Audit Report on Consolidated Financial Statements
issued by an Independent Auditor

CODERE, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2019

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the Shareholders of Codere, S.A.:

Audit report on the consolidated financial statements

Opinion

We have audited consolidated financial statements of Codere, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2019, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2019 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and management of cash takings

Description

The Codere Group, as detailed in note 1 of the financial statements, generates its revenue from the operation of amusement and gaming machines, bookmakers, bingo halls, casinos and racetracks, collecting the related income principally in cash. Given the high volume of cash transactions and the risk of fraud intrinsic to the collection and management of the cash deriving from its takings and its correlation with the Group's revenue, we have considered this to be one of our key audit matters.

Our response

In relation to this matter, our audit procedures included the following:

- Understanding the processes associated with the various sources of income as a function of the Group's different businesses. Analysing the design and effectiveness of the relevant controls implemented by the Group in connection with the risk of misappropriation of cash.
- Analysing substantive analytical procedures by means of correlations between sales revenue and cash accounts.
- Conducting analytical review procedures to assess whether the sales revenue recognized is in line with the levels estimated on the basis of our expectations.
- Conducting substantive procedures on the end-of-period cash count.
- Conducting substantive procedures on the end-of-period sales cutoff.
- Reviewing the consolidated financial statements disclosures.

Measurement of non-current assets (goodwill, other intangible assets, property, plant and equipment and deferred tax assets)

Description

Goodwill, other intangible assets and property, plant and equipment

As indicated in notes 10, 7 y 8 of the consolidated financial statements, the Group at December 31, 2019, recognized goodwill, other intangible assets and property, plant and equipment in the amounts of 232,292 thousand euros, 374,012 thousand euros and 350,584 thousand euros, respectively. At least once a year, the Group's Management analyzes the recoverable amounts of each significant cash-generating unit (CGU). The goal of this analysis is to determine whether it is necessary to recognize an impairment loss against the goodwill associated with these CGUs or against any other intangible asset or item of property, plant and equipment belonging to them. For impairment testing purposes, as indicated in note 4.a), the Group projects each unit's future cash flows using models that encompass the most pertinent business, financial and macroeconomic indicators.

We have considered this issue to be one of our key audit matters because the analysis performed by the Group's Management requires the use of complex estimates and judgments regarding the future earnings performances of the CGUs to which the above-listed assets belong. The description of the amounts, the reconciliation of the opening and closing balances and the analysis of the recoverable amounts of the CGUs to which the above-listed goodwill has been allocated are provided in notes 10 and 13 of the accompanying consolidated financial statements. Elsewhere, the corresponding disclosures for other intangible assets and property, plant and equipment are provided in notes 7 and 8, respectively, of the accompanying consolidated financial statements.

Deferred tax assets

At December 31, 2019, the Group recognized deferred tax assets in the amount of 52,830 thousand euros. The disclosures pertaining to these assets can be found in note 12 of the accompanying consolidated financial statements.

The assessment performed by the Group's Management to determine the recoverable amount of these assets was based on estimated future taxable profit, in turn derived from the Group's financial projections and business plans and prevailing applicable tax regulations. We considered the assessment of the Group's ability to recover its deferred tax assets to be a key audit matter.

Our response

In the context of our audit, for goodwill, other intangible assets and property, plant and equipment our work consisted primarily of:

- Analysis the internal and external factors considered by the Group for the purpose of determining whether or not there were objective indications that its other intangible assets or property, plant and equipment were impaired.
- Understanding the process followed by the Group to determine the recoverable amounts of its non-current (non-financial) assets and the underlying projection process.
- Evaluate the methodology utilized by management to determine the recoverable amounts of the assets in question, involving in-house valuation experts during the audit to assist us in (i) assessing the valuation methods used and their consistency of application; (ii) verifying the arithmetical calculations; and (iii) appraising the discount rates and long-term growth projections used.
- Performing procedures to review the financial projections, cross-checking the current situation with that projected the prior years in order to assure ourselves about the consistency and reasonableness of the estimates prepared in prior years and to analyze how Management's historical projections have ultimately panned out.
- Testing how sensitive the results are to reasonable possible changes in the key assumptions made.
- Reviewing of the consolidated financial statements disclosures.

In addition, and in relation with deferred tax assets:

- Analysis of the assumptions used by Management to estimate how long it will take to utilize the deferred tax assets recognized, focusing our analysis on the economic, financial and tax assumptions used by the Group to estimate future taxable profit and involving our tax experts to this end. In addition, we tested how sensitive the results are to reasonable possible changes in the key assumptions made.
- Review the integrity and reasonability of consolidated financial statements disclosures.

Provisions and contingent liabilities

Description

The Group is involved in several legal and tax cases, including regulatory and other governmental proceedings, and is also subject to inspections by certain tax and legal authorities. Refer to notes 2 b.19), 4 d) & e), 18 and 22 of the consolidated financial statements for more details.

We consider this area to be a key audit matter due to the potential significance of these contingencies and the uncertainty intrinsic in the assessment of whether or not a liability should be recognized and whether or not the amounts can be reliably estimated, assessments which entail a certain amount of judgment on the part of Group Management.

Our response

In the context of our audit, our work consisted primarily of:

- Understanding the processes in place at the Group for assessing possible contingencies.
- Reviewing ongoing and potential lawsuits and contingencies, focusing on the estimates made by Management as to their probability of occurrence and the potential impact on the Group's consolidated financial statements.
- Receiving confirmation from in-house and external counsel regarding known and possibly-known lawsuits and claims, including an assessment of their likely outcome and financial statement impact to determine the reasonableness of Management's estimates.
- Involving our legal and tax experts to provide assistance during our audit in reviewing ongoing and potential lawsuits and contingencies.
- Reviewing of reasonability of the information disclosure by the Group in the notes of the consolidated financial statements.

Other information: consolidated management report

Other information refers exclusively to the 2019 consolidated management report, the preparation of which is the responsibility of the parent Company’s directors and is not an integral part of the financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the information contained in the consolidated management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

a. A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report or where applicable, that the consolidated management report includes the corresponding reference to the separate non-financial report as stipulated by prevailing regulations and if not, disclose this fact.

b. a general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided in the consolidated management report, and that the remaining the information contained therein is consistent with that provided in the 2019 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on February 28, 2020.

Term of engagement

The annual general shareholders' meeting held on June 26, 2019 appointed us as auditors for three years, commencing on December 31, 2019.

Previously, we were appointed as auditors by the shareholders for 3 years and we have been carrying out the audit of the financial statements continuously since December 31, 2016.

ERNST & YOUNG, S.L.

Jose Enrique Quijada Casillas

February 28, 2020

CODERE, S.A. AND SUBSIDIARIES

Consolidated financial statements for the year ended December 31, 2019 and
2019 Group management report

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2019
(Thousands of euros)

CONTENTS

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2019
(Thousands of euros)

		At December 31	
ASSETS	**Note**	**2019**	**2018**
Non-current assets		**1,337,559**	**1,137,037**
Intangible assets	7	374,012	382,719
Right-of-use assets	2.a.2	254,689	-
Property, plant and equipment	8	350,584	402,134
Investment properties	8	52,669	51,501
Goodwill	10	232,292	230,375
Investments in equity-accounted investees	9	526	650
Non-current financial assets	11	19,957	22,153
Non-current loans		15,397	17,627
Held-to-maturity investments		4,560	4,526
Deferred tax assets	12	52,830	47,505
Current assets		**312,963**	**307,527**
Inventories	14	10,731	10,891
Accounts receivable	15	142,860	151,556
Trade receivables		28,752	32,248
Current tax assets		26,574	29,393
Sundry receivables		33,627	43,626
Accrued tax receivable		53,907	46,289
Financial assets	16	43,345	43,318
Other loans and investments		43,345	43,318
Prepaid expenses		12,930	19,987
Cash and cash equivalents	24	103,097	81,775
TOTAL ASSETS		**1,650,522**	**1,444,564**

The accompanying financial statement notes are an integral part of these consolidated financial statements

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2019
(Thousands of euros)

		At December 31	
EQUITY AND LIABILITIES	**Note**	**2019**	**2018**
Equity attributable to equity holders of the parent	17	**(38,008)**	**8,700**
Issued capital		509,715	509,715
Share premium		563,178	563,178
Legal reserve and retained earnings		(911,729)	(867,193)
Revaluation reserves		3,343	3,497
Translation differences		(140,864)	(160,086)
Profit/(loss) for the year attributable to equity holders of the parent		(61,651)	(40,411)
Non-controlling interests		**81,057**	**83,422**
Total equity		**43,050**	**92,122**
Non-current liabilities		**1,221,529**	**964,002**
Deferred revenue		-	10
Non-current provisions	18	21,988	23,032
Non-current payables	19	1,103,815	846,369
Bank borrowings		76,990	37,337
Issued notes		787,931	761,985
Other borrowings		238,894	47,047
Deferred tax liabilities	12	95,726	94,591
Current liabilities		**385,944**	**388,440**
Provisions and other	18	7,396	8,715
Bank borrowings	19	20,646	40,004
Notes and other marketable securities	19	11,737	15,543
Other non-trade payables	19	229,819	203,292
Trade payables		92,203	82,035
Current tax liabilities	19	24,143	38,851
TOTAL EQUITY AND LIABILITIES		**1,650,522**	**1,444,564**

The accompanying financial statement notes are an integral part of these consolidated financial statements

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2019
(Thousands of euros)

	Note	Year ended Dec. 31 2019	2018
Operating income	23.a	1,389,414	1,435,304
Revenue		1,370,510	1,417,142
Other income	23.a	18,904	18,162
Operating expenses	23.b	(1,304,750)	(1,333,376)
Raw materials and consumables used and other external expenses		(44,502)	(52,164)
Employee benefits expense	23.d	(193,163)	(215,521)
Depreciation and amortization	7,8	(189,965)	(120,516)
Change in provisions for bad debt		(9,932)	(5,472)
Other operating expenses	23.c	(867,188)	(939,703)
Asset impairment	7, 8, 10 & 13	-	-
Gain/(loss) on de recognition/disposal of assets	6	(2,572)	(5,071)
OPERATING PROFIT		**82,092**	**96,857**
Finance income		5,018	3,657
Finance costs		(110,263)	(74,913)
Net exchange (losses)/gains		(9,679)	(28,663)
NET FINANCE COST	23.g	**(114,924)**	**(99,919)**
PROFIT/(LOSS) BEFORE TAX		**(32,832)**	**(3,062)**
Income tax	21	(29,656)	(30,452)
Share of profit/(loss) of equity-accounted investees		(155)	(90)
PROFIT/(LOSS) FOR THE PERIOD		**(62,643)**	**(33,604)**
Attributable to:			
Non-controlling interests		(992)	6,807
Equity holders of the parent		(61,651)	(40,411)
Basic and diluted earnings per share (euros)	23.f	**(0.54)**	**(0.28)**
Basic and diluted earnings per share from continuing operations attributable to equity holders of the parent (euros)	23.f	**(0.53)**	**(0.34)**

The accompanying financial statement notes are an integral part of these consolidated financial statements

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019
(Thousands of euros)

		Year ended Dec. 31	
	Note	**2019**	**2018**
Profit/(loss) for the year	17	**(62,643)**	**(33,604)**
Other comprehensive income for the year		(909)	(354)
Foreign currency translation differences		3,695	62,109
Net other comprehensive income		**2,786**	**61,755**
Total comprehensive income for the year	17	**(59,857)**	**28,151**
Attributable to non-controlling interests		**4,079**	**2,858**
Attributable to equity holders of the parent		**(63,937)**	**25,293**

The accompanying financial statement notes are an integral part of these consolidated financial statements

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019
(Thousands of euros)

	issued capital	Share premium	Retained earnings	Revaluation reserves	Translation differences[2]	Profit/(loss) attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total equity
Balance at December 31, 2018	**509,715**	**563,178**	**(867,193)**	**3,497**	**(160,086)**	**(40,411)**	**8,700**	**83,422**	**92,122**
Profit/(loss) for the period	-	-	-	-	-	(61,651)	**(61,651)**	(992)	(62,643)
Change in translation differences	-	-	-	-	(1,376)	-	**(1,376)**	5,071	3,695
Other comprehensive income	-	-	(909)	-	-	-	**(909)**	-	(909)
Total comprehensive income	**-**	**-**	**(909)**	**-**	**(1,376)**	**(61,651)**	**(63,936)**	**4,079**	**(59,857)**
Effects of hyperinflation	-	-	-	-	20,598	-	**20,598**	54	20,652
Reversal of revaluation reserves	-	-	-	(154)	-	-	**(154)**	-	(154)
Changes in ownership interests	-	-	(3.216)	-	-	-	**(3,216)**	479	(2,737)
Reserve for own shares (note 14)	-	-	-	-	-	-	**-**	-	-
Share-based payments (note 10)	-	-	-	-	-	-	**-**	-	-
Dividends[1]	-	-	-	-	-	-	**-**	(6,977)	(6,977)
Amounts transferred to retained earnings	-	-	(40,411)	-	-	40,411	**-**	-	-
Total changes in equity	**-**	**-**	**(43,627)**	**(154)**	**-**	**40,411**	**(3,370)**	**(6,498)**	**(9,868)**
Balance at December 31, 2019	**509,715**	**563,178**	**(911,729)**	**3,343**	**(140,864)**	**(61,651)**	**(38,008)**	**81,057**	**43,050**

(1) Corresponds to the distribution of dividends to non-controlling interests in Group subsidiaries

(2) “Translation differences” includes the effect of application of IAS 29 to the financial statements of the entities located in hyperinflationary economies (note 2.a.3)

The accompanying financial statement notes are an integral part of these consolidated financial statements.

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of euros)

	issued capital	Share premium	Retained earnings	Revaluation reserves	Translation differences[2]	Profit/(loss) attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total equity
Balance at December 31, 2017	**509,715**	**563,178**	**(853,572)**	**3,573**	**(304,423)**	**2,736**	**(78,793)**	**83,824**	**5,031**
Profit/(loss) for the period						(40,411)	(40,411)	6,807	(33,604)
Change in translation differences	-	-	(354)	-	66,058	-	**65,704**	(3,949)	**61,755**
Total comprehensive income	**-**	**-**	**(354)**		**66,058**	**(40,411)**	**25,293**	**2,858**	**28,151**
Effects of hyperinflation			(20,929)		78,279	-	57,350	699	58,049
Reversal of revaluation reserves	-	-	-	(76)	-	-	**(76)**	-	(76)
Changes in ownership interests	-	-	3,742	-	-	-	**3,742**	3,642	7,384
Reserve for own shares (note 14)	-	-	465	-	-	-	**465**	-	465
Share-based payments (note 10)	-	-	719	-	-	-	**719**	-	719
Dividends paid[1]	-	-	-	-	-	-	**-**	(7,600)	(7,600)
Amounts transferred to retained earnings	-	-	2,736	-	-	(2,736)	**-**	**-**	**-**
Total changes in equity	**-**	**-**	**(13,267)**	**(76)**	**78,279**	**(2,736)**	**62,200**	**(3,259)**	**58,941**
Balance at December 31, 2018	**509,715**	**563,178**	**(867,193)**	**3,497**	**(160,086)**	**(40,411)**	**8,700**	**83,422**	**92,122**

(1) Corresponds to the distribution of dividends to non-controlling interests in Group subsidiaries

(2) "Translation differences" includes the effect of application of IAS 29 to the financial statements of the entities located in hyperinflationary economies (note 2.a.3)

The accompanying financial statement notes are an integral part of these consolidated financial statements

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019 (Thousands of euros)

		Year ended	
	Note	Dec. 31, 2019	Dec. 31, 2018
Profit/(loss) before tax		(32,832)	(3,062)
Net finance cost		114,925	99,919
Operating profit/(loss)		82,093	96,857
Non-cash expenses		201,223	144,504
Depreciation and amortization	7 & 8	189,965	120,516
Asset impairment	24		
Other operating expenses		8,945	11,780
Effect of inflation on earnings		2,313	12,208
Non-cash income	24	(2,193)	(2,000)
Changes in working capital		11,624	(4,790)
Inventories		160	(889)
Accounts receivable		10,382	3,350
Accounts payable		(4,857)	(9,246)
Other		5,939	1,995
Income tax paid		(40,783)	(51,757)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**251,964**	**182,814**
Payment for purchases of property, plant and equipment		(97,817)	(103,094)
Loans to establishment owners: cash outflows		(27,093)	(22,332)
Loans to establishment owners: cash inflows		25,717	22,093
Payments for investments		(1,497)	(7,157)
Proceeds from disposals		-	-
Proceeds from other financial assets		(2,313)	9,412
Interest received		1,143	1,653
CASH FLOWS USED IN INVESTING ACTIVITIES		**(101,860)**	**(99,425)**
Drawdown of Codere's senior debt		50,000	-
Repayment of Codere's senior debt		(15,000)	-
Drawdown of other borrowings		29,306	-
Repayment of other borrowings		(10,839)	(4,261)
Change in borrowings		**53,467**	**(4,261)**
Proceeds from bank loans		21,454	27,452
Repayment of bank loans		(40,188)	(30,209)
Change in other bank loans		**(18,734)**	**(2,757)**
Capitalized lease payments (IFRS 16)		**(69,797)**	**-**
Dividend payments		**(6,480)**	**(7,545)**
Payments for other financial borrowings		(5,669)	(2,024)
Repayment of other financial borrowings		(467)	(542)
Change in other financial borrowings		**(6,136)**	**(2,566)**
Other cash flows due to impact of exchange rates on collections and payments		**(7,536)**	**(11,468)**
Buyback of own equity instruments		(2,572)	(820)
Disposal of own equity instruments		2,495	387
Net investment in own shares		**(77)**	**(433)**
Interest paid		**(68,818)**	**(68,827)**
CASH FLOWS USED IN FINANCING ACTIVITIES		**(124,111)**	**(97,857)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**25,993**	**(14,468)**
Reconciliation			
Cash and cash equivalents, opening balance		81,775	104,538
Effect of changes in exchange rates on cash and cash equivalents		(4,671)	(8,295)
Cash and cash equivalents, closing balance		103,097	81,775
Net increase/(decrease) in cash and cash equivalents		**25,993**	**(14,468)**

The accompanying financial statement notes are an integral part of these consolidated financial statements

1. GENERAL INFORMATION

Codere, S.A. (hereinafter, the “Company” or “Parent”) was incorporated in Spain on July 20, 1998 as a public limited company (*sociedad anónima*). Its registered office and headquarters are located at Avenida de Bruselas, 26 in Alcobendas (Madrid, Spain).

Codere, S.A.'s corporate object is detailed in article 2 of its bylaws and comprises the pursuit of investment and re-investment activities in the following sectors: real estate, hospitality services, amusement and gaming machines, casinos and bingo halls and other licit gaming activities. It earmarks its capital to equity investments in Spanish and foreign corporate enterprises with this same or analogous corporate object and additionally coordinates the provision of advisory services in the legal, tax and financial areas.

The main business activity of Codere, S.A. and its subsidiaries (hereinafter, the “Codere Group” or the “Group”) is the development of private gaming sector related businesses, essentially the operation of amusement and gaming machines, bookmakers, bingo halls, casinos and racetracks in Spain, Italy and Latin America (Argentina, Brazil, Colombia, Mexico, Panama and Uruguay). The companies comprising the Group are itemized in Appendix I.

The accompanying consolidated annual financial statements were authorized for issue by the Board of Directors on February 27, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of presentation

The consolidated financial statements were prepared from the accounting records of Codere, S.A. and the consolidated entities and are presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

The preparation of financial statements under IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant in respect of the consolidated financial statements, are disclosed in note 4.

a.1) Going concern

At December 31, 2019, the Group presented negative working capital in the amount of 72,980 thousand euros (year-end 2018: negative 80,913 thousand). Note that that situation is affected mainly by the non-trade payables disclosed in note 19. The Parent's directors further note that the Group currently has partially undrawn committed credit facilities, such as the 95 million-euro super senior multi-currency revolving facility, with which to service the payment commitments and obligations assumed by the Group and ensure business continuity. At the reporting date, the Group had drawn down 45 million euros of debt and 7.8 million dollars of guarantees under the above-mentioned revolving facility. In addition, the directors' estimates suggest that the Group will generate positive operating results and cash flow over the coming 12 months.

As a result, the directors have prepared the accompanying consolidated financial statements on a going concern basis: they believe that the Group’s business prospects will translate into positive earnings and cash flows in the years to come and, therefore, that its assets will be realized and its liabilities settled at the amounts at which they are carried and in keeping with their classification in the financial statements.

As detailed in subsequent notes, the Group has arranged new credit facilities in Uruguay and Mexico, boosting its liquidity by 30 million dollars and 200 million Mexican pesos, respectively (equivalent to 36,329 thousand euros on aggregate). Moreover, it is currently negotiating the extension of additional credit facilities.

Lastly, regarding the equity situation, note that the separate capital and reserves of Codere, S.A. (the Group Parent) amounted to 715.1 million euros at December 31, 2019 (including share capital of 510 million euros).

a.2) New and amended standards and interpretations issued

a) Standards and interpretations approved by the European Union and applied for the first time during the current reporting period

The accounting standards used to prepare the accompanying annual consolidated financial statements are the same as those used to prepare the annual consolidated financial statements for the year ended December 31, 2018, except for the following standards, interpretations and amendments, which have been applied for the first time this year:

IFRS 16 *Leases*

The Codere Group has applied IFRS 16 *Leases* from January 1, 2019 using the modified retrospective method, which means that the 2018 figures have not been restated.

At December 31, 2019, the Codere Group leased gaming halls, business offices, vehicles, gaming machines and other assets of lower value.

The duration of the contracts varies considerably by country and class of leased asset (from one-year contracts which can be rolled over to 20-year contracts). In defining the useful lives of the assets, the Group factored in the extension options for the contracts in which it expects to exercise the options on account of the current rentals or because they are tied to the duration of associated gaming licenses.

In most instances, rents are adjusted in line with prevailing inflation in each country. The amount of the leased assets varies as a function of the changes in the inflation indices.

<u>Redefinition of the useful lives of contracts</u>

Implementation of IFRS 16 by the Codere Group has proven quite complex, given the quantity of contracts in existence and their diverse nature. In addition, the Group has had to make certain estimates, mainly related to the estimated useful lives of each contract, contributing to the complexity of implementing IFRS 16. Moreover, those estimates could be affected by the effects of the Group's business strategy or the legal or economic circumstances prevailing in a given country, which would require having to reestimate the useful lives of the contracts, essentially gaming hall leases that are not associated with a specific permit. As a result, the estimates have to reviewed regularly and revised as warranted.

The impact of the first-time application of IFRS 16 on the consolidated statement of financial position at January 1, 2019 was as follows:

			Thousands of euros
	Jan. 1, 2019	**IFRS 16**	**Jan. 1, 2019 IFRS 16**
ASSETS			
Non-Current Assets	1,137,037	316,320	1,453,357
Current Assets	307,527	-	307,527
TOTAL ASSETS	**1,444,564**	**316,320**	**1,760,884**
EQUITY AND LIABILITIES			
Equity	92,122	-	92,122
Non-Current Liabilities	964,002	277,202	1,241,204
Current Liabilities	388,440	39,118	427,558
TOTAL EQUITY AND LIABILITIES	**1,444,564**	**316,320**	**1,760,884**

The lease liabilities recognized upon transition to IFRS 16 on January 1, 2019 are reconciled with the operating lease commitments disclosed in the 2018 annual consolidated financial statements below:

	Thousands of euros
Operating lease commitments at December 31, 2018	**142,035**
Weighted average discount rate at January 1, 2019	10.03%
Operating lease commitments discounted to January 1, 2019	**125,314**
Commitments related with short-term leases	(1,042)
Commitments related with low-value leases	(825)
Commitments related with leases previously classified as finance leases	5,442
Payments in respect of extension options not included at December 31, 2018	187,431
Lease liabilities at January 1, 2019	**316,320**

The opening and closing balances of right-of-use assets are reconciled below for year ended December 31, 2019 below:

			Thousands of euros
	Cost	**Accumulated depreciation**	**Carrying amount**
Balance at Jan. 1, 2019	**316,320**	**-**	**316,320**
Additions	32,907	(54,687)	(21,780)
Derecognitions	(21,915)	2,644	(19,271)
Reclassifications	11,489	(4,710)	6,779
Change in useful life / rate (*)	(30,823)		(30,823)
Translation differences	3,393	71	3,464
Balance at Dec. 31, 2019	**311,371**	**(56,682)**	**254,689**

(*) Following a change of business strategy in certain markets, the Group decided to reassess its original estimate of the useful lives of some of the leases over gaming rooms that are not directly related to the its licenses, mainly in Mexico.

The table below breaks down the right-of-use asset depreciation charges by type of asset:

Asset class	Thousands of euros
Buildings	3,807
Gaming rooms	44,107
Machines	4,636
Vehicles	1,763
Facilities	318
Computer equipment	56
Total	**54,687**

In 2019, the Group incurred variable lease payments not included in the lease liabilities measurement of 38,324 thousand euros. The variable lease payments mainly relate to machine leases for which the rent is variable (it is determined as a percentage of the take from those gaming machines). The breakdown between variable and fixed payments is provided below:

2019	Thousands of euros
Fixed lease payments	73,978
Variable lease payments	38,324
Total lease payments	**112,302**

The cash outflows under lease arrangements amounted to 112,302 thousand euros in 2019.

Interest rates are determined country by country in a range of 7,5%-18,7%

The impact of implementation of IFRS 16 on the 2019 consolidated statement of profit or loss was as follows:

	2019
Capitalization of operating leases	69,797
Depreciation of right-of-use assets	(54,687)
Gain/(loss) on derecognition of assets	90
Financial impact due to unwinding of discount of lease liabilities	(39,246)
Income tax	4,099
Impact of IFRS 16 on consolidated statement of profit or loss	**(19,947)**

The amounts recognized in the 2019 consolidated statement of profit or loss within "Other operating expenses" with respect to short-term and low-value leases were 861 and 3,169 thousand euros, respectively.

The impact of implementation of IFRS 16 on the consolidated statement of financial position at December 31, 2019 was as follows:

	Thousands of euros
	Dec. 31, 2019
ASSETS	
Right-of-use assets	254,689
Deferred tax assets	4,158
TOTAL ASSETS	**258,847**
EQUITY AND LIABILITIES	
Equity	579
Non-Current Liabilities	208,033
Current Liabilities	50,235
TOTAL EQUITY AND LIABILITIES	**258,847**

Most of the Group's leases include extension options for definite or indefinite periods of time. The lease liabilities recognized include the extension options that the Group expects to exercise. Below is a breakdown of the undiscounted amounts of the extension options not recognized within lease liabilities:

Extension options not included in lease liabilities	**Thousands of euros**
	22,715
Within next 5 years	142,817
Over 5 years	**165,532**

The maturity schedule of the Group's lease liabilities is as follows:

	1 year	2-5 years	Over 5 years	Total
Finance lease liabilities	50,234	137,560	70,472	**258,266**

IFRIC 23 *Uncertainty over income tax treatments*

This interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Group's current practice is in line with this interpretation, so the application of these requirements did not have a significant impact on the Group's results in the period. These items are now presented in the statement of financial position under the headings Deferred tax liabilities or Current tax payables, This involved a reclassification from the heading Provisions amounting to 524 thousand euros.

Annual Improvements to IFRSs, 2015-2017 Cycle

The IASB has introduced the following amendments to its standards:

IFRS 3 *Business combinations* – Previously held interests in a joint operation

These amendments clarify that when a party to a joint operation obtains control of a joint operation that is a business, it must remeasure to fair value the interest it previously held in that joint operation. This change has not had a significant impact on the accompanying consolidated financial statements.

IFRS 11 *Joint arrangements* – Previously held interests in a joint operation

These amendments clarify that when a party that participates in (but does not have joint control over) a joint operation, obtains joint control over that joint operation and that joint operation is a business (as defined in IFRS 3), it must not remeasure the interest it previously held in that joint operation. This change has not had a significant impact on the accompanying consolidated financial statements.

IAS 12 *Income taxes* – Income tax consequences of payments on financial instruments classified as equity

These amendments clarify that the tax consequences of dividends depend more on where the entity recognized the originating transaction or event that generated the distributable profits giving rise to the dividend than on the distribution to owners. Accordingly, an entity must recognize all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognized the originating transaction or event. This change has not had a significant impact on the accompanying consolidated financial statements.

IAS 23 *Borrowing costs* – Borrowing costs eligible for capitalization

These amendments clarify that an entity must treat as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. This change has not had a significant impact on the accompanying consolidated financial statements.

Amendments to IAS 19 *Plan amendment, curtailment or settlement*

These amendments specify that when a plan amendment, curtailment or settlement occurs during the reporting period, an entity is required to determine current service cost and net interest for the remainder of the period after the amendment using updated actuarial assumptions, specifically using:

- The actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

- The discount rate used to remeasure that net defined benefit liability (asset).

Furthermore, a plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change. Accordingly:

- An entity must first determine any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling; that amount is recognized in profit or loss.

- It then determines the effect of the asset ceiling and any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

This change has not had a significant impact on the accompanying consolidated financial statements.

Amendments to IAS 28 *Long-term interests in associates and joint ventures*

These amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarify that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in associates and joint ventures*. The amendments include an example to illustrate how entities should apply the requirements in IAS 28 and IFRS 9 with respect to long-term interests. This change has not had a significant impact on the accompanying consolidated financial statements.

Amendments to IFRS 9 – *Prepayment features with negative compensation*

The amendments to IFRS 9 allow entities to measure financial assets that can be prepaid at a variable amount at amortized cost or fair value through other comprehensive income instead of measuring them at fair value through profit or loss. This change has not had a significant impact on the accompanying consolidated financial statements.

b) Standards and interpretations issued by the IASB not yet applicable in the current reporting period

At the date of authorizing the accompanying consolidated financial statements for issue, the following standards and amendments and interpretations thereof had been published by the IASB but were not yet mandatorily applicable:

Revised Conceptual Framework for Financial Reporting

The revised version of the Conceptual Framework sets out a series of fundamental concepts to guide the IASB in setting standards and help ensure that they are consistent and similar transactions are treated in the same manner. It also helps reporters to develop consistent accounting policies if there is no applicable standard in place.

The revised Conceptual Framework includes a new chapter on measurement and updated definitions and guidance and it clarifies important concepts such as prudence and the measurement of uncertainty. It is effective immediately for the IASB. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after January 1, 2020.

Amendments to IFRS 3 *Business combinations* - Definition of a business

The IASB has amended the definition of a business in IFRS 3 to help entities determine whether a transaction should be recognized as a business combination or the acquisition of set of assets. The distinction is crucial as acquirors can only recognize goodwill when acquiring a business.

The amended definition emphasizes that the output of a business is to provide goods or services to customers, investment income (such as dividends or interest) or other income from ordinary activities, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

The new definition of a business applies to acquisitions taking place on or after after January 1, 2020. Early application is permitted.

