Plan*, in effect until 2019, which includes quarterly training and awareness initiatives in the areas of data protection and the GDPR; the provision of security advice through the Security Expertise Office; and the rollout and application of access control and data loss prevention tools.



Cybersecurity Committee

The duties of the dedicated Cybersecurity Committee are:

- Ensuring that the IT security procedures are aligned with the business's needs.
- Formulating an IT security policy and developing and approving the universe of security rules.
- Ensuring compliance with the company's requirements under the GDPR and local legislation in the areas of data protection and contractual security obligations.
- Reporting to the Management Committee on the status of any corrective action taken.
- Ensuring that IT security requirements are built into all developments at the company.
- Communicating to and educating all members of the organization about the importance of complying with the *IT Security Policy* and its objectives, their legal responsibilities and the need for continuous improvement.
- Reviewing and approving the IT security risk assessment and results.

Codere, as a listed company and online gaming provider, has rolled out a series of measures that are bound to strengthen the group's reputation, reinforcing the safety and trust of its clientsca.

People, at the heart of Codere's strategy

06

06

People, at the heart of Codere's strategy

The firm's new People Department is structured into five main areas: Organization and Remuneration; Labor Relations; Talent Selection and Training; Career Development; and Special Projects. The human resource function is managed regionally: there are teams on the ground in each country which receive support from the corporate specialists.

This structural change reflects the company's desire to make this area an agent of change capable of generating value efficiently and sustainably for the various businesses and the people populating them. As a result, the People Department has gained prominence in the firm with the idea of maximizing the value of Codere's human capital as a source of competitive advantage. To this end, it is vital to get to know each region's employees better and to identify their skills and aptitudes so as to be able to take better decisions in scenarios of greater responsibility and new challenges.

To achieve this ambitious goal, it is necessary to upgrade the organization's capabilities and competitive positioning. To this end, the *Transformation Project* being executed by Codere is based on three pillars: business & strategy; organization; and operating model, with the aim of achieving more competitive and attractive positioning.

In this context of transformation in the digital era, marked by ever faster and more disruptive changes, the People Department has designed a new people-centric management ecosystem.

People Department: 12 hallmark traits



...It is the dynamic agent of change and transformation, which provides value in an efficient and sustainable way to businesses and people.



1. Efficient
2. Empathic
3. Transparent



4. With internal and external prestige



5. Digital
6. Technologically updated



7. Strong leadership
8. Integrated equipment



9. Solid and contrasted methodologies
10. Professional



11. Focused on operations
12. Sustainable

In this context of transformation in the digital era, marked by ever faster and more disruptive changes, the Human Resources Department has designed a new people-centric management ecosystem. One of its priorities is the so-called *2020 People Plan*, which sets out the guidelines for this transformation and efficiency process and places the emphasis on employee outreach; talent management and retention; and the customer pledge. The strategic objectives of initiative encompassed by the *2020 People Plan* are:



Better organizational models

Participation in the review of the group's organizational models and support for their transformation where necessary.



More management talent and expertise

Collaboration with attracting, nurturing and upgrading the management talent and expertise needed for the development of the group's businesses.



Alignment and commitment

Greater alignment with and commitment to the strategic value-generation objectives.



Motivation

Maintenance of strong employee motivation around the strategic transformation process in order to achieve the desired results.



Organizational and transactional solidity

Injection of greater organizational and transactional solidity into the people management function by guaranteeing all of the business unit teams' personal and professional development.



Business support

Guaranteed decisive and proactive support from the people department for the company's operations, offering high-quality and accurate analysis, methodologies and business support



Digitalization

Digitalization of the people function, layering in the analytical and predictive capabilities needed to generate more value.



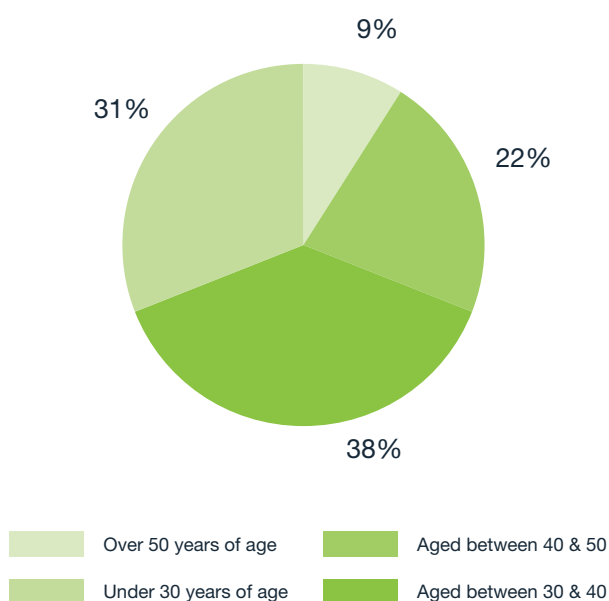
Excellence

Creation of an excellent People management practice that is recognized for its ability to create value in-house and externally

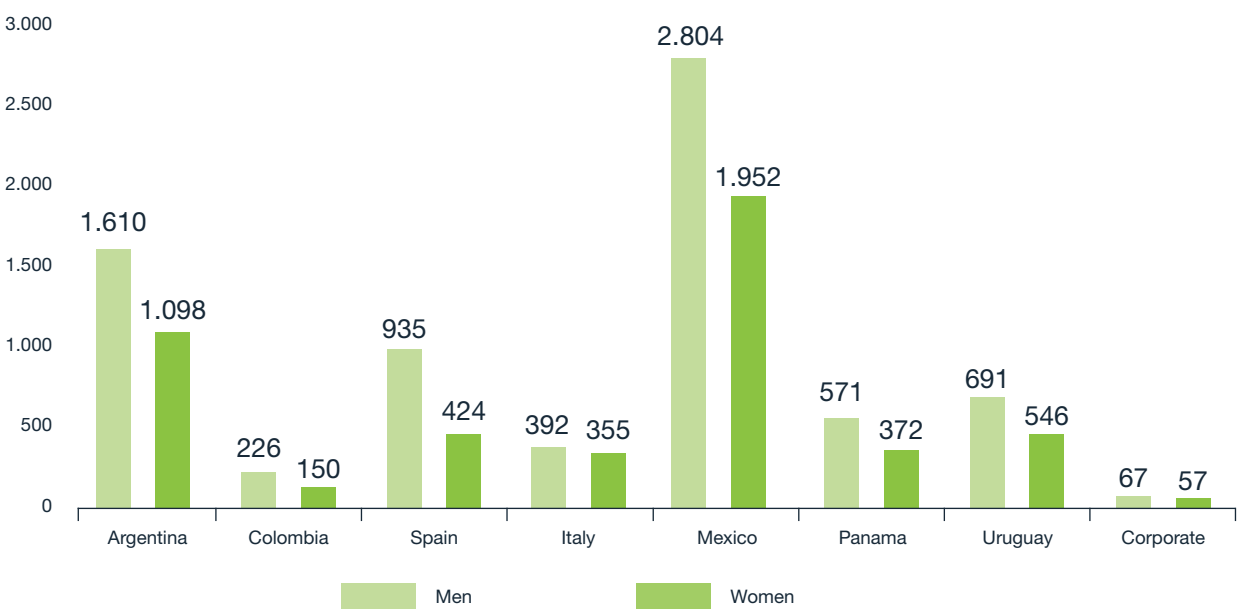
In the workplace, Codere's corporate social responsibility commitments translate into respect, the promotion of stable employment, support for equal opportunities, gender equality and zero tolerance of discrimination. The company believes that its diversity has a positive impact on its business development and competitiveness and its employees' well-being.

