

REPORT ISSUED BY THE BOARD OF DIRECTORS OF CODERE, S.A. PURSUANT TO ARTICLE 318.1 RELATING TO ARTICLE 286 OF THE SPANISH COMPANIES LAW, ON THE GROUNDS FOR THE PROPOSAL TO REDUCE SHARE CAPITAL INCLUDED ON THE AGENDA OF THE ANNUAL AND SPECIAL SHAREHOLDERS' MEETING

I. PURPOSE OF THE REPORT

The Board of Directors of Codere, S.A. ("**Codere**" or the "**Company**") resolved, at the meeting it held on June 22, 2020, to call an Annual and Special Shareholders' Meeting to be held on July 24, 2020, on first call, and on July 25, 2020, on second call, and to submit to such Shareholders' Meeting, as item Four on the Agenda, the approval of a reduction of share capital without refund of contributions by reducing the par value of the shares to create an unavailable reserve charged to free reserves, in addition to the relevant amendment to the bylaws.

Article 318.1 of the Spanish Companies Law (*Ley de Sociedades de Capital* - "**LSC**"), relating to article 286 LSC, requires a written report to be issued by the directors on the grounds for the proposal for amendment to the articles of association submitted to the Annual and Special Shareholders' Meeting for approval. To aid the understanding by the shareholders of the grounds for the proposal for amendment submitted to them for approval, the purpose and grounds of such amendment are firstly explained and the proposal for a resolution submitted to the Annual and Special Shareholders' Meeting for approval is then provided.

II. APPLICABLE LAW

Under article 318 LSC, the resolution of the shareholders' meeting to reduce capital must meet the requirements for amendment of the articles of association. In turn, pursuant to article 286 LSC relating to article 318 LSC, the directors must issue a written report recording the grounds for the resolution.

III. GROUNDS FOR THE PROPOSAL

The proposed reduction of capital has the purpose of reducing the par value of all the shares of the Company in order to create an unavailable voluntary reserve pursuant to article 317.1 of the LSC. In this regard, the Board of Directors considers that to reduce the par value of the shares of Codere from 4.30 euros per share to 0.50 euros per share will benefit the placing in the market of the shares that may be issued in the context of the capital increases that may be resolved by the Shareholders' Meeting or by the Board of Directors exercising the powers that may be granted by the Shareholders' Meeting, all the above to the extent that, on affording greater flexibility to establish the issue rate of the new shares, this will facilitate the adaptation of such issue rate to the listed price of the shares, thus providing a wider margin to establish an issue rate without contravening the legal limits that impede the issue of shares below their par value (art. 59.2 LSC).

In accordance with the above paragraph, it is in the interest of the Company to approve and execute a reduction of share capital that reduces the par value of each share outstanding in the Company by 3.80 euros, from 4.30 euros to 0.50 euros per share.

Thus, it is proposed that the capital be reduced to create an unavailable voluntary reserve,

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reducing the share capital by 450,445,638.8 euros, from FIVE HUNDRED AND NINE MILLION SEVEN HUNDRED FOURTEEN THOUSAND EIGHT HUNDRED AND ONE EUROS AND EIGHTY CENTS (EUR 509,714,801.80), to FIFTY-NINE MILLION TWO HUNDRED AND SIXTY-NINE THOUSAND ONE HUNDRED AND SIXTY-THREE EUROS (EUR 59,269,163), by reducing the par value of each of the shares outstanding from 4.30 euros to 0.50 euros.

As a result of the reduction of capital by 450,445,638.8 euros submitted to the Shareholders' Meeting for approval, an unavailable voluntary reserve would be created which would be available only meeting the same requirements as those established for the reduction of share capital pursuant to art. 335 c) LSC, thus without refund of contributions to the shareholders or any reduction in the equity value of their respective shares in the capital of the Company. Thus, the proposed reduction of capital is relevant merely for book purposes since it has no effects on the net worth since the reduction of capital conforms to the provision of an unavailable voluntary reserve in the same amount.