Amendments to IAS 1 and IAS 8 - Definition of 'material'

The amendments to the definition of material are intended to make it easier to judge what is material. The definition of material helps entities to decide whether information should be included in their annual or interim condensed consolidated financial statements. The amendments clarify the definition and provide guidance on how to apply it. The IASB has also improved the explanations accompanying the definition and made sure it is aligned across all the standards.

The amendments are applicable in annual periods beginning on or after January 1, 2020. Early application is permitted.

The Group will assess the contents of its annual consolidated financial statements using the new definition of material. However, it does not expect the new definition to have a significant impact on those statements.

a.3) Comparison of information

The 2019 and 2018 financial statement figures are provided for comparison purposes.

Classification of Argentina as a hyperinflationary economy

The Argentine economy has been qualified as a hyperinflationary economy since 2018, to which end the Codere Group has been applying the corresponding inflation adjustments to the financial information of the entities whose functional currency is the Argentine peso since July 1, 2018. As a result, the 2018 consolidated financial statements for the first three quarters have not been restated and do not include any restatements for hyperinflationary accounting.

As stipulated under IAS 29 *Financial reporting in hyperinflationary economies*, the main effects of hyperinflationary accounting are as follows:

- The cost of non-monetary assets and liabilities and the various items of equity, since their acquisition or recognition on the statement of financial position, is restated at year-end to reflect the change in the purchasing power of the currency as a result of hyperinflation.

- The gain or loss corresponding to the impact of inflation for the year on the net monetary position is reflected in profit or loss.

- The various items of the statement of profit or loss and the statement of cash flows are adjusted by the change in the price index from the dates the items of income and expense were originally recorded with a balancing entry in net finance costs and a reconciliation item in the statement of cash flows, respectively.

- All of the components of the financial statements of the Argentine entities have been translated at the closing exchange rate, specifically 67.28 Argentine pesos per euro as at December 31, 2019.

In order to restate its financial statements, the Group uses the series of indices defined by resolution JG No. 539/18 issued by the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE), based on the National Consumer Price Index (IPC) published by the Instituto Nacional de Estadística y Censos (INDEC) of the Argentine Republic and the Wholesale Internal Price Index (IPIM) published by FACPCE. The cumulative index at December 31, 2019 and 2018 is 283.44%and 184.85%, respectively while on an annual basis the index for 2019 is 54% (48% in 2018).

The main impacts on the Codere Group's 2019 consolidated financial statements of the considerations outlined above are:

	Thousands of euros
Revenue	(8,618)
Net finance costs	3,407
Profit/(loss) for the period	(24,294)
Equity attributable to equity holders of the parent	90,803
Fixed assets	125,243

a.4) Inconsistencies

During recurring internal control procedures performed by the Group, inconsistencies were detected in how the results of some of the Latin American subsidiaries (Mexico, Panama and Colombia) were reported in 2019. Specifically, the inconsistencies were identified during the August 2019 end-of-period close, which is performed in the month of September. The preliminary analysis of those inconsistencies estimated a maximum impact within the range of 13 to 18 million euros with respect to the published first-half earnings. The preliminary investigations did not point to any additional impacts on the Group's liquidity or detect inappropriate cash outflows. The Company's preliminary conclusion was that it was an isolated incident that only affects those subsidiaries' earnings for the current year.

The Board of Directors and the Audit Committee, as disclosed in a significant event on October 7, 2019, once informed about the possible inconsistencies detected, requested the performance of a series of internal and external investigations in order to identify all relevant aspects related with the inconsistencies and ensure the utmost transparency via compliance with best accounting and corporate governance practices. The objectives of the investigations carried out were the following:

- To determine the monetary impact of the inconsistencies brought to light.
- To determine whether or not the corporate area in Spain was involved.
- To verify whether the event identified was an isolated incident or there were indications that other Group areas or countries might be compromised.
- To determine how long the inconsistencies went on, specifically attempting to verify whether they occurred solely in 2019 or could have affected prior years.

To meet those objectives, several lines of investigation were decided upon:

- The Board of Directors engaged Kroy Abogados and Alvarez & Marsal, both of which independent and prestigious companies, to carry out an independent investigation to determine how the events identified came about; quantify their impact; and evaluate potential measures and mechanisms for reinforcing the Codere Group's internal controls.
- In addition, it asked the Group's Finance, Internal Audit and Security Departments to carry out further investigations.

As disclosed in a second significant event filed by the Group with the securities market regulator on November 13, 2019, Kroy Abogados and Alvarez & Marsal presented the results of their investigations to the Board of Directors of Codere on that date. On the basis of those conclusions, the Group confirmed the need to reduce the revenue reported by the Group in respect of its Mexican and Colombian operations for the first half of 2019 by 9.2 and 1.2 million euros, respectively, and the consolidated profit before tax of the Mexican, Colombian and Panamanian operations in respect of the same reporting period by 14.8, 1.3 and 0.4 million euros, respectively.

Those figures are within the estimated range of impact disclosed by the Group on October 7, 2019 of 13 to 18 million euros. Their investigations did not uncover any signs of inappropriate uses or outflows of funds.

In addition to the work performed by the independent experts, Kroy Abogados and Alvarez & Marsal, the Group performed a number of additional analyses which confirmed that neither other geographies nor prior reporting periods were affected by the accounting inconsistencies. That analysis was conducted by the Company's finance, internal audit and security departments.

The inconsistencies were intentional and were coordinated by a small group of individuals in Mexico who modified revenue and cost entries in the Group's operating and accounting systems without the knowledge of the corporate department in Madrid, as is substantiated in the report presented by the independent experts.

The Board of Directors, based on the conclusions received, is taking the pertinent corrective disciplinary action and organizational measures. Specifically, it is taking action to introduce organizational changes and reinforce the Group's internal control environment in order to strengthen its operating systems and render the accounting and reporting processes more robust.

Following those events, the Group is also revising the business projections for the markets affected, particularly Mexico, a market management remains confident will constitute a growth opportunity in the coming years, underpinned by Codere's market positioning and consolidation opportunities in the sector.

The figures presented in the interim condensed consolidated financial statements for the nine months ended September 30, 2019 included the restatements required to eliminate the disclosed inconsistencies. Specifically, the Group restated the statement of financial position, profit or loss and cash flow figures for the first half of 2019 that had been presented in the interim condensed consolidated financial statements filed with the Spanish securities market regulator on September 13, 2019; note that the inconsistencies detected have had no impact on the Group's 2018 annual consolidated financial statements.

b) Accounting policies

b.1) Basis of consolidation

- *Subsidiaries and business combinations*

Subsidiaries are all entities (including special-purpose companies) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary corresponds to the fair value of the assets transferred, the liabilities incurred vis-a-vis the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition-date fair values. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent compensation to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Call or put options with non-controlling interests that form part of a business combination are included within the consideration given (increasing or decreasing the amount of such consideration as warranted) such that they do not impact the measurement of non-controlling interests, given that these instruments correspond to rights and obligations that affect the Codere Group only.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized as a gain in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. The accounting policies applied by subsidiaries have been modified where necessary to ensure uniformity with the policies adopted by the Group.

- *Changes in ownership interests in subsidiaries without change of control*

The Group accounts for transactions with non-controlling interests that do not result in loss of control as equity transactions, i.e. transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

- *Joint ventures*

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as joint operations or joint ventures, depending on each investor's contractual rights and obligations. The Group has evaluated the nature of its joint arrangements and determined them to be joint ventures. Investments in joint ventures are accounted for using the equity method.

Under the equity method, the Group's interests in joint ventures are initially recognized at cost and are subsequently restated to recognize its share of post-acquisition profit and loss and movements in other comprehensive income. When the Group's share of the losses of a joint venture is equal to or greater than its interest in that venture (including any long-term interest that in substance forms part of the Group's net investment in the joint venture), the Group does not recognize a loss, unless it has incurred obligations or made payments on behalf of the venture.

Unrealized gains resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are similarly eliminated unless the transaction provides evidence of the impairment of the asset transferred. The accounting policies of joint ventures have been adjusted when necessary to bring them in line with those of the Group.

- *Investments in associates*

The companies in which Codere, S.A. has a direct or indirect ownership interest of between 20% and 50% and in which it does not hold the majority of voting rights or over which it does not exercise effective control but does have significant influence are consolidated using the equity method.

Investments in associates are recognized in the consolidated statement of financial position at cost, adjusted thereafter for any post-acquisition changes in the Group's shareholding, measured at the Group's share of the net assets of the associate, less impairment losses, if any. The Group's share of its associates' profit or losses is recognized in its consolidated statement of profit and loss. When an associate recognizes a change in other comprehensive income directly in equity, the Group similarly recognizes its share of such change in its equity, disclosing this fact in its consolidated statement of changes in equity when required.

- *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The financial statements of all of the Group's subsidiaries and equity-accounted investees are prepared for the same reporting period as the Group.

b.2) Segment reporting

Operating segments are reported in a manner consistent with the internal information reported to the chief operating decision-maker. The chief operating decision-maker, with responsibility for allocating resources and assessing the performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

b.3) Foreign currency translation

b.3.1) Functional and presentation currency

Items included in the financial statements of each of the Group's investees are measured using the currency of the primary environment in which the entity operates (the 'functional currency'). The Group's consolidated financial statements are presented in euros, which is its presentation currency.

b.3.2) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction dates or the measurement dates in the case of remeasured items.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Monetary items denominated in a currency other than the functional currency of an investee are translated into that entity's functional currency using the closing rate. All exchange gains and losses, realized or otherwise, are recognized in profit and loss for the year, except for exchange differences generated by intragroup monetary items that are deemed part of the investment in a foreign subsidiary;

these are recognized under "Translation differences" in consolidated equity.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates on the dates on which fair value was determined.

Prior to translation into euros, the financial statements of the Group entities whose functional currency is that of a hyperinflationary economy are adjusted using the procedure described below. Once all of the financial statement items have been restated, they are translated to euros using the closing exchange rate. The figures corresponding to prior years, provided for comparative purposes, are not restated.

To determine whether an economy is hyperinflationary, the Group evaluates the qualitative characteristics of the economic environment and the trend in its inflation rate during the preceding three years. The financial statements of entities whose functional currency is that of a hyperinflationary economy are restated to reflect the loss of purchasing power of the local currency so that all of the items in the statement of financial position that are not expressed in current currency terms (non-monetary items) are restated by reference to a representative price index at the reporting date; all items of income and expense and all gains and losses are restated monthly using appropriate restatement factors. The difference between the initial and restated amounts is charged to profit and loss.

b.3.3) Group companies

On consolidation, the profit and loss and assets and liabilities of the Group investees whose functional currency is different to the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- The income and expenses for each statement of profit or loss presented are translated at the average monthly exchange rates;
- All resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are classified as assets and liabilities of the foreign entity and translated at the closing rate. The resulting exchange differences are recognized in equity.

b.4) Intangible assets

The intangible assets acquired by the Group are carried at cost less accumulated amortization and any impairment losses.

Expenses incurred to develop intangible assets internally are only capitalized to the extent they increase the future economic benefits expected to accrue from the specific assets. All other costs are expensed in the statement of profit or loss when incurred.

- Gaming licenses include the amounts paid to the various authorities in exchange for their concession. They are amortized over the associated concession terms.
- Exclusivity rights include the amounts paid to hospitality establishment owners to install gaming machines in their premises. They are amortized over the duration of the various contracts.

(Thousands of euros)

- Installation rights include the amounts paid to the various bodies for the permits to install amusement machines. They are amortized over the term of the permits.

- Computer software licenses purchased from third parties are capitalized on the basis of the costs incurred to acquire and ready the specific software for use. These costs are amortized over the assets' estimated useful lives.

- Trademarks purchased from third parties are recognized at their acquisition cost. Trademarks are considered to have indefinite useful lives.

- The rights to use brands, trademarks, customer portfolios and licenses obtained in business combinations are recognized at their acquisition-date fair values. They are amortized, with the exception of trademarks and installation rights, which are deemed to have indefinite useful lives, over the term of the right, concession or the best estimate of the life of the contractual relationship with customers, calculated using economic models and the Group's prior experience with customers in each of the countries in which it does business.

For finite-lived intangible assets, the amortization charge is recognized in the statement of profit or loss on a straight-line basis over their estimated useful lives. Amortization begins when the assets are ready for use. The amortization rates applied, expressed as percentages, are as follows:

	Annual amortization rate
Gaming licenses	2.5% - 11%
Exclusivity rights	15% - 25%
Installation rights	10% - 33%
Customer portfolios	4.5% - 20%
Software	20% - 25%

These amortization schedules are reviewed regularly to ensure they remain appropriate.

b.5) Property plant and equipment

The Group recognizes items of property, plant and equipment at acquisition cost. However, on the date of first-time application of IFRS-EU, the decision was taken to revalue the Group's land and buildings, such that their fair value at the transition date was taken as their deemed cost.

The impact of this revaluation exercise was recognized directly in equity. Impairment losses are recognized in profit and loss. In the event that a revalued asset is subsequently sold or derecognized, any balance remaining in the first-time application of IFRS-EU reserve is credited to retained earnings.

Expenses incurred subsequently in relation to items of property, plant and equipment are only capitalized to the extent they increase the future economic benefits expected to accrue from the assets they are associated with. All other costs are expensed when incurred.

Non-removable facilities in bingo halls and casinos are depreciated over the shorter of the lease agreement or the depreciation schedule used for assets of this nature.

Depreciation charges are recognized in the consolidated statement of profit of loss on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Assets are depreciated from when they are available for use. Land is not depreciated.

(Thousands of euros)

The depreciation rates used, expressed as percentages, are as follows:

	Annual depreciation rate
Gaming and amusement machines and sports-betting terminals	10% - 30%
Other fixtures, fittings and tools	7% - 30%
Computer equipment	10% - 30%
Vehicles	10% - 30%
Buildings	2% - 3%
Refurbishment of leased premises	10% - 30%
Plant and machinery	7% - 30%

These depreciation schedules are reviewed regularly to ensure they remain appropriate.

Borrowing costs associated with loans directly attributable to the acquisition, construction or production of qualifying assets, as defined in IAS 23, are capitalized within the cost of such assets.

b.5.1) Investment properties

Investment properties are assets (land and buildings) held for the purpose of generating rental income. These assets are held for sale or for administrative use. The Group recognizes its investment properties at cost, using the same criteria as outlined above for property, plant and equipment, depending on the nature of the asset.

b.6) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed, measured at their acquisition-date fair values, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the identifiable net assets acquired.

Goodwill is carried at the amount recognized on the acquisition date less any accumulated impairment. Goodwill is allocated to cash-generating units and is not amortized. It is tested for impairment annually. Goodwill is allocated to the Group's cash-generating units, which generally coincide with its operating segments, which in turn correspond to geographies, as the cash-generating units comprised by the business lines (amusement and gaming machines, bingo halls, sports betting and casinos) do not generate sufficiently detailed information for an individual analysis; this is because it is common for multiple operations to coincide in a given location or establishment, e.g. gaming machines and sports-betting devices are often installed in bingo halls and casinos (note 10).

Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

b.7) Impairment of non-financial assets

Assets that have indefinite useful lives - e.g. goodwill and certain intangible assets - are not amortized. They are, however, tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date, management assesses whether there are indications that the impairment losses recognized in respect of non-financial assets other than goodwill may have decreased.

b.8) Financial assets

Financial assets classified as held for trading are recognized at fair value through profit or loss. Fair value is their market value at the reporting date.

Loans, accounts receivable and financial investments which the Group has the positive intent and ability to hold to maturity are recognized at amortized cost less any impairment charges.

Listed and unlisted company equity instruments that were previously classified as "Available-for-sale financial assets" are now classified and valued as "fair value equity instruments with changes in other comprehensive income, are measure as "Financial assets at fair value with changes in results".

Loans and receivables maturing within less than twelve months from the reporting date are classified as current assets on the face of the consolidated statement of financial position; those maturing more than twelve months after the reporting date are presented within non-current assets. The Group writes its loans and receivables down for impairment whenever circumstances reasonably indicate that collection of these assets is doubtful.

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Group commits to purchase or sell the asset.

b.9) Inventories

Inventories mainly comprise bingo cards and hospitality supplies. They are measured at the lower of cost or net realizable value.

Net realizable value is the estimated sale price in the ordinary course of business less the estimated costs necessary to make the sale.

The Group assesses the net realizable value of its inventories at each reporting date, recognizing impairment losses as required in profit and loss. When the circumstances previously substantiating the impairment loss cease to exist or there is clear evidence of an increase in their net realizable value due to a change in economic circumstances, these losses are reversed.

b.10) Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and the existence of observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in payment or economic conditions correlated with defaults.

In the loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of profit or loss.

b.11) Derivative financial instruments and hedging activities

The Group believes that its exposure to currency risk is naturally hedged to a sufficient degree on account of: (i) the diversification of its revenue sources; (ii) the level of revenue and expense matching by currency; (iii) the amount of local borrowings; and (iv) the existence of adequate sources of liquidity.

At December 31, 2017, the Group had arranged an exchange rate hedge in order to hedge the impact of variability in the exchange rate on the cash flows associated with the loan obtained by Group subsidiary, Codere México, S.A. de C.V. That instrument matured on schedule in November 2018 and was not renewed (note 20).

b.12) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

b.13) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks and short-term deposits with an original maturity of three months or less and subject to insignificant risk of changes in value.

Overdrafts are recognized on the consolidated statement of financial position under bank borrowings within financial liabilities.

b.14) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Whenever any Group company purchases the Parent’s shares (own shares), the consideration paid, including any directly attributable incremental costs (net of income tax), is deducted from equity attributable to equity holders of the parent until the shares are cancelled, reissued or disposed of. When these shares are subsequently reissued, the consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity holders of the parent.

b.15) Trade payables

Trade accounts payable are payment obligations arising from the purchase of goods or services from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

b.16) Borrowings

Borrowings are initially recognized at fair value, less any transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the term of the borrowings using the effective interest method.

Fees paid to arrange loan facilities are recognized as loan transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A financial liability is derecognized when the obligation specified in the contract is discharged or cancelled or expires.

When an existing financial liability is replaced by another provided by the same lender on substantially different terms and conditions or when the terms of an existing liability are substantially modified, this exchange or modification is accounted for by derecognizing the original liability and recognizing the new obligation. Any difference between the respective carrying amounts is recognized in the statement of profit or loss.

b.17) Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of profit or loss unless the tax relates to items recognized in other comprehensive income or directly in equity. In this case, tax is also recognized in other comprehensive income or directly in equity, as appropriate.

Current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Parent and its subsidiaries operate and generate taxable income. Management periodically evaluates the positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation, recognizing provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilized.

Deferred income tax is recognized on temporary differences arising on investments in subsidiaries and associates, except for deferred tax liabilities for which the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

b.18) Employee benefits

- Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group provides for such benefits on the earliest of the following dates: (a) when the Group can no longer withdraw its offer of termination benefits; or (b) when it recognizes the costs of a restructuring exercise under the scope of IAS 37 and so doing implies the payment of termination benefits.

When the Group makes an offer to encourage voluntary redundancy, the termination benefits are measured as a function of the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

- Bonuses

The Group recognizes a liability and an expense for bonuses when it is contractually obliged to make payment or when past practice has created a constructive obligation.

- Provision for retirement bonuses

Retirement bonuses are recognized at the amount accrued until the reporting date by the companies obliged to pay these awards under the terms of their collective bargaining agreements.

- Long-term incentives

Overview of the plan:

A plan has been awarded to several Codere Group executives and runs from September 2017 until April 2021.

Under the plan, the executives will be remunerated as a function of the increase in the market value of the restricted shares until April 2021, subject to their remaining in employment at the vesting date. For certain executives another - smaller - amount will be measured as a function of the value created in their respective business units.

The bonuses payable in April 2021, assuming that all of the executives remain in employment and the share price gain exceeds the plan threshold, would total 13 million euros.

Plan type and measurement:

As defined in IFRS 2, it is a cash-settled share-based plan. The vesting period (which determines how the related employee benefits expense is accrued) runs from September 2017 until April 2021.

The plan has been measured using Monte Carlo simulation methodology. Specifically:

- 10,000 random scenarios were modeled for the performance of Codere's shares (the underlying) between the valuation date and April 30, 2021. The following inputs were used in the simulation exercise:

- Risk-free interest rate: 0.07%
- Share price volatility: 41.47%
- Dividend yield: 0%
- Random variable: 10,000 random numbers using a normal distribution (0.1)

- For each scenario the model calculated how much remuneration would be delivered to the executives in light of the share price performance. That remuneration was then discounted to the valuation date.

- The total plan value was calculated as the average of the values for each scenario. That value was then allocated over the vesting period.

Note that it was assumed that all of the executives will remain at the Codere Group until the end of the plan. The valuation of this incentive as of December 31, 2019 is not significant.

b.19) Provisions and contingent liabilities

The Group recognizes provisions when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the carrying amount of a provision due to the passage of time is recognized as interest expense.

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the consolidated companies. Contingent liabilities are not recognized in the financial statements but are disclosed in the accompanying notes (note 22).

Amounts related with tax provisions are recognized in profit and loss depending on the nature of the underlying tax.

b.20) Revenue recognition

Revenue is recognized on accrual basis, i.e., when earned, regardless of when actual collection occurs.

The Group recognizes its revenue as follows:

- Gaming machines: at the net win collected.

- Bingo hall operations: at the total amount of bingo cards sold, at their face value, less prizes, which are deducted from gross revenue.

- Casino operations: at the operator's net win.

- Racetracks: at the total amount bet by gamers less prize money.

- Sports bets: at the operator's net win.

Interest income is recognized using the effective interest method. When an account receivable becomes impaired, the Group reduces the carrying amount to its recoverable amount, which is calculated as the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

Dividend income is recognized when the right to receive payment is established.

b.21) Leases

Group as lessee

The Group leases gaming rooms, offices, vehicles and items of equipment. It uses a single recognition and measurement model for all leases in which it acts as lessee, except for exempt low-value and short-term leases.

• *Right-of-use assets*

The Group recognizes right-of-use assets at the inception of the lease, i.e., the date on which the underlying asset is available for use. Right-of-use assets are measured at cost less accumulated depreciation and any impairment losses and are adjusted for any remeasurement of the associated lease liabilities. The initial cost of right-of-use assets includes the amount of the lease liability at initial recognition, initial direct costs incurred and lease payments made before the commencement of the lease. Any incentives received are deducted from the initial cost.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease, including the extension options which the lessee expects to exercise:

- Gaming rooms: 5 to 20 years
- Offices: 3 to 6 years
- Vehicles: 3 to 5 years
- Other equipment: 3 to 5 years

Right-of-use assets are tested for impairment. The Group's lease agreements do not include dismantling or restoration obligations.

Right-of-use assets are presented in a separate line item on the statement of financial position.

• *Lease liabilities*

At the lease commencement date, the Group recognizes lease liabilities at the present value of the lease payments to be made during the lease term. Lease payments include fixed payments less any incentives receivable, variable lease payments that depend on an index or a rate, and the amounts expected to be payable under residual value guarantees. Lease payments also include the exercise price of a purchase option if the Group is reasonably certain to exercise that option and the payment of penalties for terminating the lease, if the lease term reflects the assessment that the Group will exercise its option to terminate. Variable lease payments that do not depend on an index or a rate are expensed in the period in which the event or condition that triggers those payments occurs.

To calculate the present value of its lease payments, the Group uses a discount rate equivalent to its incremental borrowing rate at the date of commencement of the lease if the interest rate implicit in the lease is not readily determinable. After initial recognition, the measurement of a lease liability is increased by the interest accrued and reduced by lease payments made. In addition, the carrying amount of lease liabilities is remeasured if the lease is modified, if there is a change in the assessment of the lease term, a change in in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset. The lease liability is also increased if there is a change in future lease payments as a result of a change in the index or rate used to determine the amounts of those payments.

• *Short-term and low-value leases*

The Group applies the short-term lease recognition exemption (i.e., leases that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option) to its machinery and equipment leases. It applies the low-value lease recognition exemption to its leases over office and gaming equipment of scant value. Lease payments for short-term and low-value leases are recognized as expense on a straight-line basis over the lease term.

• *Judgment exercised in determining the term of leases with extension options*

The Group determines the lease term as the non-cancelable period of the lease, plus the periods covered by an option to extend the lease, if is reasonably certain it will exercise that option. The lease term also includes the periods covered by an option to terminate the lease if it is reasonably certain not to exercise that option.

Under some of its lease contracts, the Group has the option of extending the lease for an additional one to five years. The Group assesses whether it is reasonably certain to exercise those options.

To do so, it considers all the relevant facts and circumstances that create an economic incentive for it to extend. After initial recognition, the Group reassesses the lease term upon the occurrence of a significant event or significant change in circumstances that is within its control and affects whether it is reasonably certain to exercise (or not exercise) the option to extend the lease. The Group has included the renewal period in the term of its gaming room leases on account of the importance of the underlying assets to its business operations.

The Codere Group has also applied the following policies and criteria and made the following estimates with respect to the first-time application of IFRS 16:

- It has applied the practical expedient provided for in paragraph C3 of appendix C of IFRS 16, which states that it is not necessary to reassess whether a contract is, or contains, a lease at the date of initial application.

- It has opted not to separate the non-lease components from lease components for classes of underlying assets for which the relative importance of those components is not material with respect to the total value of the lease.

- It has elected the modified retrospective approach to application, such that it did not have to restate any prior-year figures.

- It decided to measure the initial right-of-use assets at the amount of the associated lease liabilities at January 1, 2019 for all lease contracts.

- An incremental effective interest rate per portfolio of similar leases (similar in terms of countries and lease terms) of financing has been applied, starting from the date of first application rather than an application of historic rate. The incremental borrowing rates applied on the date of initial application ranged between 6% and 20%, depending on the country.

Group as lessor in operating leases

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The income generated under the lease agreement is recognized on a straight-line basis over the term of the contract and is included within income on the statement of profit or loss to the extent generated from business activities. The direct costs incurred to arrange a lease agreement are capitalized in the cost of the asset leased out and amortized over the lease term using the same criterion as is used to recognize the income. Contingent rents are recognized in income in the period in which they are accrued.

b.22) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during that period, factoring in any own shares held by the Group.

3. FINANCIAL RISK MANAGEMENT TARGETS AND POLICIES

a) Group sources of financing and leverage policy.

The Group's financial instruments mainly comprise credit facilities, bank loans, issued notes and finance and operating leases.

The Group generally obtains financing from third parties for the following purposes:

- Funding the Group companies' business operations.

- Financing the investments contemplated under the Group's business plan.

As for the Group's capital structure, there are two levels of payment seniority vis-a-vis its financial creditors:

- Firstly, the Group's senior debt, which carries a range of maturities and has been extended by Spanish and international financial institutions.

- Secondly, the issuance of notes whose payment, under certain circumstances, is subordinate to repayment of the Group's senior debt. These notes mature in 2021 and are held by international financial investors.

With regards to the Group's borrowing policy, the general criterion is not to become leveraged above certain multiples of EBITDA[1], consolidated cash flow or cash available for debt service.

b) Key Group risks

The key risks to which the Group is exposed include, but are not limited to, risks related to the gaming sector. The gaming industry is closely regulated (those regulations extend to the gaming business itself and the gaming formats and channels permitted; management of the risks associated with gaming; gaming advertising; data protection; anti-money laundering; and anti-fraud, among others). Gaming operators are required to fulfil a number of technical and compliance-related obligations in order to operate under licenses that either need to be renewed at certain intervals or are subject to ongoing oversight. The failure to comply with any of these regulations or requirements or the inability to renew our gaming licenses could have an adverse impact on our business. Lastly, the Group is and will remain exposed to lawsuits related with the above-mentioned tax regulations and compliance rules. In addition, new regulations in the future could imply additional restrictions on already-regulated activities that could reduce our ability to offer products and services to our customers.

[1] EBITDA is defined as earnings before interest, tax, depreciation and amortization and also before changes in provisions for bad debt, asset impairment losses and any gains or losses on asset disposals.

The industry is also exposed to the formulation of new and interpretation of existing gaming tax regulations in every market. Any increase in the gaming tax burden or changes in tax calculation methodologies could affect the viability of our business. The gaming industry is often in the spotlight and the public perception of what we do can also have an adverse impact on our performance. Moreover, regulatory changes in the various markets could pave the way for the entry of new competitors or new gaming formats that could have an adverse impact on our business.

Elsewhere, the markets in which the Group does business expose it to political, macroeconomic and monetary risks that affect its international operations. The market conditions and socio-economic variables in each of our markets affect our customers' purchasing power and, by extension, our business performance. The Group is also affected by political and monetary risks (including exposure to currency devaluations and changes in company law in our operating markets).

The Group is exposed to risks deriving from its growth and financing strategies. Indeed, its indebtedness could curtail management of the business, whereas conditions in the capital markets or the undertaking of unprofitable investments could affect the Group's performance. Moreover, financial market circumstances and the Group's financial situation could affect the ability to secure the guarantees or sureties needed to operate most of the gaming licenses it manages in its various business markets.

In addition, the Group is exposed to the risk that its customers' tastes and preferences could change and shift, as well as the risk that technology could lead to alternative leisure pursuits. It also faces risks deriving from supplier or competitor concentration in certain formats or products and the ability or inability of the former to create safe gaming products that are attractive to customers and comply with prevailing legislation in every market. Lastly, the impact of technology developments on how the business and product are managed (digitalization and interconnection) implies risks with respect to the integrity of our IT systems and platforms which the Group needs to manage proactively in order to avoid potential contingencies.

Our financial system currently requires some level of human interaction in the consolidation process which may allow for human error. Company is undertaking efforts to reduce the level of human interaction involved in the process.

c) Financial risk factors

The Group's business activities expose it to various types of financial risk: market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

Risk management is carried out by the Group’s Corporate Treasury Department under policies approved by the Board of Directors. This department identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investment of surplus liquidity.

c.1) Market risk

Foreign currency risk

The Group has significant investments in countries with currencies other than the euro, most notably investments in Argentine and Mexican pesos. The Group companies transact predominantly in their respective functional currencies.

With regard to the disclosure of market risk, IFRS requires reporters to perform sensitivity analyses showing the hypothetical effects of changes in the relevant risk variables on earnings and equity. Foreign exchange risk, as defined in IFRS 7, arises from monetary financial assets and liabilities that are denominated in currencies other than the reporter's functional currency. The differences arising in profit and loss from the translation of foreign subsidiaries' financial statements into the currency in which the Group presents its consolidated annual financial statements do not have to be taken into account when performing subsequent sensitivity analysis.