At year-end 2018, the Codere Group had a global headcount of 12,141 people with an average age of 35; 39.35% were female, and 90.87% were employed under indefinite contracts. Out of the total number of employees, 69 employees of the group are people with disabilities.

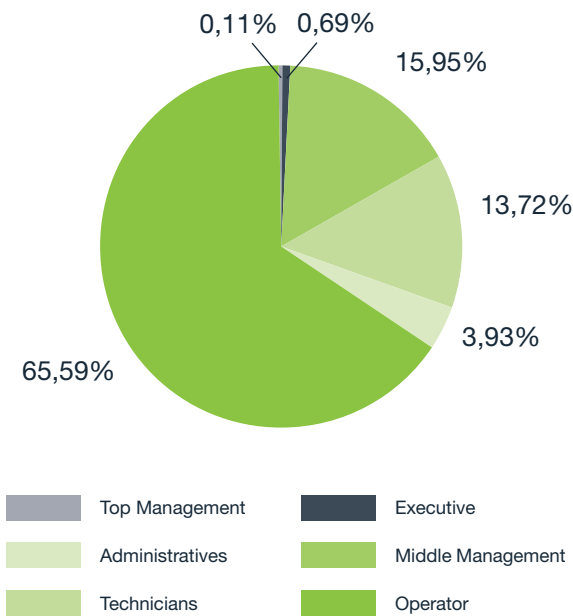
Breakdown of the workforce by age



Breakdown of the workforce by gender



Breakdown of the workforce by category



Codere is committed to long-term and high-quality employment, what reflects in 11,125 long-term contracts and only 1,125 short-term ones in 2018. Out of these numbers, only 1,468 were part-time contracts.

06.1

Talent recruitment and retention

Codere has a *Talent Selection Policy* that sets out the process for attracting talent, which is uniform across the group, underpinned by a series of basic principles designed to ensure a high-quality recruiting effort and the coverage of vacancies by means of appropriate skills assessments:

- Guarantee of equal opportunities and non-discrimination on grounds of race, skin color, age, gender, religion, ideology, sexual orientation or any other physical, personal or social condition.
- Guarantee that candidates are selected exclusively on the grounds of their expertise and aptitudes and that they are all treated equally during the hiring process.
- Compliance with prevailing legislation in all of its operating markets.
- Guaranteed confidentiality for all candidates in keeping with data protection requirements.

Codere seeks candidates who fit well with the group's values and culture. It prioritizes internal promotions, offering its professionals the chance to take on greater responsibilities and further their careers within the company. In Spain, Codere has a dedicated internal promotions portal called "We are counting on you", which employees can use to apply for vacancies arising at the company.



Skills and capabilities assessment system

With the aim of nurturing a people and team management culture oriented around continuous improvement, at the end of 2017, the company introduced a career development and skills upgrade program for all Codere Group employees. This program provides the company with insight into its employees' expectations and concerns, on the one hand, and enables it to identify talented and high-potential professionals within the organization, on the other. To this end, it has systematized the assessment of skills and capabilities. This system consists of an initial interview to appraise employees' attitude, conduct and know-how in their jobs with the aim of recommending target-based areas for improvement and training and development initiatives. After that interview, implementation of those recommendations and, by extension career development, is monitored. The assessments obtained using this tool permit, among other things:

- The establishment of personal development plans and programs.
- The pin-pointing of each professional's level of progress with respect to his or her responsibilities (opening the door to the provision of new duties).
- Identification of the professionals ready to assume new responsibilities.
- Determination of suitability for the pre-management validation process.



Project Rumbo

In order to learn more about the skills and capabilities of the South Cone employees (Colombia, Mexico and Panama), the corporate People Department, along with the regional equivalent, designed Project RUMBO. Its goal is to identify professionals with the skill-sets needed to take on greater responsibility at the organization by means of situational judgment tests at assessment centres.

This method is used to predict the individual growth and scope for development by means of observation of their conduct by a group of assessors specifically trained to this end. Candidates are given a series of tests (group exercises, role-play, situational judgment tests, analytical cases, personal interviews, etc.) which enable the evaluators to draw fair samples of "relevant behavior" vis-a-vis development potential in new positions within the organization. After the tests are complete, the evaluators meet with the participating employees to inform them of the results and to design an individual development program for those that have stood out.

Codere has a Talent Selection Policy that sets out the process for attracting talent, which is uniform across the group underpinned by a series of basic principles designed to ensure a high-quality recruiting effort.

06.2

Staff training

The company's training and development ambitions have translated into a number of initiatives, including the provision of training during working hours at the company's head offices, the implementation of programs designed to detect employee aptitudes and the provision of the preparation needed for career development purposes. Codere bases its training methodology on the '70/20/10' model, which attributes 70% of the learning process to specific on-the-job experiences and spontaneous problem-solving; 20% to the feedback received from superiors and peers and general learning from others; and the remaining 10% to formal training (offline and online).



Codere articulates its training around three main topics: responsible gaming; workplace health and safety; and corporate governance.

Codere articulates its training around three main topics: responsible gaming; workplace health and safety; and corporate governance.

As part of Codere's commitment to responsible gaming, in 2018, it ran multiple training and awareness initiatives such as the "*L'usura non è un gioco*" (Profiteering is no game) drive in Italy and courses for operators and customer service staff dealing with legal and regulatory requirements and problematic gaming. In Argentina last year, the group launched a pilot program coined "When gaming is no longer a game" in two of its biggest gaming halls for the provision of information to all hall employees with direct customer contact, so that they can in turn provide assistance and information about the problems and risks of gambling.