IV. TEXT OF THE PROPOSAL FOR A RESOLUTION

“Reduction of capital by reducing the par value of the shares”.

A. RESOLUTION TO REDUCE CAPITAL

In accordance with the report issued by the Board of Directors on June 22, 2020, pursuant to article 286 of the Spanish Companies Law (*Ley de Sociedades de Capital* - “LSC”) (the “**Report**”), in order to create an unavailable reserve, to reduce the share capital of the Company by 450,445,638.8 euros by reducing the par value of each and every one of the shares currently outstanding of the Company, by 3.80 euros per share. Accordingly, after such reduction, the share capital of the Company will be FIFTY-NINE MILLION TWO HUNDRED AND SIXTY-NINE THOUSAND ONE HUNDRED AND SIXTY-THREE EUROS, i.e., 0.50 euros per share.

The purpose of the reduction of capital is to benefit the placing in the market of the shares that may be issued in the context of the performance of one or more increases of capital affording the Board greater flexibility to establish the effective issue price.

This resolution to reduce capital will not have effects on the voting or economic rights of the shareholders, since it will be proportional and will affect equally all the shares in the capital of the Company.

Since it is a reduction of capital without refund of contributions to create or increase the voluntary reserve, such reserve should be unavailable and be created in the same amount as such reduction of capital (i.e., 450,445,638.8 euros) pursuant to article 335. c) LSC, to be available only meeting the same requirements as those established for the reduction of capital depending on the purpose for which it is to be made available. Thus, pursuant to said article, the creditors do not have the right to object to this reduction of capital which would thus become immediately effective upon the decision made by the Shareholders' Meeting (notwithstanding the necessary acts for formalization and the provisions of this resolution).

B. AMENDMENT TO ARTICLE 5 OF THE ARTICLES OF ASSOCIATION

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Therefore, article 5 of the Articles of Association of the Company will be restated, on the terms necessary to reflect the amount of the reduction of capital pursuant to section A above, which will be reworded as set out below:

“ARTICLE 5. The share capital is FIFTY-NINE MILLION TWO HUNDRED AND SIXTY-NINE THOUSAND ONE HUNDRED AND SIXTY-THREE EUROS (EUR 59,269,163), fully subscribed for and paid up, represented by ONE HUNDRED AND EIGHTEEN MILLION FIVE HUNDRED AND THIRTY-EIGHT THOUSAND THREE HUNDRED AND TWENTY-SIX (118,538,326) shares, each with a par value of FIFTY EURO CENTS (EUR 0.5), represented by book entry”.

C. DELEGATION OF POWERS TO THE BOARD OF DIRECTORS

To empower the Board of Directors expressly, as fully as may be feasible by Law, with powers for substitution in any of its members, the Secretary and the Vice-Secretary, notwithstanding any previous delegations or conferrals of powers, to perform any acts and formalities that may be necessary or merely advisable for the execution and successful outcome of the reduction of capital, such powers, in particular, including, but not limited to, those set out below:

- (i) To appear before a Notary Public and execute the relevant public deed for reduction of share capital and make any appropriate arrangements for its entry at the Commercial Registry, including the necessary amendments and rectifications.
- (ii) To prepare, sign, issue and, if appropriate, certify any document relating to the execution of the reduction of capital, to ensure its successful outcome.
- (iii) To draw up and publish any announcements that may be necessary or advisable relating to this reduction of capital.
- (iv) To file or perform before the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores* - “CNMV”), Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (“Iberclear”), the Stock Exchange Manager Companies and any other body or entity or public or private registry, either Spanish or foreign, any application, action, statement or formality necessary and to draw up and process the relevant documents for the reduction of the par value of the shares to be duly registered, if appropriate, for the purposes of such entities.”

This report has been drawn up and approved by the Board of Directors of Codere S.A. on June 22, 2020.

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