The table below shows the effect on earnings and equity of changes in the rates of exchange with respect to the closing rates for the currencies to which the Group is the most exposed:

		Thousands of euros			
		10% depreciation of the euro		10% appreciation of the euro	
Currency	Exchange rate at Dec. 31, 2019	Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
ARS/EUR	67.2804	924	-	(924)	-
BRL/EUR	-	-	-	-	-
COP/EUR	3681.5391	2,835	-	(2,835)	-
USD/EUR	-	-	-	-	-
UYU/EUR	41.9118	66	-	(66)	-
MXN/EUR	21.1920	6,179	-	(6,179)	-

		Thousands of euros			
		10% devaluation of the US dollar		10% appreciation of the US dollar	
Currency	Exchange rate at Dec. 31, 2019	Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
ARS/USD	59.8900	1,073	-	(1,073)	-
BRL/USD	-	-	-	-	-
COP/USD	3277.1400	133	(4)	(133)	4
MXN/USD	18.8642	53,803	-	(53,803)	-
UYU/USD	37.3080	1,064	-	(1,064)	-
EUR/USD	0.890200	(20,195)	-	20,195	-
EUR/GBP	1.176500	(40)	93	40	(93)

		Thousands of euros			
		10% depreciation of the euro		10% appreciation of the euro	
Currency	Exchange rate at Dec. 31, 2018	Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
ARS/EUR	43.1665	(832)	-	832	-
BRL/EUR	-	-	-	-	-
COP/EUR	3720.9638	922	-	(922)	-
USD/EUR	1.1450	58,841	-	(58,841)	-
UYU/EUR	37.1049	120	-	(120)	-
MXN/EUR	22.5006	(123)	9,051	123	(9,051)

		Thousands of euros			
		10% devaluation of the US dollar		10% appreciation of the US dollar	
Currency	Exchange rate at Dec. 31, 2018	Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
ARS/USD	37.70000	(8)	-	8	-
BRL/USD	-	-	-	-	-
COP/USD	3249.7500	60	-	(60)	-
MXN/USD	19.6512	25,909	23,345	(25,909)	(23,345)
UYU/USD	32.4060	340	-	(340)	-
EUR/USD	0.8734	72,729	-	(72,729)	-

Price risk

Because the Group, as a gaming operator, does not hold equity securities in the form of investments classified as either available-for-sale or at fair value through profit or loss, it is not exposed to equity securities price risk, except in respect of *ad-hoc* transactions such as the option to acquire certain shareholdings; the Group analyzes these transactions on a case-by-case basis depending on the circumstances.

Interest rate risk

The Group has issued notes in the international capital markets at the corporate level (300 million US dollars and 500 million euros); these bonds carry fixed coupons. It has also issued marketable bonds carrying fixed rates in Uruguay (30 million US dollars) and fixed-rate bonds in Panama (2.2 million US dollars). It has also fixed-rate bank borrowings in Uruguay (17.8 million US dollars and 50.8 million Uruguayan pesos), Holdco (9.3 million US dollars) and Spain (3 million euros). The rest of the Group's borrowings, which stood at around 66 million euros at December 31, 2019, are benchmarked to floating rates (Euribor/Libor/TIIE/IBR).

As a result of this capital structure, and because of the fact that the fixed-rate borrowings represent nearly 93% of the Group's total outstanding borrowings, the Group's exposure to interest-rate risk at the reporting date - and the potential impact on earnings of movements in interest rates - is relatively small.

However, it is worth highlighting that in 2020, the Group is analyzing the possibility of prepaying its high-yield bonds, which would lead to a change in the terms and conditions and, in particular, the rate of interest on any new debt arranged by the Group. Although the ultimate terms will depend on market conditions and the Group's performance, it is important to note that as of the date of authorizing these consolidated financial statements for issue, the bonds are trading below par, implying a yield of between 2 and 3 percentage points above their original yield.

The interest rate sensitivity analysis is provided in the following table:

	Thousands of euros		
Item	**Increase (+) / decrease (-) in interest rate (basis points)**	**2019**	**2018**
Impact on after-tax profit	+50	(219)	(191)
	-50	219	191
Impact on equity	+50	(219)	(191)
	-50	219	191

c.2) Credit risk

The Group's main financial assets exposed to credit risk are its:

- Investments in the financial assets included under cash and cash equivalents (short term) (notes 16 and 24).
- Non-current financial assets (note 11).
- Trade and other accounts receivable (note 15).

The Group's total exposure to credit risk constitutes the sum of the above items.

As for counterparty risk, when arranging investments in financial products or financial derivatives, the

Group has established in-house mitigation criteria, specifically requiring that its counterparties be credit institutions with high credit ratings (from prestigious international rating agencies). In addition, Group management establishes upper limits for investments and derivatives that are reviewed regularly.

In countries whose economic and sociopolitical conditions make it impossible to achieve the credit ratings threshold, the Group uses branches and subsidiaries of foreign institutions that meet the ratings criterion, as well as the larger-sized local players.

Maximum exposure

The Group's exposure to credit risk, mitigated by its takings, is mainly attributable to trade receivables, which primarily comprise amounts advanced to owners of hospitality establishments in respect of their share of the takings from the slot machines located in their establishments, and the balances due from the CIE Group companies. The amounts corresponding to these items are presented in the consolidated statement of financial position net of impairment provisions of 59,747 thousand euros at December 31, 2019 (73,701 thousand euros at year-end 2018).

Impairment provisions are determined on the basis of lifetime expected credit losses, including those expected at the individual level, using reasonable and supportable forward-looking information, based on the best information available at the date of authorizing the financial statements for issue. They are re-estimated at every reporting date on an individual basis, using the following criteria:

- The age of the debt.
- The existence of bankruptcy proceedings.
- An analysis of the debtor's ability to repay the loan extended.

Note 15 discloses the receivables impairment provisions recognized at year-end. These provisions represent the Group's best estimate of the losses incurred in respect of its receivables balances.

The Group's maximum exposure to credit risk, broken down by financial instrument category, is provided below:

	Thousands of euros	
	2019	**2018**
Trade receivables	59,747	73,701
Cash and cash equivalents	103,097	81,775
Other financial assets	43,345	43,318
	206,189	**198,794**

c.3) Liquidity risk

Liquidity risk is defined as the risk that the Group will not be able to discharge or meet its obligations on time and/or at a reasonable price.

The Group's Finance Department manages liquidity and financing. The liquidity and financing risk related processes and policies are also managed by that Department.

As a general rule, the Group manages its liquidity risk on a consolidated basis, underpinned by the needs of its companies, as well as tax, capital and multiple regulatory considerations, using numerous sources of financing to preserve financial flexibility. The Finance Department controls the Group's net liquidity position using rolling cash flow forecasts. The Group holds its cash and cash equivalents at leading, regulated entities.

(Thousands of euros)

The following table shows how the Finance Department manages net liquidity by analyzing the Group's financial assets and liabilities - excluding trade receivables and payables - into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date and contractual undiscounted cash flows as of December 31, 2019 and 2018:

	Balances at December 31, 2019	Between Jan. 1, 2019 and Mar. 31, 2020	Between Jan. 1, 2019 and Dec. 31, 2020	Between Jan. 1, 2019 and Dec. 31, 2021	Between Jan. 1, 2019 and Dec. 31, 2024
Current assets					
Short-term securities portfolio	-	-	-	-	-
Cash and cash equivalents	103,097	103,097	103,097	103,097	103,097
Total current assets	**103,097**	**103,097**	**103,097**	**103,097**	**103,097**
Non-current liabilities					
Notes, bonds and other marketable securities	787,931	-	-	764,642	787,931
Non-current bank borrowings	76,990	-	-	59,074	76,990
Total non-current liabilities	**864,921**	**-**	**-**	**823,716**	**864,921**
Current liabilities					
Current notes and bonds	11,737	-	11,736	11,736	11,736
Current bank borrowings	20,645	-	20,646	20,646	20,646
Total current liabilities	**32,382**	**-**	**32,382**	**32,382**	**32,382**
Expected gain/loss on foreign currency hedging transactions	-	-	-	-	-
Net liquidity	**(794,206)**	**103,097**	**70,715**	**(753,001)**	**(794,206)**

	Balances at Dec. 31, 2018	Between Jan. 1, 2019 and Mar. 31, 2019	Between Jan. 1, 2019 and Dec. 31, 2019	Between Jan. 1, 2019 and Dec. 31, 2020	Between Jan. 1, 2019 and Dec. 31, 2023
Current assets					
Short-term securities portfolio	-	-	-	-	-
Cash and cash equivalents	81,775	81,775	81,775	81,775	81,775
Total current assets	**81,775**	**81,775**	**81,775**	**81,775**	**81,775**
Non-current liabilities					
Notes, bonds and other marketable securities	761,985	-	-	3,592	761,987
Non-current bank borrowings	37,337	-	-	8,713	37,336
Total non-current liabilities	**799,322**	**-**	**-**	**12,305**	**799,323**
Current liabilities					
Current notes and bonds	15,543	3,898	15,543	15,543	15,543
Current bank borrowings	40,004	20,928	37,287	40,004	40,004
Total current liabilities	**55,547**	**24,826**	**52,830**	**55,547**	**55,547**
Expected gain/loss on foreign currency hedging transactions	-	-	-	-	-
Net liquidity	**(773,094)**	**56,949**	**28,945**	**13,923**	**(773,094)**

The tables above do not include the monetary flows that would arise in the ordinary course of the Group's business, contractual payments or interest due on its borrowings and obligations for the periods indicated.

Management of this risk is also focused on closely monitoring the maturities of the various debt facilities (as outlined in note 19) and on proactively managing and maintaining enough credit lines to cover forecast cash needs.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (in thousands of euros):

	2020	2021	2022	2023	2024 & bey.	Total
Notes, bonds and other marketable securities	*58,390*	*825,319*	*3,747*	*3,630*	*18,686*	**909,772**
Principal	2,715	769,761	2,715	2,715	18,019	795,925
Interest	55,675	55,558	1,032	915	667	113,847
Bank borrowings	*23,822*	*69,303*	*14,357*	*7,653*	*7,118*	**122,253**
Principal	17,308	64,083	10,208	4,160	3,912	99,671
Interest	6,514	5,220	4,149	3,493	3,206	22,582
Total	**82,212**	**894,622**	**18,102**	**11,282**	**25,804**	**1,032,025**

(*) Financial lease payments include the estimated maturity of the debt recorded since January 1, 2019 as a consequence of first application of IFRS 16 "Leases" (See Note 2.a.2).

As for the 500 million euros and 300 million dollars of notes issued and due in November 2021, it is the Codere Group's intention to maintain long-term financing of this nature as part of its permanent capital structure. As a result, as that maturity date approaches, and when market conditions are propitious, the Codere Group will take the steps needed to refinance those notes either with financing with similar terms and conditions but a longer maturity date or by means of an equity issue by Codere, S.A. or one of its subsidiaries, or via a combination of those two alternatives.

d) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, preserve the ability to continue to grow via new projects and maintain an optimal capital structure in order to provide returns for shareholders.

As a general rule, the Group articulates its corporate financing effort around three cornerstones:

- Internal cash flow generation across its core businesses.

- The ability to grow via investment in new projects that are largely funded by the cash flows generated by the project itself and in turn shore up the growth capabilities of the Group's core businesses.

- An asset rotation policy designed to help fund investments in new projects.

At December 31, 2019, the Group presented negative equity attributable to equity holders of the parent of 38,007 thousand euros, which is 46,707 thousand euros less than at December 31, 2018. The drop in equity is attributable mainly to the loss recognized in 2019, heavily influenced by the first-time application of IFRS 16 (19,947 thousand euros) and the effects of hyperinflationary accounting (24,294 thousand euros).

e) Fair value estimation

The table below analyzes the financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2)

- Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value:

Assets/liabilities (level 2)	**Thousands of euros**	
	2019	**2018**
Provision for options	(1,552)	(1,546)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of available observable data inputs and rely as little as possible on entity-specific estimates. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in level 2.

The specific valuation techniques used to measure the financial instruments recognized at fair value are as follows:

- The fair value of the option over the sale of shares to several Codere executives is calculated by factoring in the volatility of the underlying securities, the loans' redemption value and other considerations.

- The fair value of the hedging instrument was obtained from information provided by the financial institution it was arranged with.

Fair value of financial assets and financial liabilities recognized at amortized cost

The fair value of the Group's notes (level 1) at December 31, 2019 is as follows:

	Thousands of euros
	Year-end 2019
Notes issued by Alta Cordillera, S.A.	1,958
Notes issued by HRU, S.A.	21,453
Notes issued by Codere Finance II, S.A.	708,945
	732,356

Fair value of investment properties.

The Group has updated its assessment of the fair value of its investment property based on the estimated future cash flows due under the lease agreement outlined in note 8, which defines both the cash flows and investment commitments assuming continuity of the agreement (assuming growth and using a discount rate of 9.4%, in line with the rate used to test the Mexican CGU for impairment). The growth rate used to calculate the terminal value of each CGU is equivalent to the annual change in the consumer price index contemplated in prevailing macroeconomic forecasts for each country over the long term; in the case of Mexico this value is 3%. Based on that analysis, the fair value of its investment property amounted to 99.7 million euros at December 31, 2019 (year-end 2018: 75.3 million euros).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the corresponding actual results. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Estimated impairment losses on non-financial assets

The Group tests its non-financial assets (goodwill and other non-current assets) for impairment annually, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units (CGUs) are determined based on value-in-use calculations. These calculations require the use of estimates (note 13).

When testing these units for impairment, the Group projects each unit's future cash flows using models that encompass the most pertinent business, financial and macroeconomic indicators. The explicit projection horizon is five years. Beyond this projection period, a terminal value is calculated using the growth in perpetuity method. The figures for year one of this projection horizon are based on the detailed budgets approved by each unit for the year ahead, factoring in the impact of any significant developments that may have occurred subsequent to their approval. The projections for the remaining years of the projection period reflect the trends that can be reasonably expected given the strategies and action plans defined by the Group as a function of each unit's distinctive characteristics and unique competitive dynamic.

b) Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

The Group recognizes tax liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group recognizes assets for unused tax credits when there is sufficient evidence of its ability to utilize them in the future. The Group tests these assets for impairment annually.

Specifically in relation to the dividend repatriation policy described in note 17.f, the Group recognizes deferred tax liabilities for temporary taxable differences associated with investments in subsidiaries, branches and associates based on its best estimate of when the underlying temporary differences will reverse.

c) Fair value of derivatives and other financial assets

The fair value of unlisted financial instruments is determined using valuation techniques. The Group exercises judgment in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at the reporting date.

d) Provisions for litigation and other contingencies

The Group has made judgments and estimates as to the likelihood that certain liabilities will materialize, as well as the corresponding amounts, and has recognized provisions when the liability is deemed probable, estimating the cost that would be generated by the obligating event.

e) Complaints and claims

(i) Tax lawsuits in Mexico

Below is a description of the main tax contingencies affecting Codere Mexico and its subsidiaries:

- Exchange losses

  In March 2015, Codere Mexico filed an appeal before the Federal Court of Tax and Administrative Justice of Mexico against the tax assessment raised in 2012 as a result of the overruling of the deduction of certain exchange losses from corporate income tax in 2008. Codere Mexico was handed down a favorable ruling by this court in 2017. However, the Mexican tax authorities then appealed the ruling before the Circuit Court of Appeals. That court ruled in the Mexican company's favor in April 2018. Notwithstanding that ruling, the Mexican tax authorities then initiated a fresh investigation in respect of the same tax period and concepts already inspected and on August 8, 2018 raised a new assessment claiming 1.27 billion Mexican pesos (60 million euros at December 31, 2019). That subsidiary filed a suit with the Federal Court of Tax and Administrative Justice to have that tax assessment annulled on September 24, 2018. The report drawn up by the expert witness appointed by the Federal Court of Tax and Administrative Justice agrees with the arguments put forward by the expert designed by the subsidiary, which is currently working on the arguments it is going to present; this case, therefore, remains ongoing.

- Exclusivity rights

  The inspection of Codere Mexico and one of its subsidiaries in respect of their corporate income tax returns for 2008 and 2009 concluded in 2016. Following that inspection the tax authorities disallowed the deduction for tax purposes of certain royalties paid by Codere Mexico to Codere under exclusivity rights held by Codere over the sale of Zitro gaming machines in Mexico. As a result, the Mexican companies filed additional returns for those years in an aggregate amount of 64.4 million Mexican pesos (3 million euros at December 31, 2016). In addition, as a result of differing interpretations of tax law by the Group and the tax authorities, the latter raised a tax assessment of 66.7 million Mexican pesos (3.1 million euros at December 31, 2019). As noted above, that assessment is currently the subject of nullity trial proceedings before the Federal Court of Tax and Administrative Justice. The Group had recognized a provision to cover this exposure in the amount of 74.6 million Mexican pesos (3.5 million euros at December 31, 2019). That provision was reversed at year-end, based on the probability, underpinned by the criteria of independent experts, that the assessment will ultimately be declared null.

- Duty on production and services, 2013 and 2014

  In 2016, the Mexican tax authorities initiated an inspection of Operadora Cantabria (a Mexican Group subsidiary) with respect to the so-called duty on production and services in 2014. On July 12, 2018, the Mexican tax authorities raised a tax assessment of 507.1 million Mexican pesos (23.9 million euros at December 31, 2019) in this respect. Disagreeing with the assessment, on September 6, 2018, this Group subsidiary filed an appeal before the tax authorities. On December 20, 2019, the tax authorities issued their ruling on the appeal, upholding the initial assessment. The subsidiary lodged a nullity appeal on February 13, 2019.

  The Mexican tax authorities also initiated an inspection of Operadora Cantabria with respect to the duty on production and services in 2013. On November 18, 2018, the authorities raised a tax assessment of 578.4 million Mexican pesos (27.2 million euros at December 31, 2019) in this respect. Disagreeing with the assessment, on December 16, 2019, the subsidiary filed an appeal before the tax authorities.

- Draws and sweepstakes - Jalisco (2013 and 2014)

  The tax authorities in the state of Jalisco have reviewed the tax paid by Administradora Mexicana de Hipódromo (AMH), one of the Group's Mexican subsidiaries, on lotteries, draws, sweepstakes, betting and competitions of all kinds in 2013 and 2014. AMH received notification on February 13 and 14, 2018 of tax assessments in the amounts of 18.7 million Mexican pesos (0.9 million euros at December 31, 2019) and 14.6 million Mexican pesos (0.7 million euros at December 31, 2019), respectively.

  With respect to the assessment in relation to 2013, AMH is awaiting a ruling on the request for defense lodged on November 19, 2019 before the court for administrative matters.

  With respect to the assessment in relation to 2014, AMH is awaiting a ruling on the nullity suit lodged before the Court of Administrative Justice in the state of Jalisco on October 26, 2018.

In court proceedings of this kind, the lodging of appeals against assessments raised requires the presentation of sureties or guarantees before the Mexican tax authorities (note 22).

The Company's directors, based on the reports of its legal advisors, believe there was no need to recognize any provisions with respect to these lawsuits at December 31, 2019.

At December 31, 2018, the Company had recognized a provision of 3.3 million euros (equivalent to 74.3 million Mexican pesos) in this respect (note 18.1).

(ii) Tax lawsuits in Italy

- VAT - Bingo Re (2003 and 2007) and Bintegral (2007)

  At the reporting date, the Italian appeals court still had to rule on the appeal presented by Group subsidiaries Bingo RE and Bintegral with respect to the VAT assessments related to the pro rata VAT deductions made by Bingo Re in 2003 and 2007 and by Bintegral in 2007. The amount sought totaled 1 million euros and was provided for in the amount of 0.8 million euros. In 2019, the two companies reached a tax amnesty agreement with the Italian tax authorities, under which some of the tax debt has been forgiven; Bintegral has to pay 0.13 million euros and Bingo RE has to pay 0.27 million euros, in 20 instalments. The Italian tax authorities will decide whether or not to accept the tax amnesty in July 2020. The Group has recognized a provision for this outlay of 0.7 million euros at December 31, 2019.

- VAT - Codere Italy (2014 and 2015)

  In 2019, the Italian tax authorities initiated an inspection of Codere Italy's VAT returns for 2014 and 2015. The inspection team believes that the financial transactions performed by the subsidiary should be included in the pro rata calculation and therefore questions the deductibility of a portion of the input VAT declared, specifically in the amounts of 0.16 million euros in 2014 and 0.31 million euros in 2015. The inspection authorities further believe that the amounts invoiced by the Company to its subsidiaries for management services do not include all of the expenses incurred by it in the provision of such services; the authorities therefore recommend increasing the VAT tax base by the amount of such expenses, which has the effect of increasing the amount of output VAT due by an estimated 2.2 million euros in 2014 and 1.7 million euros in 2015.

  Although there was no firm assessment at December 31, 2019, the Group has recognized a provision in the amount of 0.8 million euros, which is the amount of the exposure (including VAT due and potential late-payment interest and fines) it is deemed probable will result in an outflow of resources. It is considered highly probable that the rest of the exposure will not be questioned as part of the inspection, so that it has not been provided for.

(iii) Tax lawsuits in Argentina

- Tax on debits and credits

The Argentine tax authorities have raised an assessment of 0.2 million euros to Bingos del Oeste (9.5 million Argentine pesos) seeking payment of the tax on debits and credits on the amounts deposited in the account of the Buenos Aires provincial lotteries and casinos institute, the IPLyC, as a result of participation in income from gaming activities. Group subsidiary Bingos del Oeste has argued before the Argentine courts that that tax does not apply to its business activities; however, so far, the courts have ruled against the subsidiary. In order to be able to bring its complaint appeal before the country's Supreme Court of Justice, the subsidiary proceeded to pay the amount sought. At the reporting date, the Supreme Court ruling on the appeal lodged is pending.

Note than another similar claim is currently before the Supreme Court, albeit in this instance brought by the Argentine tax authorities; it relates to the same tax and corresponds to other sector players that have had their cases ruled in their favor at lower court levels. If the Argentine Supreme Court were to rule in favor of the taxpayers, the subsidiary would be in a position to seek reimbursement of the amount already paid.

In 2019, an inspection of Group company Intermar was initiated in respect of the same tax (for 2016).

(iv) Tax lawsuits in Panama

The Panamanian subsidiaries, Alta Cordillera and Hípica de Panamá, have been the subject of several inspections in respect of both income tax and VAT, the outcome of which was to question the method used to determine income tax payable, the deductibility of certain expenses and the withholding rate applied to foreign payments. The case is pending court ruling. The amount sought is 3 million euros and the amount accrued for is 0.2 million euros. The amount of the provision corresponds to the exposure for which an outflow of resources is deemed probable (the probability that the rest of the exposure will is deemed remote).

(v) Legal proceedings related with lawsuits challenging shareholder agreements.

- On February 9, 2018, Jose Antonio Martínez Sampedro and Luis Javier Martínez Sampedro filed a lawsuit against Codere S.A. (the Company) challenging the corporate resolutions ratified at the meeting of the Appointments, Remuneration and Corporate Governance Committee on December 1, 2017 and at the meeting of the Board of Directors on January 12, 2018 with respect to the termination of the Chairman and Vice-Chairman of the Board of Directors and the revocation of their powers; the amendment of certain articles of the Board Regulations; and the appointment of a new Chairman and General Manager. The plaintiffs are seeking to have the resolutions annulled.

  On April 10, 2018, the Company filed its response to that lawsuit, asking to have the plaintiffs' claims overruled in full.

  The pre-trial hearing took place on January 16, 2019 and the trial was set for September 11, 18 and 25, 2019. During the preliminary hearing on the evidence presented by the parties, the court overruled the documentary evidence-taking suggested by the plaintiffs under the scope of discovery proceedings in the United States (article 1782). On September 7, 2019, the plaintiffs wrote to the court to notify it of their decision to dismiss their counsel, asking to have the proceedings suspended until they appoint new counsel. The court has rescheduled the discovery hearing for May 20 and 27, 2020 and June 3, 2020.

- On February 13, 2017, certain of the Company's non-controlling shareholders filed a lawsuit against the Company challenging certain corporate resolutions ratified at the Company's Extraordinary General Meeting on December 4, 2015, at which the measures needed to culminate the restructuring of the Company's debt were approved. That lawsuit claims that certain of the Company's shareholders were conflicted at the time and should have abstained from voting on the above resolutions. The Company filed its response to that lawsuit on May 13, 2017, arguing essentially that there were no such conflicts of interest and that the statute of limitations on the proceedings had prescribed. The preliminary hearing took place on April 24, 2018. The court case has been set for May 19, 2020.

(vi) Arbitration proceedings.

- On February 19, 2018, Jose Antonio and Luis Javier Martínez Sampedro and Masampe S.L. filed a request with the International Chamber of Commerce (ICC) for arbitration proceedings against the Company, some Board members and some of its shareholders, claiming that as a result of the resolutions adopted by the Company's Board of Directors on January 12, 2018 which are referred in (i) above, certain aspects of the Shareholder Agreement dated April 6, 2016 (publicly disclosed via a price-sensitive filing with the Spanish securities market regulator on April 15, 2016) had been breached. The claimants also included in that request for arbitration a request for the adoption of certain interim measures, which the Emergency Arbitrator appointed for that purpose rejected in its entirety by decision of 12 March 2018, imposing the legal costs of that emergency arbitration on the claimants, amounting to £492,732.71 and EUR 176,430.97 (in relation to the latter issue concerning legal costs, following an appeal by the applicants, it has been determined that it will be resolved within the main arbitration in progress). The Claimants requested the Emergency Arbitrator to review his decision on legal costs. The Emergency Arbitrator, in his decision of 30 March 2018, confirmed his previous decision. On January 24, 2020, the Provincial Court granted the Claimants appeal, revoking and invalidating the enforcement measures deploy. By means of Diligence of Order dated February 20, 2020, the Court of First Instance Nº. 101 of Madrid has required Codere to return the main amount of £ 492,732.71 to the Claimants.

  On July 23, 2019, the Arbitral Tribunal issued the Terms of Reference and Procedural Calendar No.1. In accordance with this Schedule, on September 30, 2019, the Claimants filed their claim. They requested a declaration that the dismissal of Mr. José Antonio Martínez Sampedro and Mr. Luis Javier Martínez Sampedro as Executive Chairman and Vice Chairman, respectively, is contrary to the Shareholders' Agreement. In addition, the plaintiffs claim from Codere the payment in favor of Mr. Luis Javier Martínez Sampedro of 250,925 Euros, based on his contract, as well as, the interest on all the amounts that the Company allegedly owes to Mr. Luis Javier Martínez Sampedro. The applicants also requested the Arbitration Court to reduce or waive the amount of the legal costs to which they had been sentenced in the abovementioned Emergency Proceeding. On November 29, 2019, the Company (and the other defendants) filed its Response to the claim requesting the dismissal of all the petitions in the claim. In addition, on the same date, Codere S.A. filed a counterclaim against José Antonio Martínez Sampedro and Luis Javier Martínez Sampedro (both based on the service contracts signed by the Company with these executive Directors), as well as against Masampe (based on the Shareholders' Agreement dated 6 April 2016).
  Following the documentary production phase, Claimants should submit their reply to the counterclaim on March 6, 2020. Following the filing of said reply, the Company should file its

response on April 30, 2020. The Hearing is currently scheduled to take place between June 29, 2020 and July 3, 2020. A final award is not expected before December 2020.

In parallel with the documentary production phase, on June 27, 2018, the Company (and the other defendants) requested the provisional enforcement of the legal costs of the emergency arbitration. On September 19, 2018, the Court of First Instance No. 101 of Madrid issued a writ of execution and a decree of the same date ordering the seizure of the bank accounts of the claimants in the amount corresponding to the legal costs of the emergency arbitration. Subsequently, the Claimants filed an appeal against the order dismissing the Claimants' opposition to the execution of the Emergency Arbitrator's decision. On January 24, 2020, the Provincial Court granted the Claimants appeal, revoking and invalidating the enforcement measures deploy.

- On August 31, 2017, Sikeston S.A. filed a request for arbitration with the International Court of Arbitration (ICC) in Montevideo (Uruguay) against two of the Company's subsidiaries, Codere México S.A. de C.V. and Carrasco Nobile, S.A., claiming that certain corporate resolutions ratified by the governance bodies of Carrasco Nobile, S.A. breach the terms of the shareholder agreement entered into between Codere México S.A. de C.V. and Sikeston, S.A. on September 22, 2011 and asking the court to declare Codere México S.A. de C.V in breach of that agreement.

  On October 24, 2019, the Group received notification of the ICC Arbitral Court's final ruling, which found in favor of Sikeston S.A., specifically finding that certain clauses of the Carrasco Nobile shareholder agreement had been breached, resulting in the exclusion of Sikeston as shareholder (by not participating in capital contributions carried out to remedy the technical grounds for resolution and replenish the subsidiary's equity). Codere Mexico and Carrasco Nobile were additionally sentenced to payment of the arbitration proceeding costs, which have already been settled.

(vii) Perella Weinberg Partners lawsuit.

- On September 2, 2015, the Company filed a lawsuit with the court of first instance of Alcobendas (Madrid) against several entities within the Perella group (specifically Perella Weinberg Partners Europe LP and Perella Weinberg Partners UK LLP), seeking declaration that they had breached the services agreement entered into with the Company on April 18, 2013 and seeking payment from the defendants for the damages incurred as a result of that breach.

- The defendant firms responded to the lawsuit on November 20, 2017, in turn filing a counter-claim against the Company, seeking declaration that the Company had breached the above-mentioned services agreement and seeking settlement from the Company of the amounts due under that contract [(€11.3 million euros in total for services provided and due and success fees)].

- The pre-trial hearing took place on September 11, 2018. The hearing itself has been postponed to November 30 and December 1, 2 and 3, 2020. It is not currently feasible to assess the risk for the Company as none of the trial evidence has been presented yet.

h) Non-controlling interests

In the wake of effectiveness of IFRS 12, the Codere Group defines material non-controlling interests as all non-controlling interests whose assets (meaning the interests of the non-controlling interests in the aggregate assets of the subgroup in which they hold their interest) represent 5% or more of total consolidated assets.

The Group additionally takes into consideration other specific qualitative circumstances, such as the importance of a non-controlling interest with respect to a specific investment or significant non-recurring impacts when assessing its material non-controlling interests. These considerations are reviewed annually by management.