In 2018, a total of 17,562 hours of training were provided to the employees of the group, distributed geographically as per the table below. The data collection systems are being updated in order to obtain a distribution by professional category in 2019.

Country	Total number of hours in 2018 (a)	Hours/employee 2018
Argentina	6,177	2.5
Colombia	322	0.8
Corporate	4,622	37
Spain	17,475	12.4
Italy	4,895	7.5
Mexico (b)	-	-
Panama	4,007	4.3
Uruguay	2,161	2.3

(a) Corresponds to the number of hours collected through the existing system. It was not possible to include additional training sessions offered by Codere, as they are not collected by the system. The group is implementing a new system that would allow to obtain the total number of hours of training provided.

(b) Data on the number of hours of training provided not available.

TransFóRMATE

In 2018, Codere rolled out a series of new initiatives with the goal of fine-tuning and fostering its most promising talent. One of those initiatives is the 30-month *TransFóRMATE Plan* (which means Transform Yourself, including a pun on the Spanish word for training) consisting of in-person and online training actions to provide employees with expertise in five areas of knowledge:

- **Efficiency:** Teaching employees how to be efficient, proactive, agile and flexible.
- **Customercentricity:** educating employees on how to retain customers in a digital world and leverage new technologies in their sales strategies.
- **Change and transformation management:** education about Codere's transformation initiatives and those of other sector players.
- **Digitalization:** encouraging employees to use new technologies.
- **Culture, leadership and people management:** honing the key skills for leading, managing and building teams.

The knowledge is imparted in four formats:

1. *Case studies:* key concepts and experiences at other companies presented by experts.
2. *Codere case studies:* practical use cases at Codere, including the challenges faced and lessons learned.
3. *Workshops:* practical sessions explaining the application of skills and use of specific methodologies.
4. *Online:* Unlimited access to multi-channel training content (mobile phone, tablet, PC, etc.).

06.3

Equal remuneration

Average remuneration

Men	Directors	100,000
	Key management personnel	289,174
	Managers	120,683
	Middle managers	22,632
	Skilled professionals	16,144
	Clerical staff	16,251
	Unskilled workers	10,179
Women	Directors	0
	Key management personnel	256,112
	Managers	92,690
	Middle managers	18,880
	Skilled professionals	18,526
	Clerical staff	17,121
	Unskilled workers	8,892

Gender salary gap²

Ratio of basic salary of women to men by employee category	2018	
	Directors	N/A
	Key management personnel	89%
	Managers	77%
	Middle managers	83%
	Skilled professionals	115%
	Clerical staff	105%
	Unskilled workers	87%

² Calculated as the proportion of the average remuneration of women to the average remuneration of men in December. For this calculation only December payrolls were used. The average compensation comprises the Annual fixed compensation (theoretical gross salary) + Incentive compensation received during the year based on objectives + another type of variable remuneration that is not based on objectives (commercial commissions, etc.) + annual social benefits (for managers)

06.4

Well-being at work

Employee well-being is one of the People Department's top priorities and one singled out for particular emphasis in 2019. The wellbeing effort translates into specific initiatives such as the provision of flexible working hours, work-life balance measures, assistance with work commutes, space for employee lunchrooms and life insurance, which is awarded to all employees in Mexico and in Spain is extended to the employees covered by the hospitality collective bargaining agreement who have been working for the organization for over 10 years. In 2019, the People Department plans to study and begin to develop a series of initiatives oriented at:

- Fostering management diversity.
- Studying reconciliation of work, family and private life arrangements (teleworking, flexible working hours, etc.).
- Developing an equality plan.
- Enhancing workday flexibility.

Employee well-being is one of the People Department's top priorities.

06.5

Workplace health and safety

Management of employees' health and safety at work requires education and training, coupled with identification of the main risks and mitigating measures to reduce the incidence of workplace accidents. The company has several tools for promoting its employees' health and preventing accidents in the workplace. It applies its *Workplace Health and Safety Policy*, on the one hand, and rolls out training and education plans, on the other. Health and safety is managed locally in each of the countries Codere does business in. Indeed, in 2018,



the inauguration of new gaming premises and rooms drove the need to expand the corporate health and safety service and ensure coordination among the various geographical units.

In Spain, health and safety is outsourced and coordinated by the corporate Health and Safety Department. The group also takes an interest in its employees' health and promotes prevention by means of several initiatives, including:

- The launch of the *CuidArte* ('Take care of yourself', pun on the word 'art') program in Colombia to ensure healthy and safety work environments for employees.
- Annual medical check-up for Codere employees (Italy, Spain, etc.).
- Annual workplace air quality assessment report.
- Annual meeting with the Supervisory Body at Codere Italy to report on accident prevention initiatives. Annual assessment of action plans.
- Work is underway on a National Health and Safety Management Model in Spain with a view to having it certified under the new international occupational health and safety standard ISO 45001.
- Bilateral health and safety committee which meets bi-monthly to monitor safety conditions in the company's various workplaces in Uruguay.
- Installation of defibrillators in several workplaces in Spain (Bingo Canoe, Alcobendas office complex).
- Planning and rollout of a *Road Safety Plan* in Spain.

The company identifies the activities that could put its employees' health at risk, including manual lifting (moving machines, heavy weights, etc.), driving and postural and vision problems related with office work etc. In 2018, the number of attempted assaults on centers operated or jointly operated by the group increased slightly, so that the Health and Safety Department is also factoring in this risk factor. In all instances the actions needed to mitigate and eliminate the risks have been carried out (training, education, protective equipment, etc.) and the company has conducted exhaustive analysis of the employees affected by each risk.

The job-specific health and safety training programs were fine-tuned in 2018 to include a *Procedure for Preventing Assault* for betting operators and the targeting of activities explaining what to do in the case of a fire or other emergency at the evacuation, intervention and security teams.

As well as helping employees look after themselves by offering annual check-ups, Codere offers scanning for the early detection of certain illnesses. Specifically, it offers complementary tests to employees going for a medical check-up such as PSA tests to screen men for prostate cancer and blood cholesterol risks.

In 2018, 480 non-fatal accidents took place among Codere's employees (253 men and 227 women). Codere has not registered any professional or occupational accidents related to its activity. The global health and safety budget was of 618,000 euros approximately.

