

## **2018 AUDIT COMMITTEE REPORT** **ON RELATED-PARTY TRANSACTIONS**

The Audit Committee of CODERE S.A., complying with Recommendation 6 of the Good Governance Code of Listed Companies, has issued the following report on third-party transactions.

### **A. Regulations: Spanish Companies Act, Regulations of the Board of Directors of Codere S.A. and recommendations of the Good Governance Code of Listed Companies.**

On February 18th 2015 CNMV issued a Resolution approving the Good Governance Code.

This Code states in its Recommendation nº 6 that:

*“Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:*

- a) Report on auditor independence.*
- b) Reviews of the operation of the audit committee and the nomination and remuneration committee.*
- c) **Audit committee report on related-party transactions.***
- d) Report on corporate social responsibility policy.”*

Additionally, art. 529 quaterdecies.4.g of the Spanish Companies Act states that the audit committee shall inform the board of directors, with prior notice, about all matters foreseen in the law, by-laws and board regulations, and in particular those regarding transactions with related parties.

In this sense, Regulations of the Board of Directors of Codere S.A. states in art. 14.3.3º c) that the Audit Committee will hold at least the following competence:

*“To inform the Board, before it adopts the decisions reserved to it according to the provisions of article 7.17 herein, about the following matters:*

*(...)*

- c) Related operations”.*

Art. 7 of the Regulations of the Board of Directors of Codere S.A. establishes that the plenary meeting of the Board is reserved the power to:

*“(…)*

*17. Any operations carried out by the Company with Directors, significant shareholders or those that are represented on the Board, or with parties related thereto (“related operations”). The Board’s authorization, however, will not be considered necessary in those related operations that simultaneously meet the following three conditions:*

- (i) Are carried out by virtue of agreements subject to standard conditions, applied en masse to many clients.*

- (ii) Are carried out at prices or rates generally established by the party acting as supplier of the good or service in question;*
- (iii) The amount of which does not exceed 1% of the Company's annual revenue".*

## **B.- Related-party operations during 2018**

### **Transactions with Directors:**

During fiscal year 2018, the Audit Committee was informed of the following transactions carried out with Directors:

- Transactions with Mr. José Antonio Martínez Sampedro

As a result of the termination of his service contract signed with CODERE S.A., the Director Mr. José Antonio Martínez Sampedro has received from the Company the amount of €2,113,641 as severance payment.

The subsidiary CODERE NEWCO S.A.U. sold to the Director Mr. José Antonio Martínez Sampedro the vehicle that he had been using as part of his remuneration, until his resignation as Executive Director. The price of this sale was €4,818 (VAT included).

- Transactions with Mr. Luis Javier Martínez Sampedro

As a result of the termination of his service contract signed with CODERE S.A., the Director Mr. Luis Javier Martínez Sampedro received from the Company the amount of €1,188,650 as severance payment.

The subsidiary CODERE NEWCO S.A.U. discounted the rental fees of the vehicle that the Director Mr. José Antonio Martínez Sampedro had been using as part of his remuneration, until his resignation as Executive Director. The amount of these fees was €11,125.

Additionally, during financial year 2018, Luis Javier Martínez Sampedro reimbursed CODERE S.A. with the 4,650 shares he acquired in 2005, thereby cancelling the company's loan that was once granted for the purchase of those shares. On the date of cancellation of the loan, the principal and interest accrued amounted to €1,090,110.44.

- Transaction with Mr. Pío Cabanillas Alonso (representative of Masampe S.L. on the Board).

Lastly, during fiscal year 2018, CODERE NEWCO S.A.U. paid the company PROTV S.A. (a company controlled by Mr. Pío Cabanillas Alonso, natural person representative of the director Masampe S.L.) the amount of €61,952 for the services rendered to the Company, in accordance with the contract for the provision of institutional advisory services signed in May 2016.

### **Transactions with significant shareholders:**

During fiscal year 2018, the subsidiaries of the CODERE NEWCO S.A.U. Group and ALTA CORDILLERA S.A. entered into a Loan Agreement for an amount of US \$13,655,462, including the M&G Illiquid Credit Opportunities Fund Limited and M&G Illiquid Credit

Opportunities Fund II Limited among the Initial Lenders, both companies controlled by Prudential PLC, significant shareholder of Codere S.A.

At 31 December 2018, these entities had been paid, as principal and interest, US \$1,523,283.01.

This transaction was duly approved by the Board of Directors of Codere S.A.

### **Transactions with other related parties:**

During fiscal year 2018, CODERE NEWCO S.A.U. billed the company "FRANCOMAR INVESTMENTS S.A.", a company linked to the Directors Mr. José Antonio Martínez and Mr. Luis Javier Martínez, €15,240 in rent for the use of the partial sublease, on its offices located in Alcobendas, Avda. de Bruselas 26.

Lastly, as at 31 December 2018, our subsidiary ITAPOAN S.A. owed to FRANCOMAR INVESTMENTS S.A. 1,621,277 Argentine pesos (equivalent to approximately €38,000) in dividends, for the participation that said company holds in the capital stock of ITAPOAN S.A.

In accordance with the applicable regulations in force, the transactions between companies of the same consolidated group (Codere Group), which have been eliminated in the preparation of the consolidated financial statements and are part of the same, have not been included in this report as part of the normal business operations of the companies regarding their object and conditions.

Madrid, May 23, 2019