Summarized financial information for subsidiaries with material non-controlling interests at December 31, 2019	Administradora Mexicana Hipódromo S.A. de C.V. (Thousands of euros)	Alta Cordillera, S.A. (Thousands of euros)
Intangible assets	134,211	12,045
Property, plant and equipment	102,061	12,671
Investment properties	50,818	-
Deferred tax assets	4,173	933
Other non-current assets	1,183	34,181
Cash and cash equivalents	15,269	2,554
Other current assets	47,118	8,254
Non-current liabilities	(99,447)	(58,544)
Current liabilities	(63,891)	(10,407)
Inter-company eliminations (*)	(169,842)	(55,665)
Non-controlling interest (%)	15.2	25.0
Non-controlling interest	13,362	1,901
Operating income	198,716	55,686
Profit/(loss) for the year	2,413	(6,030)

Summarized financial information for subsidiaries with material non-controlling interests at December 31, 2018	Administradora Mexicana Hipódromo S.A. de C.V. (Thousands of euros)	Alta Cordillera, S.A. (Thousands of euros)
Intangible assets	129,728	13,335
Property, plant and equipment	108,537	11,324
Investment properties	49,623	-
Deferred tax assets	2,667	141
Other non-current assets	1,374	33,628
Cash and cash equivalents	5,670	4,338
Other current assets	52,950	7,758
Non-current liabilities	(39,202)	(2,919)
Current liabilities	(59,897)	(4,200)
Inter-company eliminations (*)	(163,544)	(55,295)
Non-controlling interest (%)	15.2	25.0
Non-controlling interest	13,362	1,901
Operating income	222,031	64,048
Profit/(loss) for the year	30,871	50

(*) The line item "inter-company eliminations" includes all consolidation adjustments assigned to each individual company. Those adjustments are inter-company balances, the elimination of equity, the allocation of goodwill and other adjustments arising in the consolidation process. “Inter-company eliminations” encompasses all of the above items for each individual company; the overall effect on the consolidated statement of financial position is nil.

5. SEGMENT INFORMATION

The operating segments have been determined on the basis of the reports used by the Board of Directors for strategic decision-making purposes. The Group analyzes its business performance by geography and business activity. The operating businesses are organized and managed separately by the various geographic areas where the business is performed, each country constituting a strategic line of business that is involved in different activities and serves different markets.

The Group manages its operations around its lines of business and controls the operating performance of its slot machines, bingo halls, bookmakers, casinos and the holding companies separately. However, on occasion, multiple categories of operations may coincide in a single business line, as there are gaming machines in the bingo halls and casinos operated by the Group. That is why the management information for operating decision purposes is based on the aggregate profit of each segment, as defined in item a) below.

Given that it is not possible to specifically separate the costs of each of the activities performed, the Group believes that each of the geographic areas in which it operates should be considered an operating segment.

The main operating segments and their core business activities are as follows:

- Spain. Gaming machine operations, bingo hall operation, bookmaker establishments and self-service terminals in hospitality establishments.

- Italy: Gaming machine operations, gaming machine network operators and bingo hall operations.

- Mexico: Bingo hall operations, including electronic bingo and gaming machines. Also, the operation of bookmaking establishments, the Las Américas Racetrack and the Banamex Convention Center.

- Argentina: The operation of bingo halls equipped with gaming machines.

- Colombia: The operation of gaming machines, bingo halls and casinos.

- Uruguay: Operation of the Casino Hotel Carrasco and HRU (racetracks and gaming machine rooms).

- Panama: The operation of racetracks, gaming machines, casinos and sports-betting establishments.

- Brazil: The operation of betting shops (an activity discontinued in 2018)

- Holdcos: Management and business support services.

- Online: The Group began to report the results of its Online business unit separately on January 1, 2019; that business had previously been included within the Mexican, Colombian and Spanish business segments.

(Thousands of euros)

a) Operating segments

2019 statement of profit or loss	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Online	Inter-segment transactions (*)	Total
Operating income												
External customers	189,765	310,575	308,319	24,178	344,261	74,247	-	78,189	68	59,812	-	1,389,414
Inter-segment	-	-	-	-	-	-	-	-	32,200	-	(32,200)	-
	189,765	310,575	308,319	24,178	344,261	74,247	-	78,189	32,268	59,812	(32,200)	1,389,414
Operating expenses												
Depreciation and amortization	(35,441)	(75,697)	(18,733)	(6,412)	(20,271)	(9,479)	(475)	(15,455)	(4,452)	(3,550)	-	(189,965)
Change in provision for bad debt	(967)	(2)	-	(1,705)	(2,815)	(72)	-	(3,257)	(1,114)	-	-	(9,932)
Other operating expenses	(131,780)	(187,444)	(224,084)	(16,831)	(314,284)	(52,048)	(181)	(58,108)	(44,645)	(75,448)	-	(1,104,853)
	(168,188)	**(263,143)**	**(242,817)**	**(24,948)**	**(337,370)**	**(61,599)**	**(656)**	**(76,820)**	**(50,211)**	**(78,998)**	**-**	**(1,304,750)**
Gain/(loss) on derecognition/disposal of assets	(711)	(231)	(94)	(431)	(64)	(3)	-	(817)	(233)	12	-	**(2,572)**
Inter-segment expenses	(12,442)	(9,471)	(11,788)	(1,822)	(1,568)	(1,078)	-	(3,522)	-	9,491	32,200	-
OPERATING PROFIT/(LOSS)	**8,424**	**37,730**	**53,620**	**(3,023)**	**5,259**	**11,567**	**(656)**	**(2,970)**	**(18,176)**	**(9,683)**	**-**	**82,092**
Finance income - external	98	1,175	342	3	517	73	-	94	257	2,459	-	5,018
Finance income - inter-segment	-	-	-	-	-	-	-	-	45,970	-	(45,970)	-
Finance costs - external	(5,054)	(22,510)	(3,753)	(1,437)	(2,756)	(3,856)	(13)	(7,456)	(61,172)	(122)	-	(108,129)
Finance costs - inter-segment	(822)	(35,507)	-	(508)	(5,776)	(658)	-	(2,101)	-	(598)	45,970	-
Change in financial asset impairment provisions	(12)	(158)	-	-	(394)	-	-	-	(1,570)	-	-	(2,134)
Net exchange differences	(1)	7,526	(5,625)	(350)	-	(5,267)	(5)	105	(5,917)	(145)	-	(9,679)
NET FINANCE INCOME/(COST)	**(5,791)**	**(49,474)**	**(9,036)**	**(2,292)**	**(8,409)**	**(9,708)**	**(18)**	**(9,358)**	**(22,432)**	**1,594**	**-**	**(114,924)**
PROFIT/(LOSS) BEFORE TAX	**2,633**	**(11,744)**	**44,584**	**(5,315)**	**(3,150)**	**1,859**	**(674)**	**(12,328)**	**(40,608)**	**(8,089)**	**-**	**(32,832)**
Income tax	(3,190)	(5,157)	(22,817)	(214)	(615)	461	-	2,002	(185)	59	-	(29,656)
Share of profit/(loss) of equity-accounted investees	-	(158)	-	-	3	-	-	-	-	-	-	(155)
PROFIT/(LOSS) FOR THE PERIOD	**(557)**	**(17,059)**	**21,767**	**(5,529)**	**(3,762)**	**2,320**	**(674)**	**(10,326)**	**(40,793)**	**(8,030)**	**-**	**(62,643)**
GROUP PROFIT/(LOSS)												
Attributable to:												
Non-controlling interests	703	952	171	(49)	193	-	-	(3,058)	(2)	98	-	(992)
Equity holders of the parent	(1,260)	(18,011)	21,596	(5,480)	(3,955)	2,320	(674)	(7,268)	(40,791)	(8,128)	-	(61,651)
GROUP PROFIT/(LOSS)	**(557)**	**(17,059)**	**21,767**	**(5,529)**	**(3,762)**	**2,320**	**(674)**	**(10,326)**	**(40,793)**	**(8,030)**	**-**	**(62,643)**

(*) All inter-segment transactions are at arm's length and correspond mainly to expenses borne by the holding companies that are incurred on behalf of the rest of the Group companies.

(Thousands of euros)

2018 statement of profit or loss	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Inter-segment transactions (*)	Total
Operating income											
External customers	219,986	328,333	366,633	23,467	336,506	70,671	966	88,733	9	-	1,435,304
Inter-segment	-	-	-	-	-	-	-	-	34,482	(34,482)	-
	219,986	**328,333**	**366,633**	**23,467**	**336,506**	**70,671**	**966**	**88,733**	**34,491**	**(34,482)**	**1,435,304**
Operating expenses											
Depreciation and amortization	(30,599)	(40,007)	(12,507)	(3,426)	(15,222)	(9,290)	(302)	(8,622)	(541)	-	(120,516)
Change in provision for bad debt	(1,226)	-	-	(177)	(644)	(136)	(941)	(2,388)	40	-	(5,472)
Other operating expenses	(196,871)	(221,864)	(270,916)	(19,284)	(309,244)	(51,739)	(2,618)	(70,150)	(64,702)	-	(1,207,388)
Asset impairment	-	-	-	-	-	-	-	-	-	-	-
	(228,696)	**(261,871)**	**(283,423)**	**(22,887)**	**(325,110)**	**(61,165)**	**(3,861)**	**(81,160)**	- (65,203)	**-**	**(1,333,376)**
Gain/(loss) on derecognition/disposal of assets	(1,549)	(2,131)	(1,071)	(64)	(41)	3	(221)	-	3	-	(5,071)
Inter-segment expenses	(789)	(10,715)	(14,693)	(1,791)	(1,081)	(1,337)	(5)	(4,071)	-	34,482	-
OPERATING PROFIT/(LOSS)	**(11,048)**	**53,616**	**67,446**	**(1,275)**	**10,274**	**8,172**	**(3,121)**	**3,502**	(30,709)	**-**	**96,857**
Finance income - external	191	1,369	1,545	17	75	69	3	123	265	-	3,657
Finance income - inter-segment	-	-	-	-	-	-	-	-	45,642	(45,642)	-
Finance costs - external	(1,703)	(1,408)	(8,131)	(342)	(122)	(3,312)	(13)	(214)	(59,542)	-	(74,787)
Finance costs - inter-segment	(277)	(34,540)	-	(264)	(5,966)	(68)	(2,512)	(2,015)	-	45,642	-
Change in financial-asset impairment provisions	-	-	-	-	-	(9)	-	-	(117)	-	(126)
Net exchange differences	(91)	565	(6,239)	(905)	-	(4,248)	143	504	(18,392)	-	(28,663)
NET FINANCE INCOME/(COST)	**(1,880)**	**(34,014)**	**(12,825)**	**(1,494)**	**(6,013)**	**(7,568)**	**(2,379)**	**(1,602)**	**- (32,144)**	**-**	**(99,919)**
PROFIT/(LOSS) BEFORE TAX	**(12,928)**	**19,602**	**54,621**	**(2,769)**	**4,261**	**604**	**(5,500)**	**1,900**	**(62,853)**	**-**	**(3,062)**
Income tax	(604)	(14,427)	(15,804)	(692)	(413)	339	-	(813)	1,962	-	(30,452)
Share of profit/(loss) of equity-accounted investees	-	(12)	-	-	(78)	-	-	-	-	-	(90)
PROFIT/(LOSS) FOR THE PERIOD	**(13,532)**	**5,163**	**38,817**	**(3,461)**	**3,770**	**943**	**(5,500)**	**1,087**	**(60,891)**	**-**	**(33,604)**
GROUP PROFIT/(LOSS)											
Attributable to:											
Non-controlling interests	897	5,248	483	89	346	-	-	(254)	(2)		6,807
Equity holders of the parent	(14,429)	(85)	38,334	(3,550)	3,424	943	(5,500)	1,341	(60,889)		(40,411)
GROUP PROFIT/(LOSS)	**(13,532)**	**5,163**	**38,817**	**(3,461)**	**3,770**	**943**	**(5,500)**	**1,087**	**(60,891)**	**-**	**(33,604)**

(Thousands of euros)

Statement of financial position at Dec. 31, 2019	**Spain**	**Mexico**	**Argentina**	**Colombia**	**Italy**	**Uruguay**	**Brazil**	**Panama**	**Holdcos**	**Online**	**Total**
Intangible assets	53,186	195,403	54,808	20	21,713	17,180	618	14,469	8,962	7,653	**374,012**
Right-of-use assets	29,124	101,540	29,769	6,548	21,959	5,189	-	55,476	5,079	5	**254,689**
Property, plant and equipment	55,646	162,636	36,656	11,476	12,365	54,437	-	15,940	734	694	**350,584**
Investment properties	1,851	50,818	-	-	-	-	-	-	-	-	**52,669**
Goodwill	29,863	70,024	47,092	-	47,444	6,593	-	31,276	-	-	**232,292**
Investments in equity-accounted investees	-	353	-	-	173	-	-	-	-	-	**526**
Non-current financial assets	6,256	1,543	1,564	215	6,820	-	-	3,427	32	100	**19,957**
Deferred tax assets	3,457	19,257	1,625	184	6,908	4,941	-	2,301	11,958	2,199	**52,830**
Other non-current assets	-	-	-	-	-	-	-	-	-	-	**-**
Current assets	26,136	112,452	27,729	8,855	69,247	18,939	104	14,101	26,170	9,230	**312,963**
TOTAL ASSETS	**205,519**	**714,026**	**199,243**	**27,298**	**186,629**	**107,279**	**722**	**136,990**	**52,935**	**19,881**	**1,650,522**
Deferred income	-	-	-	-	-	-	-	-	-	-	**-**
Impairment provisions	235	5,780	2,200	806	10,650	24	144	1,113	561	475	**21,988**
Non-current borrowings	50,480	156,814	33,568	4,588	25,909	48,843	-	57,986	820,748	605	**1,199,541**
Current liabilities	51,819	149,024	41,699	10,214	54,879	18,835	284	15,853	26,088	17,249	**385,944**
TOTAL LIABILITIES	**102,534**	**311,618**	**77,467**	**15,608**	**91,438**	**67,702**	**428**	**74,952**	**847,397**	**18,329**	**1,607,473**
OTHER DISCLOSURES											
Additions to non-current assets	**19,816**	**24,185**	**13,726**	**1,714**	**5,748**	**5,105**	**-**	**6,922**	**5,619**	**4,492**	**87,307**
Intangible assets	9,054	-	6	-	2,692	119	-	-	5,619	4,492	**21,962**
Property, plant and equipment	10,762	24,185	13,720	1,714	3,056	4,986	-	6,922	-	**-**	**65,345**
Other non-cash charges	3,777	244	1,572	441	1,840	-	-	817	253	**-**	**8,944**

(Thousands of euros)

Statement of financial position at December 31, 2018	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Total
Intangible assets	60,271	186,420	62,716	49	29,158	21,177	1,104	15,265	6,559	**382,719**
Property, plant and equipment	72,218	174,790	50,130	13,505	13,415	62,774	-	14,870	432	**402,134**
Goodwill	29,682	65,911	49,205	-	47,444	7,447	-	30,686		**230,375**
Investment properties	1,878	49,623	-	-	-	-	-	-	-	**51,501**
Investments in equity-accounted investees	-	568	-	-	82	-	-	-	-	**650**
Non-current financial assets	6,449	1,506	1,965	21	8,661	-	-	3,521	30	**22,153**
Deferred tax assets	5,534	13,614	-	31	7,473	4,869	-	141	15,843	**47,505**
Other non-current assets	-	-	-	-	-	-	-	-	-	**-**
Current assets	35,589	97,691	30,962	7,782	71,830	14,796	1,068	19,299	28,509	**307,527**
TOTAL ASSETS	**211,621**	**590,123**	**194,978**	**21,388**	**178,064**	**111,063**	**2,172**	**83,782**	**51,373**	**1,444,564**
Deferred income	10	-	-	-	-	-	-	-	-	**10**
Impairment provisions	665	8,401	2,149	590	9,997	28	183	990	29	**23,032**
Non-current borrowings	33,350	70,540	16,969	537	8,326	39,858	-	2,333	769,047	**940,960**
Current liabilities	77,466	134,576	51,000	7,724	50,080	22,824	357	6,469	37,944	**388,440**
TOTAL LIABILITIES	**111,491**	**213,517**	**70,118**	**8,851**	**68,403**	**62,710**	**540**	**9,762**	**807,020**	**1,352,442**
OTHER DISCLOSURES										
Additions to non-current assets	**41,575**	**68,625**	**14,919**	**4,307**	**5,601**	**7,609**	**-**	**8,937**	**5,301**	**156,874**
Intangible assets	14,384	-	370	-	2,183	795	-	5,720	5,126	**28,578**
Property, plant and equipment	27,191	68,625	14,549	4,307	3,418	6,814	-	3,217	175	**128,296**
Other non-cash charges	5,512	2,136	2,394	75	1,439	-	221	1	2	**11,780**

6. BUSINESS COMBINATIONS AND CHANGES IN THE SCOPE OF CONSOLIDATION

a) Business combinations

a.1) 2019

The information regarding the acquisition-date fair values of the acquirees' identifiable assets and liabilities and their contributions to the Group's revenue and earnings during the reporting period is provided below (in thousands of euros):

	Game Asturias S.L.	Business combination
Acquisition date	March 19, 2019	
Shareholding acquired by the Group, %	100%	
Consideration:		
Cash	1,303	**1,303**
Contingent consideration	-	**-**
Goodwill	552	**552**
Intangible assets	844	**844**
Property, plant and equipment	46	**46**
Other non-current assets	-	**-**
Deferred tax assets	-	**-**
Current assets	90	**90**
Cash and cash equivalents	180	**180**
Non-current liabilities	(1)	**(1)**
Provisions and contingent liabilities	-	**-**
Deferred tax liabilities	(211)	**(211)**
Current liabilities	(197)	**(197)**
Total identifiable net assets	751	**751**
Non-controlling interest	-	**-**
Revenue contributed since the date of acquisition	519	**519**
Profit/(loss) contributed since the date of acquisition	214	**214**
Pro forma revenue contribution from January 1, 2019	702	**702**
Pro forma profit/(loss) contribution from January 1, 2019	175	**175**

The acquisition closed by the Group in 2019 is designed to continue to increase its presence in the Spanish market. The acquisition was structured to include upfront cash payments and short-term earnouts. There is no contingent consideration associated with the acquisition closed in 2019. The costs related with the acquisition mainly related to attorney fees and were recognized in the 2019 statement of profit or loss. This business combination is not expected to generate any tax-deductible costs.

a.2) 2018

The information regarding the acquisition-date fair values of the acquirees' identifiable assets and liabilities and their contributions to the Group's revenue and earnings during the reporting period is provided below (in thousands of euros):

	Ramón y Aurora, S.L.	Royuela Recreativos, S.L.U	Recreativos Panoramix, S.L.U	Recreativos Roble, S.L.	Operjuego, S.L	**Business combination**
Acquisition date	April 5, 2018	April 27, 2018	May 24, 2018	May 29, 2018	Sept. 21, 2018	
Shareholding acquired by the Group, %	100%	100%	100%	100%	100%	
Consideration:						
Cash	100	725	416	40	2,827	**4,108**
Goodwill	106	690	412	72	1,715	**2,995**
Intangible assets					1,249	**1,249**
Property, plant and equipment	6	63	47		137	**253**
Other non-current assets		28			-	**28**
Current assets	7	106	5	47	23	**188**
Cash and cash equivalents	3	2	17	1	72	**95**
Deferred tax liabilities		(3)			(222)	**(225)**
Current liabilities	(22)	(161)	(65)	(77)	(148)	**(473)**
Total identifiable net assets	(6)	35	4	(29)	1,111	**1,115**
Revenue contributed since the date of acquisition		267	159	-	307	**733**
Profit/(loss) contributed since the date of acquisition	(9)	101	46	(1)	5	**142**
Pro forma revenue contribution from January 1, 2018	5	470	267	3	1,754	**2,499**
Pro forma profit/(loss) contribution from January 1, 2018	(10)	5	35	(26)	348	**352**

The acquisitions closed by the Group in 2018 were pursued with the goal of continuing to increase its presence in the Spanish market. Most of the acquisitions were structured to include upfront cash payments and short-term earnouts. There is no contingent consideration associated with any of the acquisitions closed in 2018. The costs related with the acquisition mainly related to attorney fees and were recognized in the 2018 statement of profit or loss. None of these business combinations is expected to generate any tax-deductible costs.

b) Changes in the scope of consolidation

2019

The main changes in the consolidation scope included:

- Palace Bingo, S.R.L. and Gestioni Marconi, S.R.L. were merged into Operbingo Italia, S.p.A. on January 1, 2019, leaving the Group with 100 % interests in those subsidiaries.

- Codere Gaming Italia, S.R.L. was merged into Codere Italia, S.R.L. on January 1, 2019, leaving the Group with a 100 % interest.

- Codere Gibraltar Marketing Services Limited was incorporated in the UK on January 4, 2019; it is part of the Online business segment.

- Operibérica, S.A.U. acquired 49% of Millennial Gaming, S.A. on April 26, 2019, increasing its ownership interest in that subsidiary to 100%.

- Operibérica, S.A.U. acquired 100 % of Game Asturias, S.L.U. on March 19, 2019.

- CCJV, S.A.P.I. DE C.V was incorporated on July 16, 2019. Ownership interest 75%.

- Codere Apuestas Asturias, S.A.U. acquired 49 % of Apuestas del Principado de Asturias, S.L. on September 1, 2019, increasing its ownership interest in that subsidiary to 100 %.

- The Group sold 49 % of Codere Apuestas Asturias, S.A.U. on September 13, 2019, reducing its ownership interest to 51 %.

- Codere Finance (Luxembourg) S.A. was liquidated on November 30, 2019.

- C-F8, S.L., Recreativos Juvasa, S.L, Binipatrimonial, S.L.U., Recreativos Panoramix, S.L.U., Ramón y Aurora, S.L.U., Recreativos Roble, S.L., and Operjuego, S.L.U. were merged into Operibérica, S.A.U. on December 1, 2019, leaving the Group with a 100% interest in those entities.

- Red Aeam, S.A.U. was merged into Misuri, S.A.U. on December 1, 2019, leaving the Group with a 100% interest.

- Desarrollo Online Juegos Regulados, S.A.U. was merged into Codere Operadora de Apuestas, S.L.U. on December 1, 2019, leaving the Group with a 100% interest.

- Cartaya, S.A.U. was merged into Codere España, S.A.U. on December 1, 2019, leaving the Group with a 100% interest.

b.2) 2018

The main changes in the consolidation scope included:

- Codere Interactive, Inc. was dissolved on January 1, 2018.
- Jolugar 41, S.L. was merged into Codere Servicios, S.L.U. on January 1, 2018.
- Vegas, S.r.l. and Giomax, S.R.L. were merged into Operbingo Italia, S.p.A. on January 7, 2018.
- Royal Jackpot, S.R.L. was merged into Cristaltec Service, S.R.L. on January 7, 2018.
- Betslots CR-COD, S.L. was incorporated in Spain on January 19, 2018.
- On February 1, 2018 the Group's ownership interest in CR-COD, S.L. changed to 51%.
- UTE-BOES, S.A., part of the Argentine segment, was liquidated on March 31, 2018.
- Ramón y Aurora, S.L.U of Spain was acquired outright on April 6, 2018.
- Servicios de Juego Online, S.A. was incorporated on April 10, 2018.
- Apuestas del Principado de Asturias, S.L. was incorporated on April 27, 2018 (interest: 51%).
- Royuela Recreativos, S.L.U. of Spain was acquired outright on April 27, 2018.
- The Group acquired 100% of Spanish companies Recreativos Panoramix, S.L.U and Recreativos Roble, S.L. on May 24 and 29, 2018, respectively.
- Israel Marketing Support Services, Limited. was incorporated on July 8, 2018.
- Codere Online Management Services Limited and Codere Online Operator Limited were incorporated on September 20, 2018.
- Brazilian entity Simulcasting Brasil Som e Imagem, Limited. was sold on September 20, 2018.
- Operjuego, S.L.U. of Spain was acquired outright on September 21, 2018.

7. INTANGIBLE ASSETS

The table below reconciles the carrying amounts of "Intangible assets" at the beginning and end of the reporting period:

2019

							Thousands of euros
Cost	**Balance at Dec. 31, 2018**	**Business Combination**	**Additions**	**Derecognition s**	**Transfers**	**Translation differences (*)**	**Balance at Dec. 31, 2019**
Licenses	329,591		9	(212)	-	12,153	341,541
Trademarks	28,854		-	-	-	1,701	30,555
Rights	248,114	844	9,451	(10,402)	-	(481)	247,526
Software	59,440		16,141	(4,763)	-	55	70,873
Other intangible assets	25,395		7,627	(546)	-	668	33,144
	691,394	**844**	**33,228**	**(15,923)**	**-**	**14,096**	**723,639**
Accumulated amortization							
Licenses	(116,961)	-	(14,602)	210	-	(3,762)	(135,115)
Rights	(131,262)	-	(20,093)	6,400	-	(788)	(145,743)
Software	(41,159)	-	(8,750)	195	-	(101)	(49,815)
Other intangible assets	(13,506)	-	(3,419)	7	-	(457)	(17,375)
	(302,888)	**-**	**(46,864)**	**6,812**	**-**	**(5,108)**	**(348,048)**
Impairment provisions	(5,787)	-	-	4,208	-	-	(1,579)
	(5,787)	**-**	**-**	**4,208**	**-**	**-**	**(1,579)**
Carrying amount	**382,719**						**374,012**

(*) "Translation differences" includes the effect of the hyperinflation in Argentina (note 2.a.3)

The movement under "Rights" corresponds to the net movement in exclusivity rights associated mainly with the Spanish, Italian and Mexican operations.

2018

							Thousands of euros
Cost	**Balance at Dec. 31, 2017**	**Business combination s**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences (*)**	**Balance at Dec. 31, 2018**
Licenses	251,321	-	-	(429)		78,699	329,591
Trademarks	27,494	-	-	-	-	1,360	28,854
Rights	237,586	1,249	15,228	(7,240)	(424)	1,715	248,114
Software	45,368	-	13,312	(482)	-	1,242	59,440
Other intangible assets	20,581	-	5,011	(1,058)	424	437	25,395
	582,350	**1,249**	**33,551**	**(9,209)**	**-**	**83,453**	**691,394**

Accumulated amortization	**Balance at Dec. 31, 2017**	**Business combination s**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2018**
Licenses	(71,856)	-	(13,678)	-	-	(31,427)	(116,961)
Rights	(116,170)	-	(19,955)	6,752	200	(2,089)	(131,262)
Software	(34,797)	-	(5,132)	299	-	(1,529)	(41,159)
Other intangible assets	(10,840)	-	(2,340)	4	(200)	(130)	(13,506)
	(233,663)		**(41,105)**	**7,055**	**-**	**(35,175)**	**(302,888)**
Impairment provisions	(5,787)	-	-	-	-	-	(5,787)
	(5,787)	-	-	-	-	-	**(5,787)**
Carrying amount	**342,900**						**382,719**

(*) “Translation differences” includes the effect of the hyperinflation in Argentina (note 2.a.3)

The column headed “Business combinations” includes the fair value of the assets associated with the acquisitions of Ramón y Aurora, S.L.U, Royuela Recreativos, S.L.U., Recreativos Panoramix, S.L.U, Recreativos Roble, S.L., and Operjuego, S.L.U., all Spanish companies (note 6.a1).

The movement under “Rights” corresponds to the net movement in exclusivity rights associated mainly with the Spanish and Panamanian operations.

The column headed “Software” reflects a license agreement in Holdcos.

7.a) Other disclosures

The Group's sole indefinite-lived intangible assets are its installation rights and trademarks, which were carried at 51,943 thousand euros at December 31, 2019 (50,724 thousand euros at year-end 2018).

The Group considers that its trademarks have indefinite useful lives because there is no legal or other kind of limit on these assets. They are tested for impairment at least once a year and whenever there is any indication of potential impairment.

The table below breaks down the infinite-lived trademarks by cash-generating unit:

	2019		2018	
	Trademarks	**Installation rights (not subject to amortization)**	**Trademarks**	**Installation rights (not subject to amortization)**
Spain	1,299	21,388	1,299	21,870
Mexico	29,256	-	27,555	-
	30,555	**21,388**	**28,854**	**21,870**

The individually material intangible assets, along with their carrying amounts and remaining useful lives:

Asset class	Carrying amount	Remaining useful life
Argentina hall licenses	7,723	Between 3 and 10 years
Panama casino licenses	11,966	Between 3 and 4 years
Mexico licenses	187,095	Between 13 and 28 years
Italian gaming machine network concession	5,478	Between 2 and 5 years

The Group had no material contractual commitments for the acquisition or sale of intangible assets at December 31, 2019.

The gross carrying amount of fully amortized items of intangible assets still in use at December 31, 2019 and 2018 is as follows:

		Thousands of euros
Cost	**Dec. 31, 2019**	**Dec. 31, 2018**
Concessions, patents, licenses and trademarks	16,758	8,501
Rights	24,576	6,664
Software	35,818	33,114
	77,152	**48,279**

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

8.a) Property, plant and equipment

The reconciliation of the carrying amounts of the items comprising "Property, plant and equipment" at the beginning and end of the reporting period:

2019 — Thousands of euros

Cost	Balance at Dec. 31, 2018	Business combinations	Additions	Derecognitions	Transfers	Translation differences (*)	Balance at Dec. 31, 2019
Amusement machines	327.631	40	31.973	(54.992)	7.985	464	313.101
Gaming machines and sports-betting terminals	36.073	-	1.735	(1.252)	-	116	36.672
Other fixtures, fittings and tools	100.832	-	2.115	(3.436)	902	1.952	102.365
Computer equipment	48.145	-	3.800	(3.424)	570	512	49.603
Prepayments and PP&E in progress	21.184	-	25.272	(6.736)	(18.663)	92	21.149
Vehicles	3.616	6	425	(409)	-	(31)	3.607
Land	15.503	-	-		-	(39)	15.464
Buildings	171.674	-	85	(2.186)	5	7.659	177.237
Refurbishment of leased premises	272.289	-	3.306	(16.796)	8.665	(738)	266.726
Plant and machinery	84.653	-	3.166	(1.689)	536	(133)	86.533
Total	**1.081.600**	**46**	**71.877**	**(90.920)**	**-**	**9.854**	**1.072.457**
Accumulated depreciation							
Amusement machines	(204.220)	-	(36.949)	26.822	-	1.213	(213.134)
Gaming machines and sports-betting terminals	(22.482)	-	(4.434)	992	-	(99)	(26.023)
Other fixtures, fittings and tools	(79.529)	-	(4.683)	2.738	-	(1.689)	(83.163)
Computer equipment	(38.020)	-	(5.016)	2.595	-	(491)	(40.932)
Vehicles	(2.631)	-	(323)	368	-	17	(2.569)
Buildings	(96.335)	-	(7.877)	735	-	(4.649)	(108.126)
Refurbishment of leased premises	(158.391)	-	(20.208)	12.699	-	(2.262)	(168.162)
Plant and machinery	(57.276)	-	(7.154)	855	-	113	(63.462)
Total	**(658.884)**	**-**	**(86.644)**	**47.804**	**-**	**(7.847)**	**(705.571)**
Impairment provisions	**(20,582)**	**-**	**123**	**4,426**	**-**	**(269)**	**(16,302)**
Carrying amount	**402,134**						**350,584**

(*) "Translation differences" includes the effect of the hyperinflation in Argentina (note 2.a.3)

2018 — Thousands of euros

Cost	Balance at Dec. 31, 2017	Business combinations	Additions	Derecognitions	Transfers	Translation differences (*)	Balance at Dec. 31, 2018
Amusement machines	219,257	238	38,606	(23,792)	48,373	44,949	327,631
Gaming machines and sports-betting terminals	30,154	-	27,440	(22,537)	1,114	(98)	36,073
Other fixtures, fittings and tools	93,578	9	4,404	(4,521)	857	6,505	100,832
Computer equipment	40,194	-	9,450	(6,756)	520	4,737	48,145
Prepayments and PP&E in progress	20,270	-	75,531	(6,862)	(69,742)	1,987	21,184
Vehicles	3,565	-	312	(495)	-	234	3,616
Land	11,454	-	-	-	-	4,049	15,503
Buildings	155,685	-	375	(841)	(2)	16,457	171,674
Refurbishment of leased premises	241,318	-	3,969	(9,838)	18,383	18,457	272,289
Plant and machinery	58,308	6	14,904	(4,192)	497	15,130	84,653
Total	**873,783**	**253**	**174,991**	**(79,834)**	**-**	**112,407**	**1,081,600**

Accumulated depreciation	Balance at Dec. 31, 2017	Business combinations	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2018
Amusement machines	(143,842		(31,060)	16,522	-	(45,840)	(204,220)
Gaming machines and sports-betting terminals	(19,211)		(6,245)	3,027	-	(53)	(22,482)
Other fixtures, fittings and tools	(69,564)		(4,853)	1,454	-	(6,566)	(79,529)
Computer equipment	(31,023)		(4,436)	2,460	20	(5,041)	(38,020)
Vehicles	(2,463)		(313)	448	-	(303)	(2,631)
Buildings	(83,394)		(7,441)	442	-	(5,942)	(96,335)
Refurbishment of leased premises	(127,489		(17,143)	1,696	-	(15,455)	(158,391)
Plant and machinery	(37,672)		(6,213)	790	(20)	(14,161)	(57,276)
Total	**(514,658**	**-**	**(77,704)**	**26,839**	**-**	**(93,361)**	**(658,884)**
Impairment provisions	**(20,246)**	**-**	136	(223)	-	(249)	(20,582)
Carrying amount	**338,879**						**402,134**

The column headed “Business combinations” includes the fair value of the assets associated with the acquisition of Game Asturias, S.L.U. of Spain (note 6.a1).