Workplace accidents rates (including in *itinere* accidents)

Country	Accidents H	Accidents M	Accidents fatal H	Accidents fatal M	Lost days	Injury frequency rate	Serious injury rate
Spain and Headdquarters	37	15	0	0	1,348	18	47.5%
Argentina	59	37	0	0	1,586	96	22.4%
Colombia	18	13	0	0	5,908	1.96	35.46%
Italy	8	9	0	0	5,031	16	36.52%
Mexico	87	115	0	0	2,676	14.33	18.98%
Panamá	8	8	0	0	6,432	1.36	19.37%
Uruguay	36	30	0	0	431	24.8	0.34 %

06.6

Human rights

By means of its *Code of Ethics and Conduct*, *Corporate Social Responsibility Policy* and *Human Resources Policy*, all approved at the board level, Codere has committed to respecting the human rights and freedoms recognized in national and international legislation and in the United Nations Universal Declaration of Human Rights. Against this backdrop, the company embraces the basic rules of conduct prescribed in the International Labor Organization's Conventions and its Declaration on Fundamental Principles and Rights at Work, the OECD's Guidelines for Multinational Enterprises and the United Nations Global Compact, as well as any other document or text that may replace or complement the above.



Codere protects and respects its employees' right to collective bargaining and union association, to which end it has relations with more than 30 unions in the various countries it operates.

In keeping with those commitments, the company has a *Workplace Harassment Prevention Policy* which expounds its firm commitment to respecting the dignity of the people comprising the organization and its zero-tolerance stance towards any form of conduct that threatens the physical or psychological health of its employees. As stipulated in the *Code of Ethics and Conduct*, that policy places special emphasis on prevention, to which end the company is required to undertake as many initiatives as are necessary in order to educate its workforce in respect.

Para la gestión de cualquier práctica de acoso laboral, existe un protocolo de actuación que establece la definición de los supuestos que podrán ser objeto de denuncia, así como el ámbito de aplicación, las vías puestas a disposición de los empleados para denunciar este tipo de sucesos, y el proceso de tramitación y resolución de la denuncia.

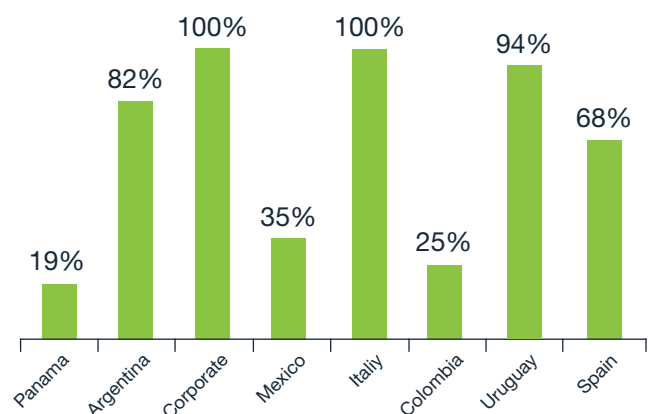
Engagement with unions

Codere protects and respects its employees' right to collective bargaining and union association, to which end it has relations with more than 30 unions in the various countries it operates in, including Suntracs and Conusi in Panama; CCOO, UGT and USO in Spain; UGL and CISL in Italy; Uthgra and Aleara in Argentina; Croc and Sintoled in Mexico; SUGHU in Uruguay and Fecode and Sumitac in Colombia.

In 2013, Codere signed a commitment with UNI Global UNION covering respect for and the promotion of decent work and labor rights under which it engages in constant dialogue and has regular meetings. That agreement commits Codere to protecting and respecting the right not to be discriminated against, to a minimum wage, to a limited workday and to decent working conditions, etc.

In 2018, Codere was the only global gaming player asked to attend the UNI Americas Gaming Regional Conference 2018, which took place in Sao Paulo on May 17 and 18.

Percentage of employees covered by collective bargaining agreements



Customer relations

07

07 Customer relations

Satisfying its customers' expectations is a top priority for Codere and was one of the articulating lines of its transformation in 2018. Over the course of the year, Codere continued to promote communication and dialogue with its online and offline customers by means of its business websites in the its various operating markets, its sales outlets and using satisfaction surveys.



Every year, the Codere group analyzes its customers' tastes and preferences and the needs of its hospitality establishments.

This priority is also evident in the group's corporate object, vision and mission of meeting society's demand for entertainment underpinned by fair play so as to protect its customers, earn their trust and build solid and long-lasting relationships.

The group's customers can be divided into two major categories: (i) business-to-business (B2B) customers, i.e., enterprises, retailers, etc. and (ii) business-to-customer (B2C) customers, i.e., end users.

Every year, the Codere group analyzes its customers' tastes and preferences and the needs of its hospitality establishments in order to better meet their demands and provide its customers and users with a high-quality experience from beginning to end. Annually, the company also analyzes its net promoter score (NPS) (this indicator identifies the key customer satisfaction factors in each of its markets) and conducts a customer satisfaction survey. The results of that analysis indicate that, on average, Codere's users rate it a 7.3 out of 10. The company also evaluates the percentage of visits its facilities receive in comparison with competitor facilities, scoring 77% by this measure.

The customer acquisition strategy relies on traditional methods and newer online methods, as well as the direct sales effort via its points of sale. True to its commitment to basing its marketing on responsible gaming and using only accurate, truthful and loyal advertising, the company has endorsed Autocontrol's code for responsible marketing.

As part of its effort to win new customers, in September 2018, Codere's sports-betting arm launched a talent show in which it rewarded player skill, determined by means of an algorithm, with a cash prize of 100,000 euros and other prizes in the form of free bets.

Investor relations

08

08

Investor relations

The Codere Group is firmly committed to creating value for its shareholders by means of transparent management and close contact. As its owners, the company's shareholders and investors lend their support to the strategy for business development in all lines and geographies. At year-end 2018, Codere's share capital amounted to 509,714,801.80 euros, fully subscribed and paid in, and was represented by 118,538,326 shares, each with a unit par value of 4.30 euros and represented by book entries.



Codere is the only Spanish gaming company listed on the Madrid stock exchange, where its shares have been traded since October 19, 2007.