The additions and decreases recorded under “Amusement machines” were concentrated in Argentina, Spain and Italy and reflect the renewal of the stock of machines.

The decrease under "Refurbishment of leased premises" corresponds mainly to the derecognition of the Gonzalitos gaming room in Mexico. At December 31, 2019 and 2018, "Impairment" mainly included the impairment loss recognized against Hotel Casino Carrasco in Uruguay in the amount of 4,840 thousand euros (at both reporting dates), 8,818 thousand euros of asset impairment losses in Colombia (8,355 thousand euros at year-end 2018) and 1,488 thousand euros in Mexico (5,514 thousand euros at year-end 2018).

The movement under “Prepayments and PP&E in progress” corresponds mainly to the acquisition of fixed-odds gaming machines and premises refurbishment in Mexico.

The acquisition cost of fully depreciated items of property, plant and equipment still in use (with an irrelevant fair value) at December 31, 2019 and 2018 is as follows:

	Thousands of euros	
Cost	**Dec. 31, 2019**	**Dec. 31, 2018**
Amusement machines	155,624	145,298
Gaming machines and sports-betting terminals	9,056	12,047
Other fixtures, fittings and tools	75,635	65,884
Computer equipment	52,656	47,664
Vehicles	2,475	2,454
Buildings	18,225	14,641
Refurbishment of leased premises	98,473	68,088
Plant and machinery	42,375	39,121
Total	**454,519**	**395,197**

8.b) Investment properties

At year-end 2019 and 2018, this heading primarily included the Banamex Center and Spanish assets transferred in 2015.

The reconciliation of the opening and closing balances recognized under "Investment properties":

						Thousands of euros
Cost	**Balance at Dec. 31, 2018**	**Additions**	**Derecog nitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2019**
Other fixtures, fittings and tools	3,477	-	(12)	-	215	3,680
Computer equipment	933	4	-	-	58	995
Vehicles	90	-	-	-	6	96
Land	715	-	-	-	-	715
Buildings	70,688	-	-	-	4,282	74,970
Refurbishment of leased premises	4,894	70	-	-	302	5,266
Plant and machinery	871	-	-	-	54	925
Total	**81,668**	**74**	**(12)**	**-**	**4,917**	**86,647**
Accumulated depreciation						
Other fixtures, fittings and tools	(3,178)	(31)	-	-	(196)	(3,405)
Computer equipment	(901)	(20)	-	-	(56)	(977)
Vehicles	(85)	(4)	-	-	(7)	(96)
Buildings	(23,812)	(1,660)	-	-	(1,518)	(26,990)
Refurbishment of leased premises	(1,494)	(148)	-	-	(94)	(1,736)
Plant and machinery	(697)	(31)	-	-	(46)	(774)
Total	**(30,167)**	**(1,894)**	**-**	**-**	**(1,917)**	**(33,978)**
Carrying amount	**51,501**					**52,669**

						Thousands of euros
Cost	**Balance at Dec. 31, 2017**	**Additions**	**Derecog nitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2018**
Other fixtures, fittings and tools	3,296	10	-	-	171	3,477
Computer equipment	888	-	-	-	45	933
Vehicles	86	-	-	-	4	90
Land	715	-	-	-		715
Buildings	67,265	-	-	-	3,423	70,688
Refurbishment of leased premises	3,724	977	-	-	193	4,894
Plant and machinery	814	14	-	-	43	871
Total	**76,788**	**1,001**		**-**	**3,879**	**81,668**
Accumulated depreciation						
Other fixtures, fittings and tools	(2,883)	(160)	-	-	(135)	(3,178)
Computer equipment	(842)	(19)	-	-	(40)	(901)
Vehicles	(74)	(9)	-	-	(2)	(85)
Buildings	(21,066)	(1,513)	-	-	(1,233)	(23,812)
Refurbishment of leased premises	(1,326)	(110)	-	-	(58)	(1,494)
Plant and machinery	(638)	(31)	-	-	(28)	(697)
Total	**(26,829)**	**(1,842)**	**-**	**-**	**(1,496)**	**(30,167)**
Carrying amount	**49,959**					**51,501**

Banamex Convention City Center Lease Agreement

The Group has an agreement with CIE under which the latter will operate the Convention Center owned by ICELA for an initial period of six years period beginning on June 1, 2013. As a result of this agreement, the assets corresponding to the Banamex Center were transferred from "Property plant and equipment" to "Investment properties". That contract has since been renewed and extended until May 31, 2025.

The agreement implies an annual royalty of 113 million pesos (6 million euros), payable monthly, plus 25% of any positive difference between real rental income and the contractually-stipulated threshold, which amounted to 412 million pesos in 2019.

The estimated minimum future rent collectable under this lease agreement in the next five years amounts to 43 million euros.

Under the terms of the agreement, the Group has also undertaken to invest at least 15 million Mexican pesos (approximately 0.7 million euros) in the facility every year.

9. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

The entities with which the Group has joint ventures are disclosed in Appendix I. At December 31, 2019, the Group companies that constitute joint ventures are Hippobingo Firenze, S.R.L., New Joker, S.r.l. (as a result of application of IFRS 11), Hotel Icela S.A.P.I. de C.V., Calle Icela S.A.P.I. de C.V., Centro de Convenciones Las Américas S.A. de C.V. and Hotel Entretenimiento Las Américas S.A de C.V.

	Thousands of euros				
Item	**Balance at Dec. 31, 2018**	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Dec. 31, 2019**
Investments in equity-accounted investees	650	91	-	(215)	526
	650	**91**	**-**	**(215)**	**526**

	Thousands of euros				
Item	**Balance at Dec. 31, 2017**	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Dec. 31, 2018**
Investments in equity-accounted investees	741	-	(207)	116	650
	741	**-**	**(207)**	**116**	**650**

The tables below provide summarized financial information for the joint ventures identified as material:

(Thousands of euros)

Joint ventures **2019**	**New Joker, S.R.L.**	**Hippobingo Firenze, S.R.L**	**Total**
Non-current assets	**1,839**	**2,936**	**4,775**
Fixed and intangible assets	1,830	2,936	4,766
Deferred income tax	9	-	9
Current assets	**821**	**478**	**1,299**
Current assets	239	237	476
Cash and cash equivalents	582	241	823
TOTAL ASSETS	**2,660**	**3,414**	**6,074**
Non-current liabilities	**(884)**	**(713)**	**(1,597)**
Deferred tax	(201)	-	(201)
Non-current payables	(501)	(683)	(1,184)
Non-current financial liabilities	(182)	(30)	(212)
Current liabilities	**(1,489)**	**(2,443)**	**(3,932)**
Current payables	(1,489)	(2,103)	(3,592)
Current financial liabilities	-	(340)	(340)
TOTAL LIABILITIES	**(2,373)**	**(3,156)**	**(5,529)**
Revenue	5,383	2,623	8,006
Operating expenses	(5,623)	(2,358)	(7,981)
Operating profit/(loss)	**(240)**	**265**	**25**
Finance income	-	-	-
Finance costs	(2)	(20)	(22)
Net finance income/(cost)	**(2)**	**(20)**	**(22)**
Tax expense	(22)	-	(22)
Profit/(loss) for the year	**(264)**	**245**	**(19)**

Joint ventures **2018**	**New Joker, S.R.L.**	**Hippobingo Firenze, S.R.L**	**Total**
Non-current assets	**2,133**	**3,070**	**5,203**
Fixed and intangible assets	2,119	3,070	5,189
Deferred income tax	14	-	14
Current assets	**501**	**523**	**1,024**
Current assets	192	236	428
Cash and cash equivalents	309	287	596
TOTAL ASSETS	**2,634**	**3,593**	**6,227**
Non-current liabilities	**(1,271)**	**(1,001)**	**(2,272)**
Deferred tax	(182)	-	(182)
Non-current payables	(916)	(977)	(1,893)
Non-current financial liabilities	(173)	(24)	(197)
Current liabilities	**(1,117)**	**(2,835)**	**(3,952)**
Current payables	(1,117)	(2,568)	(3,685)
Current financial liabilities	-	(267)	(267)
TOTAL LIABILITIES	**(2,388)**	**(3,836)**	**(6,224)**
Revenue	4,990	2,457	7,447
Operating expenses	(5,267)	(2,422)	(7,689)
Operating profit/(loss)	**(277)**	**35**	**(242)**
Finance income	-	-	-
Finance costs	-	(27)	(27)
Net finance income/(cost)	**-**	**(27)**	**(27)**
Tax expense	11	-	11
Profit/(loss) for the year	**(266)**	**8**	**(258)**

The Group holds a 30% interest in New Joker, S.R.L., whose core business is the management and operation of a bingo hall in Rome. There are no restrictions on this company's ability to pay dividends.

The Group holds a 34% interest in Hippobingo Firenze, S.R.L.

Lastly, the transactions performed by the Group with its equity-accounted investees in 2019 and 2018 and the resulting year-end balances are provided below:

	Thousands of euros	
	2019	**2018**
EXPENSES AND INCOME		
Other expenses	-	(83)
TOTAL EXPENSES	**-**	**(83)**
Services rendered	33	23
Sale of inventories	-	-
Other income	1	6
TOTAL INCOME	**34**	**29**

	Thousands of euros	
	Dec. 31, 2019	**Dec. 31, 2018**
PERIOD-END BALANCES:		
Trade receivables	1,875	1,668
Loans extended	2,617	1,730
TOTAL ACCOUNTS RECEIVABLE	**4,492**	**3,398**
Trade payables	(1)	(1)
Loans received	(11)	(228)
TOTAL ACCOUNTS PAYABLE	**(12)**	**(229)**

10. GOODWILL

The breakdown by CGU of goodwill at year-end and the reconciliation of the carrying amount of goodwill at the beginning and end of each reporting period:

	Thousands of euros				
2019	**Balance at Dec. 31, 2018**	**Additions**	**Derecognitions**	**Translation differences (*)**	**Balance at Dec. 31, 2019**
Spain	29,682	181	-	-	29,863
Argentina	49,205	-	-	(2,113)	47,092
Italy	47,444	-	-	-	47,444
Panama	30,686	-	-	590	31,276
Mexico	65,911	-	-	4,113	70,024
Uruguay	7,447	-	-	(854)	6,593
Total	**230,375**	**181**	**-**	**1,736**	**232,292**

(*) "Translation differences" includes the effect of the hyperinflation in Argentina (note 2.a.3)

					Thousands of euros
2018	Balance at Dec. 31, 2017	Additions	Derecognitions	Translation differences (*)	Balance at Dec. 31, 2018
Spain	26,687	2,995	-	-	29,682
Argentina	10,774	-	-	38,431	49,205
Italy	47,883	-	(439)	-	47,444
Panama	29,296	-	-	1,390	30,686
Mexico	62,632	-	-	3,279	65,911
Uruguay	7,998	-	-	(551)	7,447
Total	**185,270**	**2,995**	**(439)**	**42,549**	**230,375**

(*) "Translation differences" includes the effect of the hyperinflation in Argentina (note 2.a.3)

The changes in goodwill in 2019 and 2018 derive from the business combinations and changes in ownership interests outlined in note 6.

The impairment tests performed at year-end, as outlined in note 13, did not reveal the need to recognize any additional impairment charges in 2019. Nor did the Group recognize any goodwill impairment losses in 2018.

The breakdown of goodwill by cash-generating unit at the reporting dates, distinguishing between the initially-recognized cost and any subsequent impairment losses, is as follows:

					Thousands of euros
		Impairment losses			
2019	Cost	2017 and earlier	2018	2019	Carrying amount
Spain	109,191	(79,328)	-	-	29,863
Argentina	47,092	-	-	-	47,092
Italy	116,578	(69,134)	-	-	47,444
Panama	31,276	-	-	-	31,276
Mexico	94,354	(24,330)	-	-	70,024
Uruguay	6,593	-	-	-	6,593
	405,084	**(172,792)**	**-**	**-**	**232,292**

					Thousands of euros
		Impairment losses			
2018	Cost	2016 and earlier	2017	2018	Carrying amount
Spain	109,010	(79,328)	-	-	29,682
Argentina	49,205	-	-	-	49,205
Italy	116,578	(69,134)	-	-	47,444
Panama	30,686	-	-	-	30,686
Mexico	90,241	(24,330)	-	-	65,911
Uruguay	7,447	-	-	-	7,447
	403,167	**(172,792)**	**-**	**-**	**230,375**

11. NON-CURRENT FINANCIAL ASSETS

The breakdown and reconciliation of the carrying amount of the items presented under this heading at the beginning and end of the reporting period:

	Thousands of euros					
Item	**Balance at Dec. 31, 2018**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2019**
Loans and receivables	17,627	4,428	(5,891)	150	(917)	15,397
Held-to-maturity investments	4,526	21	(54)	67	0	4,560
	22,153	**4,449**	**(5,945)**	**217**	**(917)**	**19,957**

	Thousands of euros					
Item	**Balance at Dec. 31, 2017**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2018**
Loans and receivables	18,358	2,107	(892)	(811)	(1,135)	17,627
Held-to-maturity investments	3,958	1,000	(438)	7	(1)	4,526
	22,316	**3,107**	**(1,330)**	**(804)**	**(1,136)**	**22,153**

The carrying amounts of the Group's non-current financial assets are denominated in the following currencies:

Currency	**Thousands of euros**	
	2019	**2018**
Euros	13,208	15,140
US dollars	4,851	5,510
Argentine pesos	164	66
Mexican pesos	1,519	1,416
Uruguayan pesos	-	-
Colombian pesos	215	21
	19,957	**22,153**

a) "Loans and receivables"

		Thousands of euros	
Type	**Company holding the asset**	**2019**	**2018**
Non-current loans	Alta Cordillera, S.A.	2,905	2,943
Non-current loans	Grupo Operbingo Italia, S.p.A.	2,183	2,302
Non-current loans	Operibérica, S.A.	1,318	1,065
Non-current loans	Codere México, S.A.	1,543	1,506
Other smaller loans to third parties		7,448	9,811
		15,397	**17,627**

The Grupo Operbingo Italia, S.p.A. balance mainly includes deposits associated with the bingo license concession.

The reason for the increase at Operibérica S.A. is mainly the growth in advances given to premise operators on takings.

The breakdown of the amortized cost of the main loans by maturity date is as follows:

	Thousands of euros	
	2019	**2018**
2020	-	6,480
2021	4,383	913
2022	3,011	766
2023	635	528
2024	387	-
Beyond	6,981	8,940
	15,397	**17,627**

b) Held-to-maturity investments:

	Thousands of euros	
Investment type	**2019**	**2018**
Hopper deposits	3,839	3,742
Long-term fixed-rate deposits	-	-
Other	721	784
	4,560	**4,526**

12. DEFERRED TAX

The reconciliation of deferred tax assets and liabilities as of December 31, 2019 and 2018 is as follows (in thousands of euros):

	Thousands of euros			
	2019		2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	17,865	(80,842)	19,398	(73,433)
Property, plant and equipment	9,932	(2,741)	2,901	(4,044)
Financial assets	(1)	-	-	(217)
Exchange differences	-	-	-	-
Tax credits	15,736	-	21,316	-
Impact of first-time application of IFRS 16	5,197	-	-	-
Impairment provisions	2,003	2,071	2,749	(466)
Inflation adjustment for income tax purposes in Argentina (5/6)	912	(5,664)	-	-
Argentine asset revaluation for tax purposes	-	20,294	-	16,352
Argentine asset revaluation for accounting purposes (hyperinflation)	-	(31,878)	-	(32,349)
Other	1,186	3,034	1,141	(433)
	52,830	**(95,726)**	**47,505**	**(94,591)**
Deferred tax assets/(liabilities) to be recovered after more than 12 months	50,240	(96,741)	41,233	(87,785)
Deferred tax assets/(liabilities) to be recovered within 12 months	2,590	1,015	6,272	(6,806)
	52,830	**(95,726)**	**47,505**	**(94,591)**

Deferred tax assets and liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The ability to utilize these credits is checked regularly against the business projections in terms of the consolidated tax group's taxable income. These projections take into consideration the following:

- The business performance of the various business units using the projections used for asset impairment testing purposes and a time horizon of five years.

- Estimate adjustments mainly in respect of non-deductible expenses, differences in depreciation for tax versus accounting purposes and provisions for the impairment of accounts receivable.

- Estimated cash flows from operations from the companies comprising the consolidated tax group as a result of transactions with the rest of the business units (companies not included in the consolidated tax group and located in Spain and abroad). Those flows are generated by:

    - The provision of corporate services.

    - Returns on loans extended.

    - Dividends receivable.

- The losses incurred in prior years in the various business units.

The amount of such positive flows in terms of taxable income at the consolidated tax group is considered sufficient to substantiate the ability to utilize the tax credits recognized within the terms provided for in prevailing tax legislation.

The other deferred tax assets were recognized on the basis of each geographic area's business plans and prevailing tax legislation in each jurisdiction. In those jurisdictions, the business plans call for the generation of sufficient taxable profit in the future to offset the temporary differences. This exercise also takes into consideration the various deferred tax liabilities in each of the various geographies.

The reconciliation of the deferred tax assets and liabilities recognized by the Group is as follows:

							Thousands of euros
	Balance at Dec. 31, 2018	**Recognized in profit or loss for the year**	**Recognized directly in equity**	**Transfers**	**Restatement for hyperinflation**	**Translation differences**	**Balance at Dec. 31, 2019**
Assets							
Tax credits	21,316	(2,921)	-	(2,657)	-	(2)	15,736
Intangible assets	19,398	2,716	(23)	(4,232)	-	6	17,865
Property, plant and equipment	2,901	(792)	-	7,544	-	279	9,932
Impairment provisions	2,749	712	-	(1,414)	-	(44)	2,003
Non-current financial assets	-	-	-	(1)	-	-	(1)
IFRS 16	-	5,153	-	-	-	44	5,197
Inflation adjustment for income tax purposes in Argentina	-	394	-	-	-	518	912
Other	1,141	(197)	(2)	214	-	30	1,186
	47,505	**5,065**	**(25)**	**(546)**	**-**	**831**	**52,830**
Liabilities							
Property, plant and equipment	(4,044)	97	-	315	-	891	(2,741)
Financial assets	(216)		-	216	-		-
Intangible assets	(73,433)	(2,378)	-	(860)	-	(4,171)	(80,842)
Impairment provisions	(466)	4,626	-	(1,983)	-	(106)	2,071
Argentine asset revaluation for tax purposes	16,352	4,978	-		4,825	(5,861)	20,294
Argentine asset revaluation for accounting purposes (hyperinflation)	(32,349)	(11,491)	-	1,027	(291)	11,226	(31,878)

Inflation adjustment for income tax purposes in Argentina	-	(5,146)	-	-	-	(518)	(5,664)
Other	(435)	1,539		1,831	-	99	3,034
	(94,591)	**(7,775)**	**-**	**546**	**4,534**	**1,560**	**(95,726)**
	(47,086)						**(38,896)**

							Thousands of euros
	Balance at Dec. 31, 2017	**Recognized in profit or loss for the year**	**Recognized directly in equity**	**Transfers**	**Restatement for hyperinflation**	**Translation differences**	**Balance at Dec. 31, 2018**
Assets							
Tax credits	21,037	272	-	-	-	7	21,316
Intangible assets	17,967	1,486	-	(319)	-	264	19,398
Property, plant and equipment	3,935	(524)	-	(550)	-	40	2,901
Impairment provisions	3,736	(683)	-	(298)	-	(6)	2,749
Other	2,020	(876)	-	-	-	(3)	1,141
	48,695	**(325)**	**-**	**(1,167)**	**-**	**302**	**47,505**
Liabilities							
Property, plant and equipment	(6,393)	1,279		550		520	(4,044)
Financial assets	(607)	419		-		(28)	(216)
Intangible assets	(72,288)	2,037	-	319	-	(3,501)	(73,433)
Impairment provisions	(3,882)	3,257	-	298	-	(139)	(466)
Argentine asset revaluation for tax purposes	-	16,352	-	-	-	-	16,352
Argentine asset revaluation for accounting purposes (hyperinflation)	-	(2,135)	(20,928)	-	(9,286)	-	(32,349)
Other	(208)	(220)	-	-	-	(7)	(435)
	(83,378)	**20,989**	**(20,928)**	**1,167**	**(9,286)**	**(3,155)**	**(94,591)**
	(34,683)						**(47,086)**

As a result of the Group's analysis of the recoverability of its deferred tax assets, it proceeded to recognized deferred tax assets for unused tax losses in the amount of 1.4 million euros in Panama at year-end 2019; that increase was mitigated by the utilization of tax losses during the year in the amount of 0.3 million euros by Group companies in Italy and the derecognition of tax assets in respect of unused tax losses in Spain in the amount of 4 million euros. That derecognition followed analysis performed by that business unit which indicated that the future cash flows (using the procedure described above) may not be sufficient to enable the full utilization of the assets recognized in respect of unused tax losses. In 2018, the Group recognized tax assets for unused tax losses at the Italian companies in the amount of 2.1 million euros, offset by the utilization of tax losses in Panama during the year.

The first-time application of IFRS 16 *Leases* in 2019 triggered the recognition of a deferred tax asset for temporary differences totaling 5.2 million euros, to be reverted in the coming years, in keeping with the terms of the lease agreements recognized as right-of-use assets. Refer to note 2.a).2 above for detailed disclosures regarding the effects of application of IFRS 16.

In keeping with transitional provision 16 of Spanish Royal Decree-Law 3/2016, obliging the inclusion within taxable income in fifths of investee impairment losses that were deducted for tax purposes prior to January 1, 2013, the Group recognized a deferred tax liability in the amount of 8 million euros in

2016, which was equivalent to four-fifths of the impairment losses still pending reversal during the following four years.

In 2018 and 2019, a total of 4 million euros were reverted, leaving a closing balance in 2019 of 2 million euros corresponding to one-fifth of the impairment losses still pending reversal in 2020.

Elsewhere, in Argentina, Law 27430 took effect on December 29, 2017, enacting broad-reaching tax reforms which included, among other things, a one-time option to revalue certain assets located in Argentina for tax purposes. That revaluation exercise was optional and implied the payment of a one-time special tax on the amount of the revaluation of between 8% and 15%, depending on the type of asset revalued. The revaluation option was applicable for the first fiscal period ending after the law's entry into force.

In 2018, the Group decided to avail of that one-time revaluation and recognized a deferred tax asset of 20,294 thousand euros. (16,352 thousand euros at December 31, 2018).

Elsewhere, as a result of the revaluation for accounting purposes of the Argentine assets due to application with effect from January 1, 2018 of IAS 29 *Financial reporting in hyperinflationary economies* (refer to note 2.a.3), in 2019 and 2018, the Group recognized a deferred tax liability related to the non-deductibility for tax purposes going forward of the accounting depreciation/amortization charges related to the assets revalued for hyperinflation accounting purposes. The amount recognized as deferred tax liabilities stood at 31,878 thousand euros at year-end 2019. (32,349 thousand euros at year-end 2018). (Refer to "Argentine asset revaluation for accounting purposes (hyperinflation)" in the above reconciliation). The decline from year-end 2018 in euro terms reflects currency depreciation in 2019 ("Translation differences").

Lastly, in Argentina, Law No. 27430, subsequently amended by Law No. 27468, makes it mandatory for tax years beginning on or after January 1, 2018 to deduct from or add to taxable income an inflation adjustment, calculated using the procedure indicated in that country's corporate income tax act, albeit only to the extent of verification that the cumulative change in the consumer price index (CPI) in the 36 months prior to the end of the tax period exceeds 100%.

A subsequent modification stipulates that the positive or negative inflation adjustment, as warranted, corresponding to the first and second years beginning on January 1, 2019, should be recognized in an amount of one-sixth (1/6) in that tax year, with the remaining five-sixths (5/6) recognized in the immediately following five (5) tax years.

Specifically, in 2019 the Group recognized a net deferred tax liability of 4.8 million euros in respect of the stipulated five-sixths of the inflation adjustment calculated for the year. The remaining sixth to be allocated to the current year was duly recognized within current tax (note 21).

The rest of the changes observed in deferred tax assets and liabilities with respect to 2018 are attributable to temporary differences arising during the year deriving from differences in depreciation charges for tax and accounting purposes and non-deductible provisions (mainly in Mexico). The year-on-year change observed in 2018 was attributable to similar differences.

13. IMPAIRMENT OF NON-FINANCIAL ASSETS

a.1) Method used to determine the cash-generating units' recoverable amounts and the key assumptions used in the calculations:

The Group determines the recoverable amounts of its cash-generating units using the value-in-use criterion. Value in use is equal to the net present value of the projected future cash flows deriving from the operating assets of each identified CGU.

Cash flow projections

Each cash-generating unit's future cash flows were projected using models that encompass the most pertinent business, financial and macroeconomic indicators. The explicit projection horizon used was five years. Beyond the projection period, a terminal value was calculated using the growth-in-perpetuity method. The projections used specifically for year one are based on the detailed budgets approved for 2020 adjusted, in necessary, for the estimated impact of any material changes in applicable regulations, the competitive environment, business model or performance of each unit. Those budgets were approved by the Parent's Board of Directors on January 14, 2020.

The projections for the remaining years of the projection period reflect the trends that can be reasonably expected given the strategies and action plans defined by the Group as a function of each unit's distinctive characteristics and unique competitive dynamic. The capital expenditure projections reflect the level of investment needed to keep each business in its current condition (i.e., maintenance capital expenditure). Only the growth investments explicitly approved in the 2020 budgets and those needed for the natural development of businesses that have yet to reach maturity were factored into the projections.

The cash flow projections were discounted using the local-currency weighted average cost of capital calculated for each CGU. The weighted average cost of capital factors in the cost of equity and debt financing, weighted in keeping with a defined target leverage structure. The cost of equity varies for each CGU, depending on the corresponding market risk premium and the country risk premium (which also reflects exchange rate risk). For practical reasons, the discount rates used are after-tax rates. Similarly, the undiscounted cash flows factor in tax effects. The growth rate used to calculate the each CGU's terminal value is based mainly on the annual change in the consumer price index contemplated in prevailing macroeconomic forecasts for each country over the long term, i.e., it does not contemplate growth in real terms. For cash-generating units whose functional currency is not the euro, the cash flows were projected in the corresponding local currency and the resulting net present value was translated into euros at the exchange rate prevailing as of December 31, 2019.

The common methodology used to calculate the average cost of capital uses data observations taken mainly from external sources. In the case of the cost of equity, obtained using the capital asset pricing model (CAPM), the risk-free rate is determined using yield curves for bonds issued by certain benchmark sovereigns (Germany and the US); the country risk premiums are then calculated by looking at the yield curves for the various sovereign issuers (10-year bond curves in the eurozone and emerging market bond index (EMBI) spreads for Latin American issuers). Levered business risk is then layered in using the levered beta multiplied by the equity risk premium to obtain the total cost of equity. That is the procedure used by the Company in prior years as well as the basis of the initial calculations for 2019.

In light of the readings observed, it was noted that the yield curves for the bonds issued by certain European governments and by the Argentine government imply returns that are not consistent with the risks and inflation prevailing in those countries' macroeconomic environments. In the case of the European states analyzed, the returns are well below those that might be expected in light of current European Central Bank monetary policy; in Argentina, they are not applicable as the yields incorporate risks specific to the issuer - the possibility of default on US dollar issues - that are not representative of a risk-free investment in Argentina. As a result, those yield curves have been adjusted upwards and downwards, respectively.

In Europe, the size of the correction was determined by reference to the yield on BBB issues in US dollars, corrected by the inflation differential between the US and the eurozone, which is approximately 1%. In Argentina, the reference used was the yield on CCC-rated US-dollar issues, obtained using data published by the Federal Reserve.

The cost of debt was calculated using the average cost of Codere's issues, with two adjustments: the implicit spread on hard-currency Codere issues was corrected for the Argentine debt in order to better reflect current conditions (BAML + 42%); and for the rest of the Latin American CGUs, the credit spread was corrected by 0.2% to reflect prevailing bond market conditions.

Key assumptions

The most significant assumptions used to project gaming operations in general relate to installed gaming capacity (the number of halls, casinos, racetracks, installed gaming machines, bingo hall capacity, gaming tables, etc.) and the average daily take either by machine, room seating, table or gaming room-goer. The trend in these variables determines the trend in revenue during the projection period. The projected levels of operational efficiency and gearing are also key drivers of EBITDA margins. The table below shows the carrying amount assigned to each cash-generating unit at December 31, 2019, along with the key assumptions used to calculate the unit's value in use and the resulting impairment loss or reversal thereof, if any. The key inputs include the after-tax discount rate, the organic growth rate used to determine the terminal values, the compound average annual rate of growth in local-currency revenues estimated for the explicit projection period and the change in percentage points in the EBITDA margin between the 12 months ended December 31, 2019 and the last year of the explicit projection period:

Cash-generating unit	Carrying amount of the CGU assets(1) at December 31, 2019 (thousands of euros)	Impairment loss / reversal of loss at December 31, 2019 (thousands of euros)	After-tax discount rate
Argentina	96,953	-	31.9%
Mexico	360,714	-	9.4%
Banamex Convention Center	50,818	-	9.4%
Spain(3)	130,924	-	6.8%
Italy(4)	65,666	-	7.0%
Panama	61,460	-	8.3%
Colombia	7,989	-	9.3%
Uruguay	74,031	-	13.8%
Holdcos and other	(5,171)		
Total	**843,384**	**-**	**N/A**

Cash-generating unit	Organic growth rate used to calculate the terminal value	Compound annual growth rate in local-currency revenues(2)	Change in EBITDA margin in percentage points(2)
Argentina	17.0%	28.9%	0.9pp
Mexico	3.0%	3.1%	0.5pp
Banamex Convention Center	3.0%	3.0%	-
Spain(3)	1.8%	7.1%	(0.9)pp
Italy(4)	1.5%	3.4%	(1.2)pp
Panama	2.0%	3.9%	6.2pp
Colombia	3.0%	11.1%	4.6pp
Uruguay	7.0%	8.1%	0.9pp
Holdcos and other			
Total	**N/A**	**N/A**	**N/A**

(1) Includes the carrying amount of goodwill, intangible assets, non-current deferred taxes, property, plant and equipment and certain items of working capital, all before deducting the impairment loss recognized during the reporting period.

(2) Obtained by comparing the figures corresponding to the last year of the explicit projection horizon with those corresponding to the 12 months ended December 31, 2019 (as reported quarterly and translated into local currency using average exchange rates).

(3) Includes the business lines in Spain: AWP machines, sports betting and traditional bingo.

Contemplates the rollout of sports betting in Madrid, the Basque region, Navarre, Valencia, Aragon, Murcia, Galicia, Castile la Mancha, Ceuta, Castile & Leon, Catalonia, La Rioja, Extremadura,

Cantabria, Melilla, Asturias and the Balearics.

(4) Encompasses all the business lines operated in Italy (indirect operation of AWP machines, traditional bingos operations, VLT machines and the interconnection network).

Cash-generating unit	Carrying amount of the CGU assets(1) at December 31, 2018 (thousands of euros)	Impairment loss / reversal of loss at December 31, 2018 (thousands of euros)	After-tax discount rate
Argentina	122,691	-	18.7%
Mexico	359,318	-	10.2%
Banamex Convention Center	49,623	-	10.2%
Spain(3)	145,670	-	6.9%
Italy(4)	73,110	-	7.6%
Panama	69,843	-	9.3%
Colombia	13,969	-	9.2%
Uruguay(5)	86,302	-	14.0%
Holdcos and other	122,691	-	-
Total	**920,525**	**-**	**N/A**

Cash-generating unit	Organic growth rate used to calculate the terminal value	Compound annual growth rate in local-currency revenues(2)	Change in EBITDA margin in percentage points(2)
Argentina	4,9%	14,0%	(3,4p.p.)
Mexico	3,0%	2,8%	2,1p.p.
Banamex Convention Center	3,0%	3,0%	-
Spain(3)	1,9%	8,4%	0,8p.p.
Italy(4)	1,7%	4,2%	(1,6p.p.)
Panama	2,0%	2,9%	4,3p.p.
Colombia	3,0%	10,0%	10,6p.p.
Uruguay	5,0%	9,9%	1,3p.p.
Holdcos and other	-	-	-
Total	**N/A**	**N/A**	**N/A**

(1) Includes the carrying amount of goodwill, intangible assets, property, plant and equipment and certain items of working capital, all before deducting the impairment loss recognized during the reporting period.

(2) Obtained by comparing the figures corresponding to the last year of the explicit projection horizon with those corresponding to the 12 months ended December 31, 2018 (as reported quarterly and translated into local currency using average exchange rates).

(3) Includes all the business lines in Spain: AWP machines, sports betting and traditional bingo. Contemplates the rollout of sports betting in Madrid, the Basque region, Navarre, Valencia, Aragon, Murcia, Galicia, Ceuta, Castile la Mancha, La Rioja, Castile Leon, Catalonia, Extremadura, Cantabria, Melilla and Asturias.

(4) Encompasses all the business lines operated in Italy (indirect operation of AWP machines, traditional bingos operations, VLT machines and the interconnection network).

(5) In 2018, the Carrasco and HRU operations were combined into a single CGU given the existence of uniform control, common decision-making and, by extension, common cash and asset management.

Sensitivity analysis - 2019

For each of the cash-generating units for which no impairment losses were recognized during the reporting period, the table below indicates what values the key assumptions - the after-tax discount rate and the organic growth rate used to calculate terminal value - would have to reach in order to eliminate the headroom between their value in use and carrying amounts:

	Key assumption metrics required to eliminate the headroom between the CGUs' value in use and carrying amounts	
Cash-generating unit	After-tax discount rate	Organic growth rate used to calculate the terminal value (1)
Argentina	41.7%	N/A
Mexico	17.1%	N/A
Banamex Convention Center	15.6%	N/A
Spain	16.2%	N/A
Italy	12.4%	N/A
Panama	10.9%	N/A
Colombia	27.6%	N/A
Uruguay	25.0%	N/A

(1) The "N/A's" indicate the fact that the growth rates would have to be negative; as indicated by the terminal-value definition, it is not meaningful to use a negative rate of growth in perpetuity to calculate a terminal value.

14. INVENTORIES

	Thousands of euros	
	2019	**2018**
Gaming machines	147	143
Machine parts	2,455	3,018
Hospitality supplies	3,809	2,538
Bingo cards	139	932
Other items	4,181	4,260
	10,731	**10,891**

In 2019, the Group expensed 34,686 thousand of inventories (2018: 32,358 thousand euros).

15. RECEIVABLES

a) Trade receivables:

At December 31, 2019, “Trade receivables” includes, among other items, 3,338 thousand euros due for the provision of hospitality and management services to hospitality establishments in Spain (3,972 thousand at year-end 2018).

b) Current tax assets:

At December 31, 2019, “Current tax assets” amounted to 26,574 thousand euros (year-end 2018: 29,394 thousand euros), of which 8,967 thousand euros corresponded to the Argentine segment and 13,421 thousand euros to the Mexican segment (13,325 thousand euros and 12,546 thousand euros at year-end 2018, respectively).

c) Sundry receivables:

	Thousands of euros	
	2019	2018
Sundry receivables	70,979	78,091
Accrued tax receivable	53,907	46,289
Due from employees	892	597
Impairment provisions	(38,244)	(35,062)
	87,534	**89,915**

At year-end 2019, "Sundry receivables" includes approximately 23,803 thousand euros (23,635 thousand euros at year-end 2018) of advances paid to hospitality establishment owners in respect of their share of the takings from the gaming machines located in their establishments. These advances are recovered as a function of takings obtained.

This heading also includes 1,571 thousand euros (3,786 thousand euros at December 31, 2018) receivable from CIE group companies, mainly Make Pro, S.A. de C.V., for advertising and sponsorship services.

Lastly, this heading includes 14,678 thousand euros (16,048 thousand euros at December 31, 2018) recognized by Codere Network, S.p.A. in connection with accounts receivable from gaming machines operators in Italy. The remainder comprises a significant number of smaller-sized accounts receivable.

"Impairment provisions" includes amounts earmarked to cover advances provided on takings in Spain, other provisions recognized against the accounts receivable from gaming machines operators in Italy and also against amounts due from the customers of Carrasco Nobile in Uruguay.

The movement in the provision for receivables impairment is as follows:

	Thousands of euros
Balance at Dec. 31, 2018	**(35,062)**
New businesses incorporated	-
Provision for receivables impairment	(16,806)
Unused amounts reversed	11,888
Derecognition	1,321
Translation differences	415
Balance at Dec. 31, 2019	**(38,244)**
Balance at Dec. 31, 2017	**(34,589)**
New businesses incorporated	-
Provision for receivables impairment	(9,219)
Unused amounts reversed	7,719
Derecognition	459
Translation differences	568
Balance at Dec. 31, 2018	**(35,062)**

The other classes within trade and other receivables do not contain impaired assets.

d) Accrued tax receivable:

At December 31, 2019, "Accrued tax receivable" amounted to 53,907 thousand euros (46,289 thousand euros at year-end 2018). That sum includes 44,094 thousand euros (40,817 thousand euros receivable at year-end 2018) of VAT due from the Mexican tax authorities. In Mexico this type of indirect taxation is recovered as a function of the cash flows deriving from the underlying transactions.

The remaining 9,814 thousand euros correspond to taxes receivable from the authorities in the rest of the Group's business markets.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

Currency	**Thousands of euros**	
	2019	**2018**
Euros	46,487	45,498
US dollars	16,461	19,792
Argentine pesos	9,463	15,973
Mexican pesos	66,084	62,049
Uruguayan pesos	2,473	3,405
Pound sterling	15	-
Colombian pesos	1,781	4,646
Brazilian reais	96	193
	142,860	**151,556**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

16. OTHER CURRENT FINANCIAL ASSETS

The reconciliation of "Other current financial assets" at the beginning and end of the reporting period:

	Thousands of euros					
2019	**Balance at Dec. 31, 2018**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2019**
Other credit	43,318	4,101	(10,255)	5,657	524	43,345
	43,318	**4,101**	**(10,255)**	**5,657**	**524**	**43,345**

The main movements in "Other credit" in the table above correspond to amounts derecognized due to the partial reimbursement of the deposit placed by Codere Finance 2 (Luxembourg), S.A. with Credit Suisse, this movements have been offset by the balances of the transitory accounts in Italy and the movement of Halcash generated by Codere Online.

	Thousands of euros					
2018	**Balance at Dec. 31, 2017**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2018**
Other credit	51,567	13,051	(23,114)	1,244	570	43,318
	51,567	**13,051**	**(23,114)**	**1,244**	**570**	**43,318**

In 2018, the main movements in "Other credit" in the table above correspond to amounts derecognized due to the partial reimbursement of the deposit placed by Codere Finance 2 (Luxembourg), S.A. with Credit Suisse and the clearing in Italy of certain transitory account balances.

"Other credit" breaks down as follows:

	Thousands of euros	
	2019	**2018**
Current loans	14,619	13,517
Deposits and guarantees extended	28,358	29,801
Short-term deposits	368	-
	43,345	**43,318**

"Short-term loans" includes the account receivable from directors and executives in respect of the loans extended to fund the purchase of shares of Codere, S.A., as detailed in note 25. These loans are secured by the shares themselves. Refer to note 18.

"Deposits and guarantees extended" include the deposits recognized by Codere Network, S.p.A. as a result of the concession agreement under which this company operates in the amount of 10,494 thousand euros (12,036 thousand euros at year-end 2018) and the deposit provided as part of the debt capitalization exercise.

The carrying amounts of the Group's non-current financial assets are denominated in the following currencies:

Currency	Thousands of euros	
	2019	**2018**
Euros	26,499	26,902
US dollars	4,307	6,830
Argentine pesos	45	132
Mexican pesos	11,819	9,274
Uruguayan pesos	423	170
Colombian pesos	250	10
Brazilian reais	2	-
	43,345	**43,318**

17. EQUITY

a) Issued capital

The Company's share capital amounts to 509,714,801.80 euros, represented by 118,538,326 shares with a par value of €4.30 each.

The Parent's shareholder structure at 2019 and 2018 year-end is as follows:

	Shareholding (*)	
	%	%
Shareholders	**Year-end 2019**	**Dec. 31, 2018**
Silver Point Capital Management, LLC.	23.19%	23.19%
Martínez Sampedro Family	15.76%	15.76%
José Antonio Martínez Sampedro	*14.07%*	*14.07%*
Luis Javier Martínez Sampedro	*1.69%*	*1.69%*
M&G Investment Management Limited	20.97%	20.97%
Abrams Capital Management LLC	8.72%	8.72%
Contrarian Capital Management LLC	7.22%	7.22%
Alden Global Capital LLC	2.95%	3.84%
Evermore Global Advisors LLC	5.20%	5.20%
VR Global Partners L.P.	2.46%	2.46%
Codere, S.A. (own shares)	0.13%	0.13%
Other minority shareholders	13.40%	12.51%
	100%	**100%**

(*) Figures reported to the Spanish securities market regulator by the shareholders themselves.

The table above itemizes the shareholdings reported by the Company's significant shareholders, i.e., those shareholders that, in keeping with prevailing securities market legislation, have acquired shares that give them voting rights in a listed company as a result of which they are obliged to notify the securities market regulator, the CNMV for its acronym in Spanish, when their share of such voting rights surpasses or falls below the 3% threshold.

Neither the members of the Parent's Board of Director nor the Group's key management personnel bought or sold Company shares in the market in 2019.

In 2018, Luis Javier Martinez Sampedro sold 935 thousand Codere, S.A. shares. The Parent's directors, Norman Sorensen Valdes and Manuel Martinez-Fidalgo acquired 56 thousand and 13 thousand shares, respectively. No members of the Group's key management personnel sold Company shares in the market. They did buy shares in 2018.

b) Share premium

Codere, S.A.'s share premium account derives from the share issues approved by its shareholders at the extraordinary general meetings held on December 20, 1999 (52,610 thousand euros), January 27, 2006 (38,901 thousand euros), October 18, 2007 (139,769 thousand euros), April 6, 2016 (330,670 thousand euros) and May 11, 2017 (1,228 thousand euros).

c) Own shares

At December 31, 2019, the Company held 189,519 own shares (year-end 2018: 154,941) that were carried in equity at 721 thousand euros (year-end 2018: 678 thousand euros). Those shares are fully paid.

On November 20, 2018, the Company entered into an agreement with JB Capital Markets Sociedad De Valores, S.A. with the aim of increasing its shares' liquidity and the frequency with which they are traded. That liquidity contract took effect on December 11, 2018.

The most significant characteristics of the agreement entered into with JB Capital Markets Sociedad De Valores, S.A., in keeping with the provisions of applicable securities market law, are the following:

- Securities covered by the contract: Ordinary shares of Codere, S.A. admitted to trading on official stock exchanges.
- Contract term: 12 months, tacitly renewable for a similar term.
- Funds earmarked to the cash account: 800 thousand euros, of which 496 thousand euros were earmarked at the outset of the contract to the purchase of 125,105 shares at an average unit price of 3.97 euros. Subsequently, the Company allocated an additional 122 thousand euros to that account.
- The voting and dividend rights on the shares deposited in the security account are suspended.

Of the 189,519 own shares held at December 31, 2019, 161,743 were acquired by under the above liquidity agreement, representing less than 10% of total outstanding Codere, S.A. shares, the limit prescribed by law; they were carried in equity at 503 thousand euros. Those shares were acquired at an average price of €3.45 per share. Those shares are fully paid.

At December 31, 2019, the net balance of transactions executed under the scope of the liquidity contract amounted to 77 thousand euros (433 thousand euros at December 31, 2018).

Of the 154,941 own shares held at December 31, 2018, 129,209 were acquired by under the above liquidity agreement, representing less than 10% of total outstanding Codere, S.A. shares, the limit prescribed by law; they were carried in equity at 465 thousand euros. Those shares were acquired at an average price of €3.47 per share. Those shares are fully paid.

d) Legal reserve

The Spanish Corporate Enterprises Act stipulates that 10% of profit for each year be transferred to the legal reserve until it represents at least 20% of share capital. At December 31, 2019 and 2018, the legal reserve amounted to 19,953 thousand euros.

Until it exceeds 20% of share capital and provided there are no other available reserves of sufficient amount, the legal reserve may only be used to offset losses.

e) Revaluation reserves

On the date of first-time application of IFRS-EU, the Group decided to revalue its land and buildings, such that their fair value at the transition date was taken as their deemed cost. This revaluation was recognized directly in equity, within the Transition Reserve.

The Transition Reserve is transferred to “Retained earnings” when the gain is realized. The gain realized is the difference between the depreciation calculated using the asset's restated value and that calculated using its original cost.

f) Restrictions on the distribution of dividends

In its capacity as the parent guarantor on the notes issued by Codere Finance 2 (Luxembourg), S.A. (note 19), Codere's ability to ratify and pay dividends is limited until the notes are redeemed.

There are no restrictions on the distribution of dividends from any of the Latin American or European countries in which the Codere Group operates to Spain.

In Argentina, dividends may only be distributed if the prior-year tax losses have been offset. At present, all of the subsidiaries can distribute dividends.

g) Disclosures by company

The breakdown of equity by Group company at year-end 2019 is provided in Appendix II.

18. PROVISIONS

18.1. Non-current provisions

					Thousands of euros
2019	Balance at Dec. 31, 2018	Additions	Derecognitions	Translation differences	Balance at Dec. 31, 2019
Provision for taxes	4,314	1,396	(5,840)	130	-
Provision for retirement bonuses	12,994	4,669	(3,396)	301	14,568
Other provisions	5,724	4,937	(2,147)	(1,094)	7,420
	23,032	**11,002**	**(11,383)**	**(663)**	**21,988**

2018	Balance at Dec. 31, 2017	Additions	Derecognitions	Translation differences	Balance at Dec. 31, 2018
					Thousands of euros
Provision for taxes	6,365	(740)	(1,466)	155	4,314
Provision for retirement bonuses	12,928	3,013	(3,128)	181	12,994
Other provisions	11,764	719	(5,062)	(1,697)	5,724
	31,057	**2,992**	**(9,656)**	**(1,361)**	**23,032**

Derecognitions includes the transfer to “Other payables” from "Non-current payables" of the existing provisions for taxes, which stood at 524 thousand euros at December 31, 2019, as prescribed in IFRIC 23 (note 2.a.2).

a) Provision for retirement bonuses

This heading includes the amounts payable to employees under collective bargaining agreements that are accrued by several Group companies. The increase under this heading is attributable mainly to companies in Italy, Panama and Mexico.

b) Other provisions

At December 31, 2019, this heading includes 1,493 thousand euros recognized by Codere Network, S.p.A. to cover potential liabilities arising from claims ongoing in Italy (year-end 2018: 1,376 thousand euros).

This heading also includes the Group's commitments to its staff under the labor legislation prevailing in each market as well as the labor contingencies recognized in each reporting period.

18.2. Current and other provisions

	Thousands of euros 2019	2018
Provision for options	1,552	1,545
Other	5,844	7,170
Total current and other provisions	**7,396**	**8,715**

"Other" in the table above mainly includes 2,831 thousand euros (3,783 thousand euros at year-end 2018) of income collected in advance by the Icela Group.

19. FINANCIAL LIABILITIES

a) Non-current financial liabilities

	Thousands of euros 2019	2018
Notes issued by Codere Finance 2 (Luxembourg), S.A., HRU, S.A. (Hípica Rioplatense Uruguay, S.A.) and Alta Cordillera, S.A.	787,931	761,985
Bank borrowings	76,990	37,337
Other borrowings	30,864	43,275
Finance lease obligations (*)	208,030	3,772
	1,103,815	**846,369**

(*) In 2019, this heading corresponds entirely to the lease liabilities recognized under IFRS 16 (note 2.a.2) a.1) Issued notes - non-current

The various non-current notes issued by the Group are itemized in the table below:

	Face value	Currency	Effective interest rate	Maturity	2019	2018
					Thousands of euros	
Notes issued by Codere Finance 2 (Luxembourg), S.A.	500,000	Euros	7.27%	October 31, 2021	496,824	496,016
Notes issued by Codere Finance 2 (Luxembourg), S.A.	300,000	US dollars	8.18%	October 31, 2021	265,103	258,554
Marketable notes issued by HRU, S.A.	26,924	US dollars	4.25%	November 29, 2029	21,763	5,829
Marketable notes issued by HRU, S.A.	3,076	US dollars	4.75%	November 29, 2029	2,441	1,587
Notes issued by Alta Cordillera, S.A.	1,500	US dollars	10.01%	September 13, 2024	1,227	-
Notes issued by Alta Cordillera, S.A.	700	US dollars	10.01%	October 2, 2024	573	-
					787,931	761,986

The annual coupon on the Euro Notes is 6.750%, while the coupon on the US Dollar Notes is 7.625%, except for the notes issued by Alta Cordillera, which carry a coupon of 7.5%.

The guarantors on the notes issued by Codere Finance 2 (Luxembourg) S.A. and the 95 million-euro super senior multi-currency revolving facility are:

Alta Cordillera, S.A. (*)
Colonder, S.A.U. (**)
Bingos Platenses, S.A. (**)
Codere, S.A. (***)
Codere América, S.A.U. (**)
Iberargen, S.A. (**)
Interbas, S.A. (**)
Codere NewCo, S.A.U. (****)
Nididem, S.A.U. (**)
Codere Latam, S.A.U. (**)
Interjuegos, S.A. (**)
Codere Finance 2 (Luxembourg), S.A. (*****)
Codere Argentina, S.A. (**)
Operibérica, S.A. (**)
Codere España, S.A.U. (**)
Codere Internacional, S.A.U (**)
Codere Internacional Dos, S.A.U.(**)
Codere México, S.A. de C.V. (**).
Codere Network, S.p.A. (**).
Codere Luxembourg 1 S.a.r.L (**)
Codere Luxembourg 2 S.a.r.L (**)
Codemática, S.r.l. (*)
Intermar Bingos, S.A. (**)
Bingos del Oeste, S.A. (*)
Codere Italia, S.p.A (**)
Operbingo Italia, S.p.A. (**).
Codere Apuestas España, S.L.U. (**).
Codere Operadora de Apuestas, S.L.U. (**).
JPVMatic 2005, S.L.U. (**).

(*) Guarantor on the notes and the super senior credit facility.

(**) Guarantor on the notes and the super senior credit facility and shares pledged as collateral.

(***) Parent guarantor on the notes and the super senior credit facility.

(****) Borrower under the 95 million-euro super senior credit facility, guarantor on the notes and shares pledged as collateral.

(*****) Issuer of the notes and guarantor on the super senior credit facility

On October 21, 2019, the following companies were established as guarantors:

- Codere Italia S.p.A.
- Operbingo Italia S.p.A.
- Codere Apuestas España S.L.U.
- Codere Operadora de Apuestas S.L.U.
- JPVMatic 2005 S.L.U.

At December 31, 2019, the interest accrued and outstanding amounted to 9,019 thousand euros (8,955 thousand euros at December 31, 2018).

The Codere Finance 2 (Luxembourg), S.A. notes issue subjects the Parent, in its capacity as the main guarantor, to a series of covenants and limitations, principal among which:

- A limitation on the issuance of borrowings above a certain threshold.
- A limitation on the ability to arrange mergers or sell assets above a certain threshold.
- A limitation on payments that can be made to companies that are not guarantors.
- Limitations on transactions with subsidiaries.
- The requirement to add companies considered of relevance as guarantors of the notes.

In addition, on October 24, 2016, Codere, S.A., in its capacity as parent guarantor, and Codere Newco, S.A.U., as borrower, entered into a 95 million-euro super senior multi-currency revolving facility which includes a debt-to-EBITDA covenant.

On August 5, 2019, Alta Cordillera, S.A. issued a 25 million US dollar rolling corporate note program through Codere Trust. Then, on August 22, 2019, it issued notes under the first series (Series A) in the amount of 2.2 million US dollars, out of a total limit of 6 million US dollars. Those notes carry interest at a rate of 7.50 % and mature on August 26, 2024; they are repayable in quarterly installments. The issuer has the option of calling some or all the bonds from August 26, 2022.

The notes are unsecured (neither personal nor physical guarantees); they will be serviced exclusively by means of the trust assets. The proceeds can be used to cancel accounts payable to Group companies, finance growth projects or working capital and for other general corporate purposes.

On November 27, 2019, HRU S.A. closed a 30 million US dollar marketable bond issue. The bonds are due 2029 and the proceeds were used to prepay the notes issued in 2011, of which 8 million dollars were outstanding, and to finance investing activities.

At December 31, 2019, the Group was compliant with all of the restrictions and ratios imposed under its main borrowing agreements and, assuming the reasonable continuity of its businesses, does not expect to breach them in the future.

As for the notes issued by HRU, note the existence of certain covenants (covenanted leverage and coverage ratios and guarantees), a limit on non-operational investments and the obligation to remain party to HRU's government concession.

a.2) Non-current bank borrowings

			Thousands of euros	
	Effective average interest rate	Maturity	2019	2018
Spanish Group	1.69%	2021-2028	549	827
Holdco	8.25%	2,022	7,959	8,144
Holdco	Euribor + 4.0%	2,021	42,337	-
Italian Group	1.01%	2020-2023	1,409	52
Icela Group	TIIE + 3.25%	2,026	6,860	-
Mexican Group	1m LIBOR + 6.0%	2,020	1,009	-
Mexican Group	TIIE + 5%	2,022	826	-
Colombian Group	IBR + 5.5%	2,020	-	538
Uruguay (Carrasco Nobile)	6.78%-8.35%	2021 - 2023	16,041	19,056
Uruguay (HRU)	4.78%-8.35%	2018-2023	-	8,720
			76,990	**37,337**

The borrowings are mainly arranged locally to finance the growth of the Group's operations in each market. They are arranged at prevailing market rates.

The most significant arrangements are as follows:

- The most significant borrowings are those owed in Uruguay, in the amount of 16,041 thousand euros at December 31, 2019 (19,056 thousand euros at year-end 2018), specifically debt extended by Nobilis Corredor de Bolsa S.A., Urraburu & Hijos Corredor de Bolsa, S.R.L. and Compañía de Valores Pérez Marexiano S.B.S.A. to the Group company, Carrasco Nobile, S.A.

- A new loan was taken on by Operadora Cantabria, S.A. de C.V. in the first half of 2019 in the amount of 2,541 thousand euros (extended by Intercam Banco), with the aim of improving the capital structure in Mexico.

- Another new loan was arranged by Administradora Mexicana de Hipódromo, S.A. de C.V. in the fourth quarter of 2019 in the amount of 8,116 thousand euros; it was similarly extended by Intercam Banco, also with the aim of improving the capital structure in Mexico.

- On October 24, 2016, Codere, S.A., in its capacity as parent guarantor, and Codere Newco, S.A.U., as borrower, entered into a 95 million-euro super senior multi-currency revolving facility. At December 31, 2019, the Group had drawn down 45,000 thousand euros, 8,271 thousand dollars and 180 thousand euros of borrowings (year-end 2018: 10,000 thousand euros of borrowings and 8,271 dollars under the surety lines). Although those balances fall due six-monthly, the Group can automatically roll them over until October 31, 2021, the date the Group deems the most appropriate for classification purposes. The Group had 42,395 thousand euros available for drawdown under that facility at December 31, 2019 (77,906 thousand euros available at year-end 2018).

a.3) Other non-current borrowings

The amount recognized under "Other non-current borrowings" in the amount of 30,864 thousand euros at December 31, 2019 (43,275 thousand euros at December 31, 2018) includes non-current accounts payable by Spanish companies for exclusivity rights in the amount of approximately 10,280 thousand euros at December 31, 2019 (10,831 thousand euros at year-end 2018). At year-end, it also includes the sum of 10,790 thousand euros (year-end 2018: 13,322 thousand euros) corresponding to long-term debts deriving from the deferral of gaming taxes following approval for such deferral in respect of a certain number of machines in the regions of Madrid, Cantabria, Valencia and Catalonia. The related current balances are recognized within “Other current non-trade debts”. The interest accrued on these debts is set at the legal interest rate prevailing in Spain.

This heading also includes the third-party borrowings used to fund the acquisition of licenses by Codere Network, S.p.A. for the installation and operation of VLT devices in Italy in the amount of 893 thousand euros at December 31, 2019 (1,769 thousand euros at December 31, 2018).

The carrying amounts of the Group’s non-current borrowings are denominated in the following currencies:

Currency	Thousands of euros 2019	2018
Euros	582,075	542,772
US dollars	386,624	278,971
Argentine pesos	8,903	2,925
Mexican pesos	92,708	-
Uruguayan pesos	28,917	21,164
Colombian pesos	4,588	537
	1,103,815	**846,369**

The breakdown of the Group's non-current borrowings by type of debt and maturity:

	2019			2018		
Year	**Bank borrowings**	**Other non-current borrowings**	**Total**	**Bank borrowings**	**Other non-current borrowings**	**Total**
2020	-	-	-	8,678	28,021	36,699
2021	56,452	781,686	838,138	10,211	771,063	781,274
2022	8,850	6,863	15,713	14,585	1,559	16,144
2023	3,055	4,712	7,767	3,450	161	3,611
2024	7,004	4,588	11,592	-	-	-
Other	1,629	20,944	22,573	413	8,228	8,641
	76,990	**818,793**	**895,783**	**37,337**	**809,032**	**846,369**

(Thousands of euros)

This schedule does not include within other non-current borrowings the maturities of the lease liabilities recognized under IFRS 16 (note 2.a.2)

b) Current liabilities

b.1) Notes

The balance recognized under "Notes and other marketable securities" within current liabilities includes the interest accrued and outstanding of 9,019 thousand euros on the notes issued by Codere Finance 2 (Luxembourg), S.A., 4 thousand euros on the notes issued by Alta Cordillera, S.A. and 2,714 thousand euros on the marketable notes issued by HRU, S.A. (formerly, Hípica Rioplatense de Uruguay, S.A.), due in 2029.

b.2) Bank borrowings

	Thousands of euros 2019	2018
Current loans	19,949	39,548
Receivables discounting lines and credit facilities	-	-
Accrued interest	697	456
Total bank borrowings	**20,646**	40,004
Total available for drawdown	42,395	77,906
Total drawdown limit	**63,041**	**117,910**

Current loans

On October 24, 2016, Codere, S.A., in its capacity as parent guarantor, and Codere Newco, S.A.U., as borrower, entered into a 95 million-euro super senior multi-currency revolving facility. At December 31, 2019, the Group had drawn down 45,000 thousand euros of borrowings and 8,271 thousand dollars and 180 thousand euro under the surety lines (year-end 2018: 10,000 thousand euros of borrowings and 8,271 dollars under the surety lines). Those drawdowns were reclassified to current borrowings at year-end 2019 (note 19.a.2).