08.1

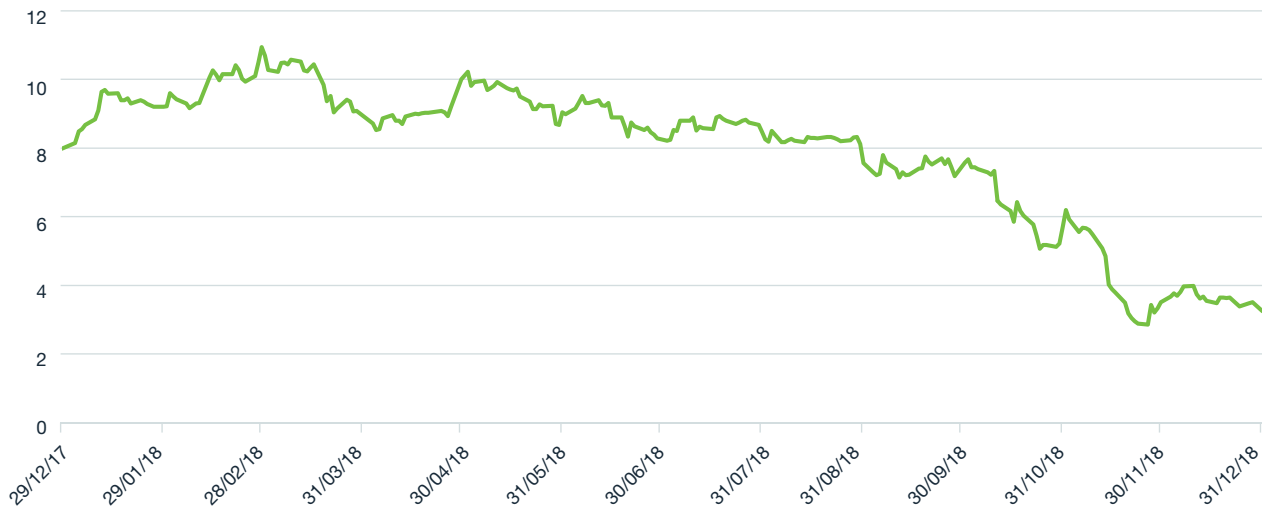
Share price performance and significant developments

Codere is the only Spanish gaming company listed on the Madrid stock exchange, where its shares have been traded since October 19, 2007.

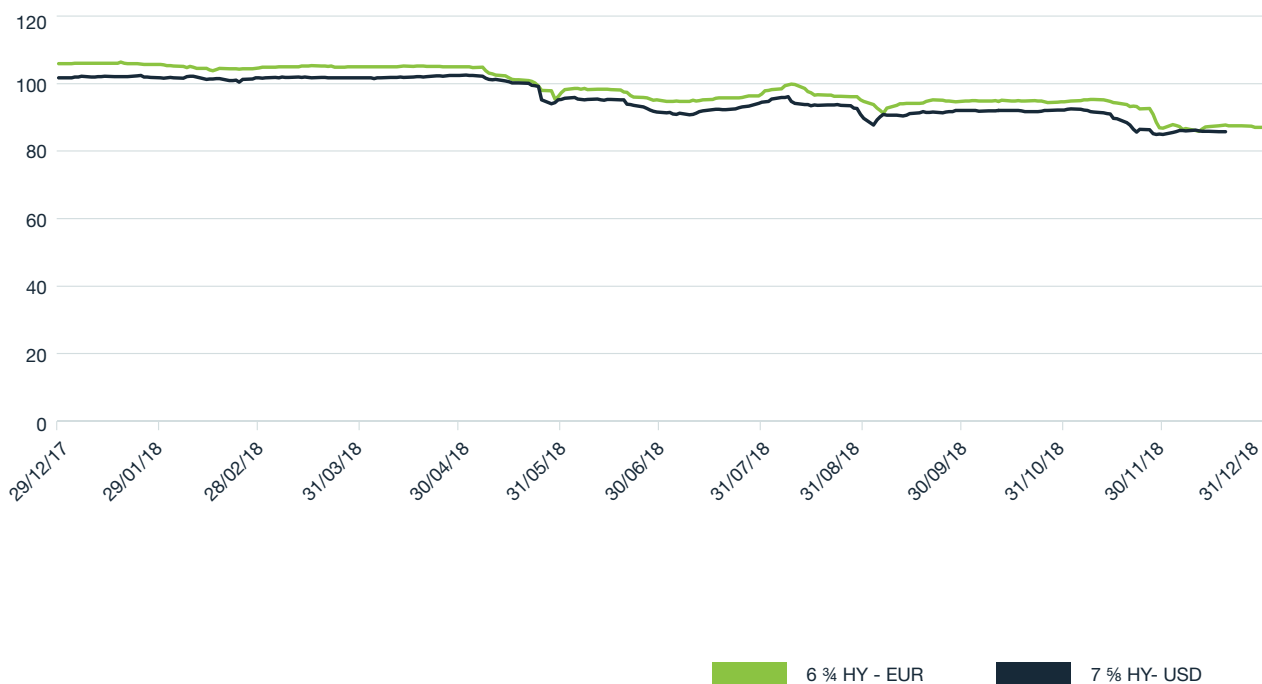
In 2018, the group worked particularly intensely on its investor relations. Specifically, it went to lengths to enhance its reporting effort, which was highly valued by shareholders and analysts, on two fronts: proximity and transparency.

During the first few months of the year, the market applauded the corporate changes afoot at Codere and bid the shares 32% higher. However, during the fourth quarter of 2018, Codere's share price corrected by 59%, in large part due to the recession in Argentina, the company's main market. However, as well in spite of the increase in gaming taxes in Italy, the company managed to post growth in its gross profit.

It is worth noting that trading volumes spiked significantly above annual averages in October and November, suggesting that Codere's shares were the object of speculative plays outside of its control.



As with the share price, Codere's bond prices traded very favorably during the initial months of the year, standing at the end of March at 95% of par. However, the fact that they trend virtually parallel to Argentina's sovereign bonds meant that Codere's euro- and dollar-denominated bonds ended the year at 87% and 86% of par, respectively, compared to 100% at the beginning of the year.



Transparency

In 2018, the company extended its pledge of maintaining open and continuous dialogue with its fixed-income and equity investors, as well as with the analyst community, rating agencies and other market players, providing them with all the material information they need to enrich their analysis of the company and evaluate the potential risks and opportunities of investing in Codere's shares or bonds.

In addition to numerous meetings with the financial community (in person or via conference call), the company attended several important events aimed at educating the market on its business performance, strategy and outlook. Of those events, the most important were:

- Deutsche Bank's 21st Annual Leveraged Finance Conference (June | London): Ten meetings with over 40 fixed-income investors, with the attendance of the CFO of the group.
- Bank of America's European Credit Conference (September | London): Eight meetings with 20 fixed-income investors, with the attendance of the CEO and CFO of Codere.
- Foro Latibex 2018 (November | Madrid): Five meetings with five equity investors, with the attendance of the CFO of the organization.