At December 31, 2019, current loans were concentrated at Administradora Mexicana de Hipódromo, S.A. de C.V., in the amount of 1,159 thousand euros (8,455 thousand euros at year-end 2018), in Uruguay, in the amount of 4,852 thousand euros (8,316 thousand euros at year-end 2018) and at Mexico Caliente, in the amount of 4,911 thousand euros (6,362 thousand euros at year-end 2018).

b.3) Other non-trade payables and current tax liabilities

	Thousands of euros	
	2019	**2018**
Taxes payable	116,793	127,247
Deferred gaming taxes	17,072	20,671
Employee benefits payable	15,289	14,694
IFRS 16	50,234	-
Other borrowings	54,574	79,531
	253,962	**242,143**

b.3.1) Taxes payable

This heading includes the VAT, personal income tax, corporate income tax and other taxes payable to the tax authorities.

b.3.2) Deferred gaming taxes

This heading includes the account payable as a result of the approved application to defer the payment of levies in respect of a specific number of gaming machines in Spain, specifically in Madrid, Cantabria, Valencia and Catalonia. It includes the amounts of deferrals requested and those approved and due payment within less than 12 months from the reporting date.

b.3.3) Other payables

This heading includes:

- Balances owed to Spanish suppliers in the amount of 6,152 thousand euros at December 31, 2019 (11,508 thousand euros at December 31, 2018). Payables to suppliers in Argentina stood at 3,739 thousand euros at December 31, 2019 (6,559 thousand euros at year-end 2018). Payables to suppliers in Mexico stood at 28,936 thousand euros at December 31, 2019 (36,578 thousand euros at year-end 2018).

- Current bills payable by the Spanish companies in the amount of 2,172 thousand euros at December 31, 2019 (2,460 thousand euros at December 31, 2018).

- Payables outstanding in connection with the acquisition of companies in Italy in the amount of 1,616 thousand euros at December 31, 2019 (1,806 thousand euros at December 31, 2018).

b.4) Disclosures on deferral of trade accounts payable under additional provision three, 'Disclosure requirements', of Spanish Law 15/2010 of 5 July 2010.

Law 15/2010 stipulates that companies pay their suppliers within 60 days.

As stipulated by the Resolution issued on January 29, 2016 by the Spanish Audit and Accounting Institute (ICAC), the table below presents the required disclosures for the universe of Spanish companies included in the scope of consolidation at December 31:

	2019 (days)	**2018 (days)**
Average supplier payment term	37	33
Paid transactions ratio	33	31
Outstanding transactions ratio	89	50
Total payments made	109,794	70,914
Total payments outstanding	6,657	7,612

c) Loans secured by the Group

In addition to the pledges of shares in several Group companies, as disclosed in paragraph b.1) above, at December 31, 2019, several Group companies had pledged fixed assets as collateral securing debt totaling 53,869 thousand euros (December 31, 2018: 54,608 thousand euros) (note 22).

d) Current liabilities by currency

Currency	**Thousands of euros**	
	2019	**2018**
Euros	147,638	162,191
US dollars	92,981	57,548
Argentine pesos	34,782	59,037
Mexican pesos	87,713	87,187
Uruguayan pesos	13,013	14,789
Colombian pesos	8,955	6,177
Pound sterling	578	1,170
Chilean pesos	-	-
Brazilian reais	284	341
	385,944	**388,440**

20. DERIVATIVE TRANSACTIONS

In May 2017, the Group arranged a cross currency swap with the aim of hedging the impact of movements in the exchange rate on the cash flows associated with the loan obtained by the Mexican subsidiary, Codere México, S.A. de C.V., in the amount of 30 million dollars. The hedging instrument initially covered the cash flows to November 2017. In November 2017, the instrument was renewed to cover the cash flows under the loan until November 2018, on which date the hedge expired and was not renewed.

(Thousands of euros)

21. TAX MATTERS

Codere, S.A. is a tax resident of Spain for corporate income tax purposes. Since January 1, 2000 it has been filing its tax returns under the consolidated tax regime provided for in Chapter VI of Title VII of the Corporate Income Tax (Law 27/2014 of November 27, 2014).

The following companies formed part of the Spanish tax group in 2019:

- Codere, S.A., as parent and beneficiary.
- Along with the following subsidiaries:

Spanish tax group, 2019:

Codere, S.A.	Codere Apuestas Melilla, S.A.	Codere Servicios, S.R.L.
Codere América, S.A.U.	Codere Apuestas Murcia, S.L.U.	Colonder, S.A.U.
Codere Apuestas Baleares, S.A.	Codere Apuestas Navarra S.A.U.	Ipm Maquinas, S.L
Codere Apuestas España, S.L.U.	Codere Apuestas Valencia, S.A.U.	J.M. Quero Asociados, S.A.
Codere Apuestas, S.A.U.	Codere Castilla y León, S.L.	JPV Matic 2005, S.L.
Codere Apuestas Aragón, S.L.U.	Codere Distribuciones, S.L.	Misuri, S.A.
Codere Apuestas Castilla la Mancha, S.A.	Codere España, S.A.U.	Nididem, S.A.U.
Codere Apuestas Castilla y León, S.A.	Codere Interactiva, S.L.	Operiberica, S.A.
Codere Apuestas Cataluña, S.A.	Codere Internacional, S.A.	Opersherka, S.L.U.
Codere Apuestas Cantabria, S.A.	Codere Internacional Dos, S.A.U.	Codere Operadoras de Apuestas, S.L.
Codere Apuestas Ceuta, S.L.	Codere Latam, S.A.	Servicios de Juego On line, S.A (*)
Codere Apuestas Extremadura, S.A.	Codere Logroño, S.L.	Royuela Recreativos, S.L (**)
Codere Apuestas Andalucía, S.A.	Codere Online, S.A.	Sport Bet Extremadura, S.L (**)
Codere Apuestas La Rioja, S.A.	Codere Newco, S.A.U.	

(*) These companies were added to the tax group in 2018.

(*) These companies were added to the tax group in 2019.

The following companies formed part of the Spanish tax group in 2018:

- Codere, S.A., as parent and beneficiary.
- Along with the following subsidiaries:

(Thousands of euros)

Spanish tax group, 2018:

Codere, S.A.	Codere Apuestas La Rioja, S.A.	Colonder, S.A.U.
Cartaya, S.A.	Codere Apuestas Melilla, S.A.	Desarrollo On Line Juegos Regulados, S.A.
CF-8, S.L.	Codere Apuestas Murcia, S.L.U.	J.M. Quero Asociados, S.A.
Codere América, S.A.U.	Codere Apuestas Navarra S.A.U.	JPV Matic 2005, S.L.
Codere Apuestas Baleares, S.A.	Codere Apuestas Valencia, S.A.U.	Misuri, S.A.
Codere Apuestas España, S.L.U.	Codere Castilla y León, S.L.	Nididem, S.A.U.
Codere Apuestas, S.A.U.	Codere Distribuciones, S.L.	Operiberica, S.A.
Codere Apuestas Aragón, S.L.U.	Codere España, S.A.U.	Red Aeam S.A.
Codere Apuestas Asturias, S.A.	Codere Interactiva, S.L.	Opersherka, S.L.U.
Codere Apuestas Castilla la Mancha, S.A.	Codere Internacional, S.A.U	Codere Operadoras de Apuestas, S.L.
Codere Apuestas Castilla y León, S.A.	Codere Internacional Dos, S.A.U.	Binipatrimonial, S.L.U.(*)
Codere Apuestas Cataluña, S.A.	Codere Latam, S.A.	Recreativos Juvasa, S.L (*)
Codere Apuestas Cantabria, S.A.	Codere Logroño, S.L.	IPM Máquinas, S.L. (*)
Codere Apuestas Ceuta, S.L.	Codere Online, S.A.	Servicios de Juego On line, S.A (**)
Codere Apuestas Extremadura, S.A.	Codere Newco, S.A.U.	
Codere Apuestas Andalucía, S.A.	Codere Servicios, S.R.L.	

(*) These companies were added to the tax group in 2017.

(**) These companies were added to the tax group in 2018.

In addition, the Italian companies file their taxes under the consolidated tax regime applicable in Italy. The Italian tax group headed up by Codere Italia, S.p.A. has been filing under this regime since January 1, 2005 and the companies included in the tax group whose parent is Operbingo Italia, S.p.A. have been doing so since January 1, 2006. The Operbingo Italia, S.p.A. tax group was rolled into the Codere Italia, S.p.A. tax group in 2012.

The subsidiaries included in the Italian tax group in 2019 and 2018:

Italian tax group, 2019:

Codere Italia, S.p.a.	Operbingo Italia, S.p.a.
Seven Cora Service, S.r.l.	Nori Games, S.r.l.
Cristaltec Service, S.r.l.	King Slot, S.r.l.
Vasa e Azzena Service, S.r.l.	King Bingo, S.r.l.
Gap Games, S.r.l.	Garet, S.r.l.
FG Slot Service, S.r.l.	Se.bi.lot, S.r.l.
DP Service, S.r.l.	Codere Scommesse, S.r.l
Codematica, S.r.l.	
CodereNetwork, S.p.a.	
Gaming Re, S.r.l.	

Italian tax group, 2018:

Codere Italia S.p.A.	Operbingo Italia S.p.A.
Seven Cora Service S.R.L.	Gestioni Marconi S.R.L.
Cristaltec Service S.R.L.	
Vasa e Azzena Service S.R.L.	Nori Games Service S.R.L.
Gap Games, S.R.L.	King Slot S.R.L.
FG Slot Service S.R.L.	King Bingo S.R.L.
DP Service, S.R.L.	Palace Bingo S.R.L.
Codere Gaming Italia S.R.L.	
Codematica S.R.L.	Garet S.R.L.
Codere Network S.p.a.	SE.BI.LOT, S.R.L. (*)
Gaming Re, S.R.L.	Codere Scommesse, S.R.L. (*)

(*) These companies were added to the tax group in 2018.

The rest of the Group companies file their taxes separately.

The companies domiciled in Spain were subject to a statutory rate of 25% of taxable income in 2019 and 2018. Nevertheless, the resulting taxable income may be reduced by certain deductions. The companies domiciled outside Spain apply the tax laws and rates prevailing in their countries of residence; these rates range between 24% and 35%, with the exception of Argentina (41.5%).

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the inspection period has elapsed.

The directors of Codere, S.A. believe that the companies comprising the Codere Group have duly settled the taxes applicable to them, which is why they do not anticipate material additional obligations in the event of an inspection.

The reconciliation of tax expense and accounting profit multiplied by the prevailing tax rate:

	Thousands of euros	
	2019	**2018**
Pre-tax consolidated profit/(loss)	(32,832)	(3,062)
At the statutory income tax rate of 25%	(8,208)	(766)
Effect of different rates in different countries	4,733	9,419
Tax effect of previously unrecognized tax losses and permanent differences	36,052	22,157
Applied/Recognition of assets for unused tax losses (note 12)	(2,921)	(358)
Income tax expense reported in the consolidated statement of profit or loss	**29,656**	**30,452**

The “Effect of different rates in different countries” reflects the difference derived from applying the statutory rate in Spain (25% in 2019 and 2018) to taxable income and applying the corresponding statutory rate of each country to taxable income. The amounts correspond mainly to the difference between the tax rate in Spain and that applied in Argentina, where the statutory rate was 41.5% in 2019 and 2018.

The “Tax effect of previously unrecognized tax losses and permanent differences” mainly includes the following items:

- Positive Permanent differences in the amount of 14.5 million euros in terms of tax payable at year-end 2019 (13 million euros in terms of tax payable at year-end 2018:

    - The permanent differences of the various Group companies, calculated applying the statutory rate prevailing in the corresponding country, resulting from the differences between the accounting criteria applied and the applicable tax legislation in each country.

  - From 2018, it includes as a permanent difference in Argentina the estimated effect of hyperinflation on the Argentine entities' statements of profit or loss as a result of the application, with effect from January 1, 2018, of IAS 29 *Financial reporting in hyperinflationary economies*, which is not deductible for tax purposes.

  - From 2019 it includes as a permanent difference at all of the Group companies the result corresponding to the impact on profit or loss of the application of IFRS 16 *Leases* (note 2.a.1).

- The utilization in 2019 of prior-year tax losses against taxable income in the amount 3,5 million euros (taxable income reduced by that amount) generated by the Mexican companies (2018: 1.3 million euros). These tax bases were not registered as an asset, as a consequence, their use have resulted in a decrease in taxable income.

- The expense recorded for withholding on income (services and interest) obtained from other countries for taxes equivalent to corporate income tax. In 2019, was recognized as current tax expense one-sixth of the impact of the inflation tax in Argentina, as well as other small concepts. These concepts in 2019 amount to an expense of 2,6 million euros (note 12).

- In 2018, this heading included the special one-time tax paid on the revaluation of intangible assets in Argentina (equivalent to 10% of the amount of the revaluation) under Law 27430 (note 12). At year-end 2018, the total balance corresponding to the special one-time tax and taxes equivalent to corporate income tax amounted to 19.6 million euros.

- Deferred asset and liability tax registered as deferred tax expense (Other adjustments in deferred taxes) of 8 million euros as of December 31, 2019 (net income in 2018 of 16 million euros), mainly due to:

  - 5 million euros of deferred tax income generated as a result of the one-time asset revaluation undertaken in Argentina (with a balancing entry under deferred tax assets, offset against deferred tax liabilities) (refer to note 12). In 2018 the Group recognized deferred tax income of 18.4 million euros in this same respect.

  - 11.5 million euros of deferred tax expense generated in 2019 as a result of the restatement for accounting purposes of the assets in Argentina under IAS 29 (with a balancing entry under deferred tax liabilities) (refer to note 12). In 2018, the Group recognized an expense of 2.4 million euros in this same respect.

  - 4.8 million euros of deferred tax expense corresponding to five-sixths of the tax inflation adjustment calculated for 2019, which was recognized as a deferred tax liability to be reversed in future years. Refer to note 12.

  - The remaining movement in both years is attributable to consolidation adjustments with an impact on deferred tax income or expense for the year.

The income tax expense calculation for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Pre-tax consolidated profit/(loss)	**(32,832)**	**(3,062)**
Permanent differences	57,801	51,824
Temporary differences	32,764	18,696
Utilization of previously unrecognized tax losses	(11,644)	(5,036)
Taxable income (tax loss)	**46,089**	**62,422**

The temporary differences correspond mainly to:

1) Different useful lives for tax and accounting purposes of items of property, plant and equipment and intangible assets.
2) Provisions that are not deductible for tax purposes in the current year and/or the reversal of amounts recognized as deferred tax assets in this respect in prior years.
3) The partial reversal of the amounts recognized as a deferred tax asset in Argentina as a result of the one-time revaluation of certain intangible assets and also the effect of the revaluation of assets for accounting purposes for hyperinflation as a result of the differences between tax and accounting depreciation schedules during the year, reducing taxable income (note 12).
4) The impact of initial application in 2019 of IFRS 16 (notes 12 and 2.a.1).

The permanent differences correspond basically to expenses that are not deductible for tax purposes and consolidation adjustments, as well as the non-deductible nature of the hyperinflation accounting applied to the statements of profit or loss in Argentina in 2019 and 2018.

The breakdown of income tax expense is as follows:

	Thousands of euros	
Consolidated statement of profit or loss	**2019**	**2018**
Current tax		
- Current income tax expense (*)	24,334	31,516
- Taxes abroad and other adjustments to current tax	2,608	19,600
Deferred taxes		
- Related to increases and decreases in temporary differences (note 12)	(8,172)	(4,254)
- Related to the deferred tax burden associated with earnings retained in Argentina	-	-
- Applied/ Recognition of tax assets for unused tax losses (note 12)	2,921	(358)
- Other adjustments to deferred taxes	7,965	(16,052)
	29,656	**30,452**

(*) Includes the cost of tax inspections, as warranted.

The Codere Group's unused tax losses at year-end, after factoring in the tax returns for both years, break down as follows:

	Thousands of euros	
Company	**2019**	**2018**
Codere, S.A. (tax group)	440,060	430,837
Rest of Spain	31,406	30,748
Italy	13,064	15,932
Mexico	219,264	200,472
Argentina	-	-
Panama	6,045	563
Uruguay	53,576	54,738
Brazil	17,611	17,974
Colombia	19,091	19,522
Online	6,534	-
	806,651	**770,786**

The tax credit that could be generated by these unused tax losses in income tax in the coming years has not been recognized on the Group's consolidated balance sheet other than recognized tax assets of 15,736 thousand euros corresponding primarily to Codere, S.A. (11,090 thousand euros), Panama (1,511 thousand euros) and certain Italian companies (3,135 thousand euros).

Since Spain's new income tax act took effect in 2015, there is no longer any deadline for utilizing unused tax losses. Unused tax losses in Spain amounted to 471,466 thousand euros at December 31, 2019 (461,584 thousand euros at year-end 2018).

The deadlines for utilizing the unused tax losses at year-end are the following:

				Thousands of euros
		2019		2018
Year	Spain	Other countries	Spain	Other countries
2019	-	-	-	10,996
2020	-	17,802	-	17,866
2021	-	21,393	-	23,857
2022	-	9,351	-	8,114
2023	-	16,569	-	16,342
2024	-	38,882	-	26,492
2025	-	67,139	-	65,170
2026	-	39,323	-	35,883
2027	-	40,208	-	39,211
2028	-	12,730	-	14,578
2029	-	16,565	-	130
Beyond	-	1	-	-
Indefinite	471,466	55,222	461,584	50,594
Total	**471,466**	**335,185**	**461,584**	**309,203**

The amount of the Group's unused tax deductions and the corresponding expiration dates at year-end:

				Thousands of euros
		2019		2018
Year	Spain	Other countries	Spain	Other countries
2019	-	-	90	-
2020	104	-	104	-
2021	132	542	132	612
2022	132	5,854	132	6,612
2023	101	-	101	-
2024	97	-	97	-
2025	69	-	69	3
2026	84	8,472	84	5,925
2027	84	-	84	16
2028	-	-	-	-
2029	-	-	-	-
Beyond	50	81,069	49	84,474
Indefinite	58,436	-	55,935	-
Total	**59,289**	**95,937**	**56,877**	**97,642**

22. GUARANTEES EXTENDED TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

One of the Group's core business activities is the operation of amusement and gaming machines, for which in Spain it is required to post the guarantees stipulated in Royal Decree 593/1990 (of April 27, 1990). Those guarantees have been duly deposited with the competent authorities.

Despite the fact that Codere, S.A. does not directly carry on gaming activities, the Company has posted sureties and guarantees typical of an operator to Group companies in response to the demands of financial institutions and insurers that the Parent extend such guarantees.

The breakdown of the sureties and guarantees extended by concept at December 31, 2019 and 2018 is provided below:

	Thousands of euros	
Sureties and guarantees	**2019**	**2018**
Gaming sureties and guarantees	109,606	119,678
Other guarantees	35,486	63,811
	145,092	**183,489**

Gaming sureties and guarantees

Within the gaming sureties and guarantees, at December 31, 2019 and 2018, the most significant amounts correspond to the surety policies guaranteeing performance of the Group's obligations under the terms of the concession granted by the *Amministrazione Autonoma dei Monopoli dello Stato* (Italy's betting and gaming authority, the AAMS for its acronym in Italian) to Codere Network, S.p.A. to activate and run the gaming management network in Italy, specifically in the amount of 36,127 thousand euros at December 31, 2019. Carrasco Nobile, S.A. (the Casino Carrasco Hotel) has also extended the Montevideo municipal authorities surety policies and guarantees to secure due performance of the terms of the concession agreement and payment of the royalty in the amount of 7,180 euros at December 31, 2019. Note that these surety policies and guarantees are not part of the senior facility agreement and are therefore not secured by the latter's guarantee package.

In addition, Codere, S.A. was guaranteeing compliance with obligations assumed vis-a-vis the Madrid regional government in exchange for the right to organize and market sports betting activities in the amount of 12,200 thousand euros at both December 31, 2019 and 2018. Note that those surety policies are not part of the senior facility agreement and are therefore not secured by the latter's guarantee package.

Codere, S.A. is the parent guarantor on the notes issued by Codere Finance 2 (Luxembourg), S.A. under the terms of an intercreditor agreement between the two entities at a rate equivalent to the coupon payable on the notes. Those notes are secured on a second-lien basis by the guarantor companies.

Other guarantees

Codere, S.A. has extended other non-bank guarantees, notable among which those issued by Afianzadora Aserta S.A. de C.V. in Mexico, deposited in escrow in favor of the Mexican Federal Treasury in connection with lawsuits regarding the tax matters of the Codere Group's Mexican operations for 7,442 thousand euros.

The other non-bank guarantees extended by Codere, S.A. include guarantees issued by Assicurazioni Generali Spa in Italy in connection with the rental of bingo halls and the grant of bingo concessions to several Operbingo Group companies in the amount of 3,854 thousand euros at December 31, 2019.

In management's opinion, the extension of those guarantees will not give rise to material liabilities beyond the amounts accrued.

The companies itemized in the accompanying table own land, buildings and machines that are pledged as collateral to secure bank loans and tax deferral applications (in the case of the Spanish companies), whose amounts are as follows:

	Thousands of euros		
			Dec. 31, 2019
	Land and buildings	**Machines (*)**	**Total**
Operibérica, S.A.	11,194	36,984	48,178
J.M. Quero S.A.	1,143	-	1,143
J.P.V. Matic 2005, S.L.	789	-	789
Codere Girona, S.L	4,972	-	4,972
Codere Alicante, S.L.	168	-	168
Comercial Yontxa, S.A.	-	-	-
Bingos Codere, S.A.	2,583	-	2,583
	20,849	**36,984**	**57,833**

	Thousands of euros		
			Dec. 31, 2018
	Land and buildings	**Machines (*)**	**Total**
Operibérica, S.A.	7,767	36,984	44,751
J.M. Quero S.A.	1,156	-	1,156
J.P.V. Matic 2005, S.L.	803	-	803
Codere Girona, S.L	5,045	-	5,045
Codere Alicante, S.L.	177	-	177
Comercial Yontxa, S.A.	141	-	141
Bingos Codere, S.A.	2,535	-	2,535
	17,624	**36,984**	**54,608**

(*) The amounts included under 'Machines' reflect the value of the corresponding guarantee; the amounts shown under 'Land and buildings' represent their carrying amounts.

23. INCOME AND EXPENSES

a) Revenue from contracts with customers

The breakdown of "Revenue" in 2019 and 2018 is as follows:

	Year ended Dec. 31	
	2019	**2018**
Operating income	**1,389,414**	**1,435,304**
Revenue from contracts with customers	1,370,510	1,417,142
Own work capitalized	1,354	1,666
Other operating income	17,550	16,496
Total	**1,389,414**	**1,435,304**

In relation to the revenue from contracts with customers, note that the Group did not have any unsatisfied performance obligations at either year-end 2019 or 2018.

On the occasion of effectiveness of IFRS 15 in January 2018, the Group reconciled the information extracted from its management information systems and its accounting information with aim of providing disaggregated revenue disclosures by business line.

The Group's revenue from contracts with customers in 2019 and 2018 breaks down as follows by business line and geographical region:

						Thousands of euros
Geographical area	**Machines**	**Betting**	**Bingo**	**Tables**	**Other**	**Total**
Argentina	291,282	-	9,059	-	7,179	307,520
Mexico	227,284	19,274	5,579	10,037	43,255	305,429
Colombia	21,086	1,169	929	749	38	23,971
Panama	50,223	8,453	-	9,332	3,166	71,174
Uruguay (Casino)	8,053	-	-	4,549	5,382	17,984
Italy	275,678	-	36,462	-	28,477	340,617
Spain	109,699	56,380	14,754	-	7,145	187,978
Uruguay (Racetracks)	-	-	-	-	56,102	56,102
Brazil	-	-	-	-	-	-
Online	-	-	-	-	59,735	59,735
Total revenue from contracts with customers	**983,305**	**85,276**	**66,783**	**24,667**	**210,479**	**1,370,510**

						Thousands of euros
Geographical area	**Machines**	**Betting**	**Bingo**	**Tables**	**Other**	**Total**
Argentina	349,471	-	9,943	-	6,724	366,138
Mexico	232,237	25,270	7,715	11,423	49,013	325,658
Colombia	17,930	1,644	1,376	1,292	155	22,397
Panama	56,540	11,483	-	9,799	3,999	81,821
Uruguay (Casino)	7,488	-	-	3,568	5,566	16,622
Italy	265,803	-	36,577	-	30,257	332,637
Spain	118,605	77,467	15,002	-	6,507	217,581
Uruguay (Racetracks)	-	-	-	-	53,364	53,364
Brazil	-	-	-	-	924	924
Total revenue from contracts with customers	1,048,074	115,864	70,613	26,082	156,509	1,417,142

“Other” mainly includes revenue from racetracks (entrance, ticket sales, events and sponsorships), the sale of food and drink in gaming halls and casinos, and from the provision of sundry services.

All of the performance obligations deriving from the contractual relationships with the Group's customers are satisfied at a specific point in time (when the customers play), which is when the Group recognizes the corresponding revenue. The Group does not therefore have performance obligations that are satisfied over time for the purposes of IFRS 15. As a result, as indicated in note 2.a.2, the entry into effect of IFRS 15 in January 2018 did not have a material impact on the Group's consolidated financial statements.

The following table reconciles the amounts disclosed above in relation to revenue from contracts with customers and the amounts disclosed in the note on segment reporting (refer to note 5) for 2019 and 2018:

(Thousands of euros)

2019 statement of profit or loss	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Online	International ops (*)	Total
Operating income												
External customers	189,765	310,575	308,319	24,178	344,261	74,247	-	78,189	68	59,812	-	1,389,414
Inter-segment	-	-	-	-	-	-	-	-	32,200	-	(32,200)	-
Total revenue as per segment reporting note	**189,765**	**310,575**	**308,319**	**24,178**	**344,261**	**74,247**	**-**	**78,189**	**32,269**	**59,812**	**(32,200)**	**1,389,414**
Amounts classified as other operating revenue and own work capitalized.	1,779	5,146	799	206	3,644	161	-	7,015	76	77	-	18,904
Revenue from contracts with customers	**187,986**	**305,429**	**307,520**	**23,971**	**340,617**	**74,086**	**-**	**71,174**	**32,192**	**59,735**	**- 32,200**	**1,370,510**
Machines	109,699	227,284	291,282	21,086	275,678	8,053	-	50,223	-	-	-	983,305
Horse- and sports-betting	56,380	19,274	-	1,169	-	-	-	8,453	-	-	-	85,276
Bingo	14,754	5,579	9,059	929	36,462	-	-	-	-	-	-	66,783
Tables	-	10,037	-	749	-	4,549	-	9,332	-	-	-	24,667
Other	7,153	43,255	7,179	38	28,477	61,484	-	3,166	-	59,735	-	210,479
Revenue from contracts with customers	**187,986**	**305,429**	**307,520**	**23,971**	**340,617**	**74,086**	**-**	**71,174**	**(8)**	**59,735**	**-**	**1,370,510**

(Thousands of euros)

2018 statement of profit or loss	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Online	International ops (*)	Total
Operating income												
External customers	219,986	328,333	366,633	23,467	336,506	70,671	966	88,733	9	-	-	1,435,304
Inter-segment	-	-	-	-	-	-	-	-	34,482	-	(34,482)	-
Total revenue as per segment reporting note	**219,986**	**328,333**	**366,633**	**23,467**	**336,506**	**70,671**	**966**	**88,733**	**34,491**	**-**	**(34,482)**	**1,435,304**
Amounts classified as other operating revenue and own work capitalized.	2,405	2,674	495	1,070	3,870	686	42	6,912	9	-	-	18,162
Revenue from contracts with customers	**217,581**	**325,659**	**366,138**	**22,397**	**332,636**	**69,986**	**924**	**81,821**	**34,482**	**-**	**(34,482)**	**1,417,142**
Machines	118,605	232,237	349,471	17,930	265,803	7,488	-	56,540	-	-	-	1,048,074
Horse- and sports-betting	77,467	25,270	-	1,644	-	-	-	11,483	-	-	-	115,864
Bingo	15,002	7,714	9,943	1,376	36,577	-	-	-	-	-	-	70,612
Tables	-	11,423	-	1,293	-	3,568	-	9,799	-	-	-	26,082
Other	6,507	49,015	6,724	154	30,257	58,930	924	3,999	-	-	-	156,510
Revenue from contracts with customers	**217,581**	**325,659**	**366,138**	**22,397**	**332,637**	**69,986**	**924**	**81,821**	**- -**	**-**	**-**	**1,417,142**

As for the effectiveness of IFRS 9 *Financial instruments* with effect from January 2018, note that this new standard did not have any impact on either the measurement or the classification of the Group's financial instruments (as stated in note 2.a.2 of the 2018 consolidated financial statements).

With respect to the expected credit loss approach prescribed in that new standard in relation to the impairment of financial assets, following the analysis performed, on its date of that standard's effectiveness, the Group recognized an additional impairment loss of 1.5 million in connection with the first-time application of IFRS 9 in 2018.

	Impairment under IAS 39 at Dec. 31, 2017	Impairment under the IFRS 9 ECL approach	Amount restated at January 1, 2018	Movement recognized in profit and loss in 2018	Balance at Dec. 31, 2018
Financial assets at amortized cost under IFRS 9	34,589	1,500	36,089	(1,027)	35,062

In 2019, the Group updated its analysis of its financial assets under the expected loss model, recognizing the corresponding amounts within impairment for receivables.

a) Consumables used and other external expenses

This heading includes hospitality consumables used, mainly in Mexico, Argentina, Spain and Panama.

c) Other operating expenses

	Thousands of euros	
	2019	**2018**
Gaming taxes and other levies	490,158	508,697
Machine and other leases	41,748	109,504
Utilities, repairs and maintenance	77,172	77,471
Professional services and other expenses	258,110	244,031
	867,188	**939,703**

d) Employee benefits expense

The breakdown of employee benefits expense in 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Wages, salaries and similar	148,862	166,331
Social security	34,755	37,458
Other benefit expense	9,546	11,732
	193,163	**215,521**

"Wages, salaries and similar" includes termination benefits in the amount of 3,271 thousand euros in 2019 (13,917 thousand euros in 2018).

e) Headcount

	2019		2018	
	No. of employees		No. of employees	
	Male	Female	Male	Female
Clerical staff	284	401	287	416
Key management personnel	14	-	17	1
Executives	74	19	81	20
Middle management	1,333	701	1,416	683
Operational	4,110	3,108	4,216	3,261
Technical staff	1,283	375	1,346	397
	7,098	**4,604**	**7,363**	**4,778**

The average number Codere Group employees in Spain with a disability of a severity of 33% or higher was 7 in 2019 (14 in 2018).

f) Basic earnings per share

Basic earnings per share

2019			2018		
Profit/(loss) for the year (thousands of euros)	**Weighted average number of shares**	**Earnings per share**	**Profit/(loss) for the year (thousands of euros)**	**Weighted average number of shares**	**Earnings per share**
(62,643)	118,374,075	(0.54)	(33,604)	118,517,244	(0.28)

Basic earnings per share attributable to equity holders of the parent

		2019			2018
Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share	Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share
(61,651)	118,374,075	(0.53)	(40,411)	118,517,244	(0.34)

Basic earnings per share from continuing operations attributable to equity holders of the parent

		2019			2018
Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share	Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share
(61,651)	118,374,075	(0.53)	(40,411)	118,517,244	(0.34)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. To this end, it is assumed that conversion takes place at the beginning of the period or when the dilutive potential ordinary shares are issued in the event of issuance during the year. The Group had no dilutive potential ordinary shares at either reporting date as it had no outstanding convertible debt issues and the existing share-based remuneration systems (note 16) will not imply the issuance of any new shares by the Group so that they will not have any dilutive effect.