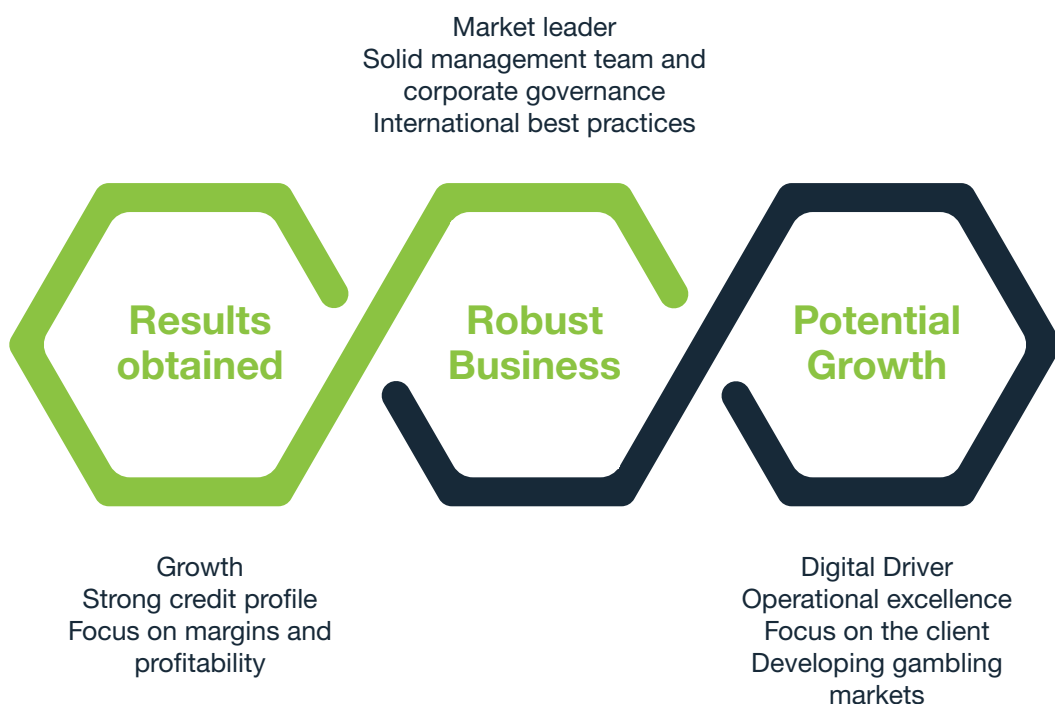
In 2018, the company published 14 official communications, keeping the market informed of all the circumstances of interest.

In 2018, the company extended its pledge of maintaining open and continuous dialogue with its fixed-income and equity investors, as well as with the analyst community.

08.2

Long-term value creation

The overriding aim of the Codere Group's strategy is to create value for its shareholders in the long term. It aims to do this by leveraging three key drivers: business solidity; growth potential and results.



Business solidity

Codere is a leading gaming player in most of its markets in Latin America and boasts a very strong position in Europe. Its gaming offering revolves primarily around fixed-odds gaming machines, which account for over 85% of its net win, making it a highly resilient company with a steady customer base.

Codere's business is, moreover, increasingly diversified geographically: its exposure to Argentina is gradually diminishing in favor of other markets such as Mexico and Spain. In 2018, our core markets, Argentina, Mexico, Spain and Italy, represented 28%, 22%, 23% and 15% of our total revenue, respectively, and 34%, 37%, 10% and 10%, of our EBITDA, respectively.

The Codere Group's management team, led by Vicente Di Loreto, boasts extensive experience in the gaming industry, experience it is tapping to enhance the firm's operational excellence, boost growth and maximize value creation for all of its stakeholders.

In addition, the organization's corporate governance system upholds the most stringent international standards and prevailing best practices, such as the segregation of power between the CEO and chairman.

Growth potential

Digitalization and operational excellence are fundamental for the group's culture. Codere has pioneered the rollout of technology to enhance the customer experience, redesign gaming processes, speed up operations and measures its performance across its markets. The new management team plans to push this effort even harder in order to complete the company's digital transformation.

Aligned with this goal, its customercentric approach puts it in a privileged position to understand its customers' behavior and user trends as it can analyze its considerable volume of operating data to invest in, create and deploy user-centered analysis with the aim of offering players a personalized entertainment experience.

Results

The global gaming industry has registered constant growth during the last 12 years, specifically a compound annual growth rate (CAGR) of 3%, despite the financial crisis of 2007-2012. Codere has outperformed the industry in its operating markets on revenue by 13%.

The company has delivered systematic revenue growth and steady gains in productivity per employee. During its financial restructuring, it reduced its headcount by nearly 40% while keeping its topline virtually constant.

In addition, the company has posted consistent margin expansion since its business began to recover on the back of the financial restructuring effort. Today the company is delivering EBITDA growth despite considerable tax increases in its main markets, particularly in 2017, and the recession affecting Argentina.

Codere's revenue in 2018 was 1,476 million euros, with an adjusted EBITDA of 282.9. The consolidated profit before taxes was 14.5 million euros.

Codere is a leading gaming player in most of its markets in Latin America and boasts a very strong position in Europe.

08.3

Tax transparency

The various taxes paid by the group in the countries and territories it operates in constitute the company's biggest contribution to public finances and services and, by extension, to society. In the context of its *Corporate Tax Policy*, the group has assumed the following general commitments:

- Compliance with prevailing tax legislation in the various countries and territories it does business in.
- Tax decisions and accounting based on reasonable interpretations of applicable law and closely aligned with the substance of the group's business.
- The fostering of relations with the authorities on the basis of trust, good faith, professionalism, collaboration, loyalty and reciprocity, notwithstanding the legitimate controversies which, framed by the above principles and guided by the group's interests, may arise with those authorities over the interpretation or application of tax laws.
- Refraining from incorporating or making investments in entities domiciled in countries or territories considered tax havens, unless expressly authorized by the company's Board of Directors following due analysis of the circumstances.

EUR Millions	Tax	Corporate income tax or equivalents		Others	Total
Argentina	187.9	18.4	2.6	0.4	209.3
Mexico	35.7	14.0	1.6	0	51.3
Colombia	4.1	0.2	0.2	0	4.5
Spain	70.4	1.2	0.4	0	72
Italy	215.6	1.8	0.0	1.4	218.8
Panama	11.1	1.4	0.3	0	12.8
Uruguay	3.3	0.1	0.0	0	3.4
TOTAL	528.1	37.1	5.1	1.8	572.1

Tax Contribution from Codere Group is extremely relevant, especially due to the gaming taxes paid in each of the countries where Codere carries out its activity. During the preceding years tax contribution has been the following.

EUR Millions	2016	2017	2018
Tax	552.2	598.0	528.1
Corporate Income Tax	33.8	64.2	37.1

Country	Earnings before taxes (Million Euros)
Spain	(12.9)
Mexico	18.5
Argentina	54.6
Colombia	(2.7)
Italy	4.2
Uruguay	0.6
Brazil	(5.0)
Panama	1.9
Holdcos	(62.8)

In 2018, the Codere Group did not receive any government grants.

³ It corresponds to taxes on companies or similar paid by country, not accrued. They have been calculated in local currency and at the year-end exchange rate.

Value chain

09

09 Value chain

The Codere Group has a *Purchasing Policy and Procedure Manual* which lays down the principles that govern how it engages with suppliers and its expenditure and investment allocations.

In addition, the *Code of Ethics and Conduct* itemizes the universe of principles and guidelines put in place to ensure ethical and responsible conduct on the part of all Group professionals in the course of their work, as well as its owners, suppliers and customers. The *Anti-Corruption Policy*, in keeping with the Global Compact's tenth principle, embodies the company's commitment to carrying out its business activities free from corruption, working actively to combat this scourge.



The purchasing function is supervised by the corporate Purchasing Department and is broken down into five areas:

- Purchasing function: consists of the search for, selection and certification of suppliers, the certification of products and services, negotiation and contracting. Its responsibility is to set the best contractual terms and conditions for the group companies in accordance with their needs.
- Virtual purchasing pool: the process of validating a purchase, depending on the amount involved, which is carried out virtually. It intervenes when a purchase request is not covered by a framework agreement so that the supplier requires validation. A number of suppliers are proposed and one is ultimately selected. Validation and acceptance of these suppliers is carried out by people in different positions at Codere (to be defined later) depending on the amount of the expenditure requested.
- Procurement function: this function reports to Purchasing and is in charge of launching purchase orders, tracking them and managing any incidents with suppliers.
- Payment management: this function is separate from Purchasing and consist of the process of confirming the product or service, recording the expense for accounting purposes and taking receipt of and settling the invoices. This function approves invoices by cross-checking the POs and delivery notes in SAP with invoices received for record-keeping purposes.
- Framework agreements: the execution of agreements with one or more suppliers with the aim of setting the terms and conditions that will govern the contracts the contracting body wants to adjudicate for a fixed period of time.

09.1

Supplier certification

The procedure for certifying suppliers at Codere is an all-encompassing process which involves the Internal Audit Department and the corporate Purchasing Department. All suppliers that wish to begin to work with the company must be certified before they can start to supply their products or services.

In addition, with the aim of restricting business relations to entities that conduct their business in keeping with the highest standards of solvency, honorability and compliance, Codere audits all suppliers of goods or services with which it contracts 3,000 euros or more (or the local equivalent).

As a result, any area that needs to engage services and/or purchase goods must send the Compliance Department the information needed to verify and validate the proposed suppliers via the *Purchasing Pool*.

09.2

Local suppliers

Codere's commitment to society implies strengthening its ties with suppliers based locally in the various countries it operates in with a view to fostering development in those communities. This strategy has the added benefit of reducing operational risk by shortening product delivery times.

In 2018, the company ordered products and services from 7.600 suppliers, making purchases totaling over 114 million euros.



Codere's commitment to society and the environment

10

10

Codere's commitment to society and the environment

The Codere Group is strategically committed to delivering sustainable growth in order to ensure a healthy earnings performance and solid business, looking out for environmental protection, social development and business ethics in parallel. The Codere Group's corporate social responsibility strategy is therefore a fundamental part of its transparency, excellence and competitiveness policy, which in turn is articulated around four cornerstones: responsible gaming; people development; corporate governance and tax transparency; and a firm commitment to society and the environment.

It is important to highlight that in 2018 the gaming industry was responsible for 84,702 direct jobs only in Spain, with the private gaming sector contributing 55% of the total, as well as 167,400 indirect jobs. The sector also made a sizeable contribution to the country's tax revenue in 2018, generating 1.09 billion euros in regional gaming duties and 113.8 million euros at the state level, as well as the taxes paid as a result of the companies' business activities. As the leading player in the private gaming sector, Codere devotes resources to researching, publicizing and applying responsible gaming policies in order to minimize any adverse impact its business could have on society.

Codere allocates efforts to research, dissemination and application of policies responsible game, for minimize any impact negative that your business about society.

As the leading player in the private gaming sector, Codere devotes resources to researching, publicizing and applying responsible gaming policies in order to minimize any adverse impact its business could have on society.

The Codere Group's stakeholder commitments in environmental, social and governance matters are articulated in its *Corporate Social Responsibility (CSR) Policy*, which is aligned with the recommendations contained in the Good Governance Code issued by Spain's securities market regulator, the CNMV.

The Codere Group is firmly committed to the four cornerstones of its CSR regime, which is designed to provide an integrated framework that encompasses all of its stakeholder policies and initiatives. The Group's stakeholders include all of the natural or legal persons who in one way or

another influence or are influenced by the activities undertaken by the company and contribute to its progress. The *Corporate Social Responsibility Policy* constitutes an efficient, systematic and transparent communication tool and is the fundamental framework for the Codere Group's efforts in the sustainable development and management arena.

Against this backdrop, in March 2016, the Board of Directors of Codere approved the company's General Corporate Social Responsibility Policy, as contemplated in article 7.2 (section IV) of its Regulations. The objectives of this policy are:

- Fostering a Group-wide culture that contributes to the sustainable generation of value for society and all of the stakeholders with which the Codere Group engages.
- Remunerating all of the groups that contribute to the success of its business endeavor equitably.
- Embarking on new investments framed by social returns criteria: the generation of jobs and wealth for society taking a long-term view in an attempt to create a better future without jeopardizing current performance.

In order to meet these objectives it is necessary to maintain a fluent communication with stakeholders, which comprises usage different communication channels such as employee monthly newsletter called *Codere Actualidad*, press releases and constant dialogue through social media, where Codere has a significant presence.



48.866
Followers



583.304
Followers



102.885
Followers



12.980
Followers



19.780
Followers

10.1

Society

The Codere Group earmarks some of its resources to the development of the local communities in which it carries out its activities by championing community initiatives and broadcasting fair gaming values, work that consists of spreading best gaming practices and initiatives designed to prevent any adverse fallout from gaming.



The promotion of education, particularly among the very young, is one of the most important areas of Codere's community work.

The company's commitment to society crystallizes in four areas of activity: education; training and employment; philanthropy; and environmental protection.

Education

The promotion of education, particularly among the very young, is one of the most important areas of Codere's community work. It is a clear signal of its commitment to sustainable development as education is the most effective way of ensuring responsible gaming and preventing abusive conduct. Specifically, in 2018 it worked on support programs for students and on the provision of infrastructure and equipment in educational centers.

In Panama, it inaugurated a residence for students at the Laffit Pincay Jr. Jockey Academy who can accredit difficulties in paying for their lodgings.

Training and employment

The Codere Group's commitment to education also extends to the provision of job training to young people. Codere is aware that the best contribution it can make to society is to generate opportunities in its local communities. In 2018, the company collaborated with several NGOs and organizations involved with the promotion of youth employment. The Group remained particularly active on this front in Uruguay, where it providing training programs for jockeys and stable hands; this program includes initial customer service work experience which benefits over 100 youths each year.

There is a similar initiative at the Jockey School at the Presidente Remón Racetrack in Panama, where a talk was given to students on drug addiction as part of Codere's collaboration with the "KO Drugs" Foundation.

In Italy, Codere participated in the Young Talent Network event in collaboration with the Spanish Chamber of Commerce in Italy.

Philanthropy and local development

In 2018, the Codere Group continued to contribute to local development by means of philanthropy, specifically donations and the organization of activities designed to improve the living conditions and prospects of the people living in the communities nearest to the group's operating centers. In 2018, the company demonstrated its ability to execute previously planned initiatives in this

arena; it also proved its philanthropic commitment in the face of unanticipated developments.

To highlight some of the initiatives undertaken in Codere's operating markets:

In Mexico, Codere reached an agreement with the Mayor of Azcapotzalco in Mexico City for collaboration on equipping the region's sports facilities. In addition to this project, Codere amplified its support for local development with direct donations to a series of charities.

In Panama, the Codere Group lent its support to the Relay for Life event to raise money for children with leukemia and other forms of cancer in collaboration with the Fanlyc Foundation.

Country	Donations to NPO (€)
Spain	80,000
Argentina	109,947
Italy	21,320
Total (M€)	211,267

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Environmental disclosures

The company views respect for the environment and sustainability all along its value chain as key to its long-term success. It is therefore committed to protecting the environment and natural resources in its operating communities. In 2018, the head offices renewed the silver LEED certification obtained in July 2017. LEED, which stands for Leadership in Energy & Environmental Design, is an internationally renowned quality seal awarded by the US Green Building Council. It is held by some of the most important companies in the world. It is the most prestigious building green building certification and acknowledges the responsible use of buildings to maximize their operational efficiency and minimize their environmental impact.

Some of the issues pursued in recent years include better sorting of waste for recycling and the installation of efficient water diffusers in taps. In 2018, the head offices renewed the silver LEED certification obtained in July 2017. LEED, which stands for Leadership in Energy & Environmental Design, is an internationally renowned quality seal awarded by the US Green Building Council. It is held by some of the most important companies in the world. It is the most prestigious building green building certification and acknowledges the responsible use of buildings to maximize their operational efficiency and minimize their environmental impact.

Concept	Consumptions 2018
Electricity(kW)	6.695.211 ⁴
% Renewable	12% ⁵
Fuel (l.)	1.000.000 ⁶
Water (m3)	35.795 ⁷

Scope	Tn CO2 2018 ⁸
Scope 1 emissions	2.180
Scope 2 emissions	2.878,94

⁴ The approximate consumption corresponds to the total number of branches, delegations, AADD stores (own network), salons and Bingos within the Spanish territory.

⁵ The calculation of the percentage of renewable energies is not expressed in absolute terms, since the electricity supply is divided between more than 250 properties and the contract typologies alter that proportion due to the differences in the contracted power capacity and location.

⁶ Estimate corresponding to the Spanish and Headquarters operations fleet.

⁷ Calculation performed according to the invoices available as of the date of the report. Out of this amount, 6,628 m3 correspond to the Alcobendas headquarters. The remaining part corresponds to delegations and operating halls within the Spanish territory.

⁸ MAPAMA emission factors (April 2018 - Version 10).

Outlook

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Outlook

The gaming industry has reaffirmed its growth and maturity in recent years, despite an increasingly regulated environment (although the majority of countries have still to define regulations for online betting). Generally speaking, last year in Spain alone, the amount gambled off line represented 487.7 million euros while the amount gambled online was 573.2 million euros. Innovation has emerged as the major trend in product development despite growing regulatory restrictions such as those imposed via data protection and anti-money laundering regulations. Products based on financial wagers have become an established part of the sector offering, carving out a presence in both player services and digital solutions for gaming companies. Assuming that regulatory conditions don't change, this activity is expected to register significant growth in several markets around the world.



New technologies

The private gaming sector is not immune to the advent of new technologies that are similarly shaping development in other industries. Specifically, big data analysis via automation and the development of artificial intelligence and the growing notoriety of crypto currencies and other blockchain systems are throwing up major near-term opportunities, as well as challenges, for the gaming sector in general and the online segment in particular.

Another source of technological innovation is that of open software which is creating the opportunity to continually upgrade IT processes that otherwise run the risk of becoming obsolete.

Codere, as a sector leader, is already working on projects based on those technologies. In this manner it is looking not only to enhance its customers' experience but also to further tighten security and control. For example, the company is working on innovative facial recognition systems in gaming rooms with a view to reinforcing access controls.

Greater transparency and regulation

Despite the fact that private gaming is tightly regulated, the online gaming segment has yet to be regulated in several markets. Some governments in Latin America, including the governments of Argentina, Brazil, Paraguay and the Buenos Aires province, are evaluating the possibility of transposing the legal regime introduced in Colombia. Moreover, the need to establish responsible gaming guidelines is becoming more and more important to regulators and society in general, as is evident in the multi-million euro fine received by a European private gaming company for violating anti-money laundering regulations in 2018.

Codere, true to its commitment to society and to responsible gaming, would like to see tighter regulation of online gaming. The company is also seeking to reinforce its stakeholder relations by publishing more relevant and targeted information. In this manner, it hopes to continue to lay the foundations for greater transparency in the gaming sector, ultimately enhancing the public perception of the business and thus helping to boost its earnings and deliver its strategic targets.

New markets

The second edition of the Tehran Game Convention, one of the largest international events for B2B sector players, took place in Iran in July 2018. It brought together more than 100 companies and around 2,300 online game developers from all around the world. One of the goals of the convention was to establish a connection between the European and American game companies and those in the emerging markets of the Middle East, Africa and Asia, evidencing the industry's growing interest in new markets.

Since its beginnings as a gaming machine operator in 1980, Codere has been diversifying its activities in the gaming industry, proving its ability to adapt to new scenarios. The emergence of emerging markets on the horizon provides the group with an opportunity to further its international diversification in an increasingly global world.

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