As a result of the own shares held as treasury stock, the weighted average number of ordinary shares used to calculate basic earnings per share was 118,374,075 in 2019 (118,517,244 in 2018).

g) Finance income and costs

	Thousands of euros	
	2019	2018
Finance costs		
Contractual interest expense and finance charges	(108,129)	(74,787)
Unwinding of discount on provisions and other liabilities	(2,134)	(125)
Other finance costs		
	(110,263)	**(74,912)**
Finance income		
Interest income	4,244	2,962
Interest income from securities, loans and other assets	774	695
Other finance income	-	-
	5,018	**3,657**
Net exchange (losses)/gains	**(9,679)**	**(28,663)**
Total net finance cost	**(114,924)**	**(99,918)**

Contractual interest expense and finance charges

This heading primarily includes interest expense on third-party borrowings. It also includes the impact of application of IFRS 16, which had the effect of increasing finance expense by 39,246 thousand euros.

Unwinding of discount on provisions and other liabilities

In 2019, the Group recognized an impairment provision of 2,134 thousand euros on loans to third parties.

In 2018, it recognized an impairment provision of 125 thousand in this respect.

Net exchange (losses)/gains

In 2019, this heading included exchange gains of 87,429 thousand euros offset by 97,108 thousand euros of exchange losses. In 2018, it included exchange gains of 103,556 thousand euros offset by 132,218 thousand euros of exchange losses.

24. CONSOLIDATED CASH FLOW STATEMENT: ADDITIONAL DISCLOSURES FOR RECONCILIATION PURPOSES

Breakdown of cash and cash equivalents

	Thousands of euros	
	2019	2018
Cash equivalents	17,534	7,085
Cash at bank and in hand	85,563	74,690
	103,097	**81,775**

Currency	Thousands of euros	
	2019	2018
Euros	41,702	40,554
US dollars	16,045	11,866
Argentine pesos	16,630	13,075
Mexican pesos	19,912	9,990
Uruguayan pesos	5,252	4,661
Colombian pesos	3,462	1,493
Pound sterling	86	100
Chilean pesos	-	-
Brazilian reais	8	36
	103,097	**81,775**

Additional disclosures for reconciliation purposes

In the year ended December 31, 2019, the main transactions that did not entail inflows or outflows of cash were the gains recognized on asset sales and certain items of operating income (2,193 thousand euros), the losses recognized on the sale or derecognition of fixed assets (3,639 thousand euros), certain items of operating expenses (5,306 thousand euros) and the effect of inflation on earnings in Argentina (2,313 thousand euros).

Within the "Changes in working capital", specifically under "Other", the Group presents the impact of the movement in exchange rates on operating activities and the change in accrual adjustments in respect of prepaid expenses and deferred income.

As for the cash used in investing activities, during the year ended December 31, 2019, the Group incurred 97,817 thousand euros of capital expenditure, incurred a cash outflow of 1,376 thousand euros in connection with long-term loans, specifically: a net outflow of 1,291 thousand euros in respect of loans extended to hospitality establishment owners in Spain (loan payments of 4,341 thousand euros, net of proceeds of 3,050 thousand euros) and a net outflow of 85 thousand from long-term loans extended to establishment owners in Italy (loan payments of 22,752 thousand euros, net of proceeds of 22,667 thousand euros). The Group paid 1,497 thousand euros for acquisitions, in Spain (1,700 thousand euros), offset by balance-sheet cash at the acquisition date in the amount 203 thousand euros. The 53,467 thousand euro increase in borrowings of reflects the net drawdown of 35,000 thousand euros under the senior facility (drawdown of 50,000 thousand euros and repayment of 15,000 euros), 29,306 thousand euros of new notes issues (27,300 thousand euros by HRU and 2,006 thousand euros in Panama) and the repayment of 10,839 thousand euros of notes by HRU. The increase in proceeds from bank borrowings (21,454 thousand euros) corresponds to loans obtained in Mexico (12,602 thousand euros), Uruguay (5,990 thousand euros) and Italy (2,862 thousand euros). The 40,188 thousand euros of bank borrowings repaid took place in Mexico (13,657 thousand euros), Uruguay (20.425 thousand euros), Codere Newco (2,775 thousand euros), Spain (2,577 thousand euros), Colombia (587 thousand euros) and Italy (257 thousand euros). The movement in other financial borrowings reflects an outflow of 5,669 thousand euros in respect of deferred gaming taxes and expenses of 467 thousand euros associated with borrowings arranged in Panama and Uruguay (Carrasco).

“Other cash flows due to impact of exchange rates on collections and payments” reflected an outflow of 7,536 thousand euros.

In the year ended December 31, 2018, the main transactions that did not entail inflows or outflows of cash were the gains recognized on asset sales and certain items of operating income (2,000 thousand euros), the losses recognized on the sale or de recognition of fixed assets (5,348 thousand euros), certain items of operating expenses (6,432 thousand euros) and the effect of inflation on earnings in Argentina (12,208 thousand euros).

Within the "Changes in working capital", specifically under "Other", the Group presents the impact of the movement in exchange rates on operating activities and the change in accrual adjustments in respect of prepaid expenses and deferred income.

As for the cash used in investing activities, during the year ended December 31, 2018, the Group incurred 103,094 thousand euros of capital expenditure, incurred a cash outflow of 239 thousand euros in connection with long-term loans, specifically: a net outflow of 978 thousand euros in respect of loans extended to hospitality establishment owners in Spain (loan payments of 3,808 thousand euros, net of proceeds of 2,830 thousand euros) and a net inflow of 739 thousand from long-term loans recovered from establishment owners in Italy (loan payments of 18,524 thousand euros, net of proceeds of 19,263 thousand euros). The Group paid 7,157 thousand euros for acquisitions, including payments for the acquisition of certain companies in Italy (500 thousand euros) and Spain (6,752 thousand euros), offset by balance-sheet cash at the acquisition date in the amount 95 thousand euros. The increase in proceeds from bank borrowings (27,452 thousand euros) corresponded to loans obtained in Spain (5.458 thousand euros), Uruguay (10,340 thousand euros) and by Codere Newco (11,654 thousand euros). The outflow of 30,209 thousand euros to repay bank loans was concentrated in Mexico, Uruguay, Colombia and Italy. The movement in other financial borrowings reflected an outflow of 2,024 thousand euros in respect of deferred gaming taxes and expenses of 542 thousand euros associated with borrowings arranged in Mexico.

“Other cash flows due to impact of exchange rates on collections and payments” reflected an outflow of 11,468 thousand euros.

(Thousands of euros)

	Balance at Jan. 1, 2019	**Cash flows**	**Movement in foreign currency**	**Changes in fair value**	**New borrowings (*)**	**Reclassifications**	**Other**	**Balance at Dec. 31, 2019**
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (current)	12,540	(65,610)	(661)			10,735	54,735	**11,737**
Current bank borrowings	40,004	(62,456)	(2,134)			(34,219)	11,012	**20,645**
Current finance lease liabilities and forward contracts	74,587	(75,204)	(806)		39,118	24,591	40,268	**102,554**
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (non-current)	761,985	29,134	5,066			(10,735)	2,481	**787,931**
Non-current bank borrowings	37,337	71,454	2,418		-	(34,219)		**76,990**
Non-current finance lease liabilities and forward contracts	46,979	(7,334)	(922)		224,673	(24,591)		**238,805**
Derivatives								
Total liabilities arising from financing activities	**973,432**	**(110,018)**	**2,961**	**-**	**263,791**	**-**	**108,496**	**1,238,662**

(*) Includes debts related to application of IFRS 16 as of January 1, 2019 amounting to 316,320 thousand euros.

(Thousands of euros)

	Balance at Jan. 1, 2018	Cash flows	Movement in foreign currency	Changes in fair value	New borrowings	Reclassifications	Other	Balance at Dec. 31, 2018
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (current)	13,028	(58,183)	401	-	-	3,575	53,719	**12,540**
Current bank borrowings	39,058	(31,704)	1,974	-	-	26,483	4,193	**40,004**
Current finance lease liabilities and forward contracts	47,673	(8,703)	(3,494)	-	-	32,879	6,232	**74,587**
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (non-current)	752,896	-	10,426	-	-	(3,575)	2,239	**761,985**
Non-current bank borrowings	40,775	21,994	1,051	-	-	(26,483)	-	**37,337**
Non-current finance lease liabilities and forward contracts	38,269	(2,024)	(2,139)	-	45,752	(32,879)	-	**46,979**
Derivatives	(747)	209	(68)	606	-	-	-	**-**
Total liabilities arising from financing activities	**930,952**	**(78,411)**	**8,151**	**606**	**45,752**	**-**	**66,383**	**973,433**

25. RELATED-PARTY TRANSACTION DISCLOSURES

In 2019, the Board of Directors of Codere, S.A., ratified the following resolutions, among others:

- On June 26, 2019, the Parent's shareholders resolved in general meeting to name Alberto Manzanares Secades and Fernando Sempere Rodriguez proprietary directors for the bylaw-stipulated term of 10 years, in replacement of José Antonio Martínez Sampedro and Luis Javier Martínez Sampedro.

- Alberto Manzanares and Fernando Sempere resigned from their positions as proprietary directors (in representation of Masampe S.L.) on October 7 and November 6, 2019, respectively. Both substantiated their decisions with strictly personal reasons (difficulty in reconciling their professional obligations with their directorships) in their letters of resignation.

In 2018, the Board of Directors of Codere, S.A., ratified the following resolutions, among others:

- To remove Mr. José Antonio Martínez Sampedro as Executive Chairman of the Board of Directors and Mr. Luis Javier Martínez Sampedro as Executive Deputy Chairman of the Board of Directors, who remained as proprietary directors until June 26, 2019, on which date they were not re-elected to those posts.

- To appoint Mr. Norman Sorensen Valdez as new non-executive Chairman of the Board. Mr. Sorensen Valdez being present accepted the position and declared he does not have any conflicts to perform this role.

The transactions entered into with related parties that are not part of the Group in 2019 and 2018 and the resulting balances at the respective reporting dates are as follows:

		Thousands of euros	
December 31, 2019	**Nature of the relationship**	**Other**	**Services provided**
Jusvil, S.A.	Advisor	-	1,565
G3M, S.R.L.	Advisor	-	377
		-	**1,942**

		Thousands of euros	
December 31, 2018	**Nature of the relationship**	**Other**	**Services provided**
Luis Javier Martínez Sampedro	Director	11	-
Jose Antonio Martínez Sampedro	Director	5	-
Pro TV, S.A.	Advisor	-	62
Jusvil, S.A	Advisor	-	1,840
G3M, S.R.L.	Advisor	-	419
		16	**2,321**

2. Transactions with significant shareholders

In 2018, a loan, in the amount of 11,655 thousand euros (of which 8,300 thousand euros was outstanding at year-end 2019- 10,861 at December 31, 2018), was arranged between three subsidiaries of M&G Investment Management Limited (Prudential PLC) (two subsidiaries of M&G Investment Management Limited (Prudential PLC) at December 31, 2018).

The interest accrued at year-end 2018 on loans to related parties amounted to 42 thousand euros.

There are no balances pending payment to related parties at either reporting date.

Transactions with related parties were made on terms equivalent to an arm's length transaction. At December 31, 2019, the accumulated interest accrued on loans to executives, in the amount of 733 thousand euros, had been provided for in full (December 31, 2018: 764 thousand euros, similarly fully provided for). The Group had also written down the principal on loans extended to certain executives totaling 1,734 thousand euros (1,918 thousand euros at year-end 2018).

In 2019, the Company paid a law firm fees and expenses in connection with the defense of its independent directors in connection with the proceedings brought by the former Executive Chairman and Vice-Chairman of the Board and Masampe S.L. before the Court of Arbitration of the International Chamber of Commerce (ICC) and another associated case, both of which remain ongoing. In 2019, the director & officer liability insurance provider began to reimburse the Company for those payments and as of the date of authorization of these financial statement for issue, it had reimbursed the Company for all of the amounts paid to the law firm in that respect. In addition, at year-end, the Company had recognized invoices pending payment to the above-mentioned law firm in that same connection.

a) Director and key management personnel remuneration

The wages, attendance fees and other remuneration accrued by the members of the Board of Directors of Codere, S.A. during the reporting period are shown below:

	Thousands of euros	
	2019	**2018**
Director remuneration	1,414	1,154
Services rendered (*)	-	62
Fixed and variable remuneration	-	85
	1,414	**1,301**

The fixed remuneration received by the Company's directors in the first half of 2019 for membership of the Board of Directors and its various committees (Audit Committee, Compliance Committee and Corporate Governance Committee) was as follows:

Director	**Fixed remuneration in his/her capacity as director**	**Total**
José Antonio Martínez Sampedro	49	49
Luis Javier Martínez Sampedro	49	49
Pío Cabanillas Alonso (Masampe, S.L.)	200	200
David Reganato	150	150
Timothy Lavelle	150	150
Manuel Martínez-Fidalgo Vázquez	150	150
Fernando Sempere Rodriguez	36	36
Alberto Manzanares Secades	28	28
Norman Sorensen	350	350
Matthew Turner	252	252
	1,414	**1,414**

The fixed remuneration received by the Company's directors in 2018 for membership of the Board of Directors and its various committees (Audit Committee, Compliance Committee and Corporate Governance Committee) was as follows:

Director	Fixed remuneration in his/her capacity as director	Total
José Antonio Martínez Sampedro	100	100
Luis Javier Martínez Sampedro	100	100
Masampe, S.L.	150	150
David Reganato	150	150
Timothy Lavelle	150	150
Manuel Martínez-Fidalgo Vázquez	150	150
Norman Sorensen	150	150
Matthew Turner	150	150
Joseph Zappala	54	54
	1,154	**1,154**

(*) Joseph Zappala stepped down as director on May 10, 2018

In 2019, the Group's key management personnel accrued 5,538 thousand euros of remuneration (5,341 thousand euros in 2018). Some of the Group's executives are also beneficiaries of a long-term incentive plan, arranged in September 2017, for a term of five years and with a maximum size of 6,833 thousand euros (figures included within the 13.8 million euro measurement of the Group's long-term bonus plan).

Several Spanish members of Codere's management team have employment contracts that include provisions for special termination benefits that go beyond the mandatory payments stipulated in applicable legislation. The overall amount of termination payments payable under these contracts amounted to 0.5 million euros at December 31, 2019 and 2018.

No advances had been extended to members of the Board at either reporting date. Nor had the Group assumed pension plan obligations on behalf of former or serving members of the Board of Directors.

There was no remuneration corresponding to the natural persons who represent the Company on the boards on which the Company is a legal person director in either 2019 or 2018.

In 2019, the Company paid 296 thousand euros of civil liability insurance premiums on behalf of its directors to cover potential damages caused in the course of carrying out their duties (2018: 131 thousand euros).

Neither the directors nor persons acting on their behalf engaged in transactions with the Company outside the latter’s ordinary course of business or other than on an arm’s length basis.

For the purposes of article 229 of Spain’s Corporate Enterprises Act, the Directors have stated that they are not party to conflicts with respect to the Company’s interests.

b) Balance with Grupo CIE

The Codere Group recognizes an account receivable of 1,571 thousand euros at December 31, 2019 (3,786 thousand euros at December 31, 2018) from a subsidiary of the CIE Group (a minority shareholder in Mexico), Make Pro, S.A. de C.V., for advertising and sponsorship services.

26. AUDITOR FEES

The fees accrued by the Group's audit firms break down as follows:

				Thousands of euros
	EY	**Other EY network firms**	**Other auditors**	**Total**
2019				
Audit services	557	1,059	-	1,616
Other services	143	614	-	757
	700	**1,673**	**-**	**2,373**

	EY	**Other EY network firms**	**Other auditors**	**Total**
2018				
Audit services	536	1,083	-	1,619
Other services	280	429	-	709
	816	**1,512**	**-**	**2,328**

27. ENVIRONMENTAL ISSUES

Environmental activity refers to any transaction, the main purpose of which is to minimize damage to the environment or enhance environmental protection efforts.

The Codere Group did not make any major environmental investments in either 2019 or 2018.

The consolidated statement of financial position does not recognize any provisions of an environmental nature as, at year-end, the Group had no material future obligations, arising from its actions, to mitigate or repair environmental damage.

28. EVENTS AFTER THE REPORTING DATE

Lawsuit brought by Carrasco Nobile's shareholders: Carrasco Nobile: On February 19th, 2020 Carrasco has been notified of the request filed by Sikeston S.A., before the Mercantile Court, in order to resume the jurisdictional proceeding requesting the declaration of nullity of certain shareholder's meetings resolutions. Mentioned procedure had been initiated by Sikeston in 2015 but the Mercantile Court declared initially not competent for the decision, due to the arbitration clause included in the shareholder's agreement. Taking into account thai t e arbitration already has issued its award in favor of Sikeston, now Sikeston has requested the Mercantile Court to resume the jurisdictional proceeding where Sikeston sought the declaration of nullity of certain shareholders meetings resolutions.

New gaming advertising regulations in Spain. On February 24, 2020, Spain's Ministry of Consumption published, for public consultation, draft legislation on commercial messages for gaming activities; the draft royal decree contains 37 articles including 100 measures with a series of limitations on gaming advertising, such as:

- A restriction on TV and radio advertising to a timeframe between 1am and 5am, except for live sports events starting after 8pm;
- A ban on having celebrities or public figures participate in gaming advertising campaigns;
- Restrictions on free-play offers, welcome vouchers, and other promotions designed to capture new customers;
- Limitations on promotions on social media and website banner ads.

2019 GROUP MANAGEMENT REPORT

The Codere Group's business performance

In 2019, as outlined in note 2.a.2 of the consolidated financial statements, the Group began to apply IFRS 16. First-time application of this new standard has had an impact on its consolidated statement of profit or loss, specifically on lease expenses, within other operating expenses, depreciation charges, finance costs and income tax, all with a negative net impact of 19.9 million euros on the net income and a net positive impact of 69.8 million euros at the EBITDA[1] level. It also impacted its consolidated statement of financial position: at year-end 2019, the Group recognized right-of-use assets in the amount of 254.7 million euros.

Elsewhere, the Group has been applying IAS 29 since 2018 on account of the hyperinflation affecting the Argentine economy. As a result, the figures in the Argentine companies' statements of profit or loss and the non-monetary items on their balance sheets have been restated for the inflation accumulated since the items were recognized for accounting purposes and were then translated into euros using the closing exchange rate. Application of IAS 29 had the effect of reducing revenue by 8.9 million euros (2018: by 41 million euros) and had an adverse impact on Group EBITDA[2] of 2.3 million euros (2018: 12.2 million euros).

Due to the initial application of IFRS 16, the analysis of the movement in EBITDA and Adjusted EBITDA[2] strips out the impact of the new lease accounting standard.

For a better comparison, we have provided the *pro forma* impact of the new standard in 2018, as well as an Adjusted EBITDA figure for 2019, i.e., EBITDA before application of IFRS 16 and therefore comparable with that of 2018.

Adjusted EBITDA[2] amounted to 249.1 million in 2019, down 11.9% from 2018- as a consequence of the growth in EBITDA in the Online, Spanish (thanks to capacity fine-tuning and continuous operational improvements) and Uruguayan businesses, offset by lower EBITDA in Argentina (23.5 million euros due to the weakness of the peso and the impact of the new tax on winnings), Italy (affected by higher gaming taxes), Mexico and Panama.

The Adjusted EBITDA margin was 17.9% in 2019, down 1.3 percentage points from 2018, due to higher gaming taxes and the loss of relative weight of our higher-margin Argentine business, coupled with margin contraction in Mexico.

The highlights of the year:

- Real Madrid sponsorship. In April 2019, we renewed our sponsorship agreement with Real Madrid for another three seasons (with an option to extend for another two seasons). The new agreement has been expanded in scope to include new features in relation to intellectual property, promotional, advertising and events rights. We are thereby forging ahead with our strategy for raising our brand profile and recognition which has built Codere up to be one of the 100 most valuable brands in Spain according to the latest survey by Brand Finance.

- Accounting inconsistencies. On October 7, 2019, the Company announced that in the course of carrying out its internal control tasks, the corporate finance department detected accounting inconsistencies at some of its Latin American operations. Those inconsistencies affected the Group's first-half earnings. The Board of Directors hired Alvarez y Marsal and Kroy Abogados, both of which independent and prestigious companies, to carry out an independent investigation of the inconsistencies uncovered, in addition to ordering a series of internal

[2] EBITDA is defined as earnings before interest, tax, depreciation and amortization and also before changes in provisions for bad debt, asset impairment losses and any gains or losses on asset disposals.

[2] EBITDA excluding non-recurring items and asset impairment charges and stripped of the impact of hyperinflation accounting.

(Miles de euros)

investigations. The conclusions of the forensic analysis notified by those independent experts to the Board of Directors confirmed the amounts identified during the controls performed by the financial team and following the internal audit reviews, specifically a downward adjustment to Adjusted EBITDA of 16.5 million euros in the first half of 2019, which was in line with the estimated range announced to the market in a significant event on October 7, 2019. The inconsistencies did not affect other countries or other reporting periods.

The inconsistencies were intentional and were coordinated by a small group of individuals in Mexico, without the knowledge of the corporate head offices in Madrid. The Company has taken steps to introduce organizational changes and reinforce the internal control environment in order to strengthen its operating systems and render the accounting and reporting processes more robust.

- Tax suspension in Argentina On December 7, 2018, the Senate and Parliament of the Province of Buenos Aires approved Law 15,079, articles 137-139 of which introduced a new tax on gamers, specifically levying winnings from machines by 3%, with effect from February 1, 2019. Following a court order, that tax was temporarily suspended at the end of September.

- **Tax changes in Italy.** The Italian government passed its general budget for 2020 on December 31, 2019, introducing gaming tax hikes, to be implemented in accordance with the following schedule:

Date of effectiveness	AWPs	VLTs
January 2020	23.85%	8.50%
January 2021	24.00%	8.60%

The new legislation also provides for reductions in payouts from 68% to 65% for AWPs and from 84% to 83% for VLTs. It further stipulates an increase in withholdings from VLT winnings of over 200 euros (formerly the threshold was 500 euros) from 12% to 20% with effect from January 15, 2020. Lastly, the government has introduced rules for identifying gamers in the VLT segment via their national health identity cards. The above changes have prompted a reduction in amounts wagered of around 30% in the weeks following their effectiveness, which is in line with the decline experienced by other players in Italy.

- **New financing raised locally.** On November 27, 2019, our Uruguayan subsidiary, HRU S.A., issued $30m of notes due 2029. They were issued locally. The proceeds were used to prepay the 8 million euros outstanding on notes issued in 2011. In addition, on November 28, 2019, our Mexican subsidiary, Administradora Mexicana del Hipódromo, S.A. de C.V., arranged a MXP200 million credit line.

Group earnings performance

Operating income

Revenue declined by 46 million euros (3.2%) to 1,389 million euros in 2019, due mainly to the adverse effect of hyperinflation in Argentina (8.9 million euros) and the devaluation of the Argentine peso against the euro, which eroded revenue in Argentina by 90 million euros. In addition, revenue in Mexico decreased by 9.5 million, due to a far more complex macroeconomic and competitive environment. Those weaker performances were offset by revenue growth in the Online (15.4 million euros), Italian, Spanish and Uruguayan (13.4 million euros) businesses.

Operating expenses

Operating expenses, excluding depreciation and amortization charges and the change in provisions for non-performance, decreased by 102 million euros to 1,104 million euros, due mainly to the impact of application of IFRS 16, which had the effect of reducing operating expenses by 15.1 million euros. Stripping out that impact, the biggest change took place in Argentina, where costs declined by 65.8 million euros on account of peso devaluation, which had the effect of reducing gaming taxes and staff costs.

Operating profit

The Group's operating profit decreased by 14 million euros in 2019 to 82.1 million euros. The operating profit margin declined to 5.9% (from 6.6% in 2018), due mainly to the adverse impact of the devaluation of the Argentine peso. Stripping out the impact of hyperinflation accounting (IAS 29), which had a significant impact on depreciation charges, and of the first-time application of the new lease accounting standard, IFRS 16, operating profit would have been 66.9 million euros (2018: 96.8 million euros), and the margin would have been 4.8% (2018: 6.7%).

Net finance costs

Net finance costs increased by 15 million euros to 114.9 million euros in 2019. That increase is primarily attributable to the impact of application of IFRS 16 (which increased this heading by 38.3 million euros), partially offset by the significant improvement in net exchange differences, which decreased by 19 million euros in 2019. Lastly, the effect of hyperinflation, specifically the loss of the currency's purchasing power, implied a financial loss of 3.4 million euros, compared to 1.3 million euros in 2018.

Income tax

Income tax was largely stable, declining 800 thousand euros to 29.6 million euros, due to the effect of hyperinflation in Argentina, which increased tax expense by 15.5 million euros (2018: 8 million euros), offset by a reduction in tax expense as a result of lower accounting and tax profits in Argentina (mainly due to the effect of the peso weakness) and Mexico.

Profit/(loss) attributable to non-controlling interests

The profit attributable to non-controlling interests decreased by 7 million euros in 2019 to 1 million euros, driven mainly by the loss reported by the Panamanian business and the decline in profits at the Mexican operations.

Profit/(loss) attributable to equity holders of the parent

Primarily as a result of the developments described above, the loss attributable to equity holders of the parent amounted to 61.7 million euros in 2019, compared to a loss of 40.4 million euros in 2018. Stripping out the negative effects of application of IFRS 16 - 18.5 million euros (*) - and of IAS 29 - 24.3 million euros (2018: 10.1 million de euros in 2018), the loss attributable to equity holders of the parent would have been 18.9 million euros, compared to a loss of 30.3 million euros in 2018.

Consolidated equity declined by 45 million euros: the drop in earnings was offset by the impact on equity of hyperinflation, which had the effect of reducing negative translation differences by 20.5 million euros.

The equity of the Group parent, Codere S.A., amounted to a positive 715.1 million euros at year-end 2019, including share capital of 509.7 million de euros.

(*) Net of Hyperinflation effect

Disclosures on deferral of trade accounts payable

The Group's average payment term vis-a-vis Spanish suppliers is 37 days. For a more detailed description of the deferral of supplier payments, refer to note 19 of the consolidated financial statements.

Headcount

At December 31, 2019, the Group employed 11,702 people, 439 fewer than at year-end 2018.

Environmental disclosures

The environmental management policies implemented in 2019 are described in detail in the Non-Financial Statement which forms part of this Management Report.

R&D expenditure

The Group did not incur any R&D expenditure in 2019.

Own shares

At December 31, 2019, the Company held 189,519 own shares (year-end 2018: 154,941) that were carried in equity at 721 thousand euros (year-end 2018: 678 thousand euros).

Group outlook

Although 2020 presents major challenges on the regulatory, tax and macroeconomic fronts, the outlook for our Group is positive. We are very confident in our teams and our strategic initiatives for driving revenue and profit growth. Those initiatives are focused primarily on the online business and on the retail segments in Spain and Mexico. We also remain alert to possible new opportunities in online gaming and sports-betting in Latin America.

We expect renewed growth over the course of the year and anticipate being able to refinance our debt so as to gain the flexibility needed to look at the growth opportunities that may emerge.

Meanwhile, the Company will continue to push forward on all of the drivers underpinning its strategy, paying special attention to its customer-centric focus, development of a multi-channel gaming offering and digitalization. Based on that strategy, profitable growth, efficiency and operational excellence, we are determined to continue to work hard to meet all of our stakeholders' expectations.

Key Group risks

The key risks to which the Group is exposed include, but are not limited to, risks related to the gaming sector. The gaming industry is closely regulated (those regulations extend to the gaming business itself and the gaming formats and channels permitted; management of the risks associated with gaming; gaming advertising; data protection; anti-money laundering; and anti-fraud, among others). Gaming operators are required to fulfil a number of technical and compliance-related obligations in order to operate under licenses that either need to be renewed at certain intervals or are subject to ongoing oversight. The failure to comply with any of these regulations or requirements or the inability to renew our gaming licenses could have an adverse impact on our business. In addition, new regulations in the future could imply additional restrictions on already-regulated activities that could reduce our ability to offer products and services to our customers.

The industry is also exposed to the formulation of new and interpretation of existing gaming tax regulations in every market. Any increase in the gaming tax burden or changes in tax calculation methodologies could affect the viability of our business. The gaming industry is often in the spotlight and the public perception of what we do can also have an adverse impact on our performance. Moreover, regulatory changes in the various markets could pave the way for the entry of new competitors or new gaming formats that could have an adverse impact on our business. Lastly, the Group is and will remain exposed to lawsuits related with the above-mentioned tax regulations and compliance rules.

Elsewhere, the markets in which the Group does business expose it to political, macroeconomic and monetary risks that affect its international operations. The market conditions and socio-economic variables in each of our markets affect our customers' purchasing power and, by extension, our business performance. The Group is also affected by political and monetary risks (including exposure to currency devaluations and changes in company law in our operating markets).
The Group is exposed to risks deriving from its growth and financing strategies. Indeed, its indebtedness could curtail management of the business, whereas conditions in the capital markets or the undertaking of unprofitable investments could affect the Group's performance. Moreover, financial market circumstances and the Group's financial situation could affect the ability to secure the guarantees or sureties needed to operate most of the gaming licenses it manages in its various business markets.

In addition, the Group is exposed to the risk that its customers' tastes and preferences could change and shift, as well as the risk that technology could lead to alternative leisure pursuits. It also faces risks deriving from supplier or competitor concentration in certain formats or products and the ability or inability of the former to create safe gaming products that are attractive to customers and comply with prevailing legislation in every market. Lastly, the impact of technology developments on how the business and product are managed (digitalization and interconnection) implies risks with respect to the integrity of our IT systems and platforms which the Group needs to manage proactively in order to avoid potential contingencies.

As for the use of financial instruments, the Group's financial risk management policy is described in the notes of the consolidated financial statements. The Group's business activities expose it to various types of financial risk: market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.

For a more detailed description of the Group's key risks, refer to the corresponding notes of the consolidated financial statements, particularly note 3, which provides information about the Group's risk management objectives and policies.

EVENTS AFTER THE REPORTING PERIOD

Lawsuit brought by Carrasco Nobile's shareholders: Carrasco Nobile: On February 19th, 2020 Carrasco has been notified of the request filed by Sikeston S.A., before the Mercantile Court, in order to resume the jurisdictional proceeding requesting the declaration of nullity of certain shareholder's meetings resolutions. Mentioned procedure had been initiated by Sikeston in 2015 but the Mercantile Court declared initially not competent for the decision, due to the arbitration clause included in the shareholder's agreement. Taking into account thai t e arbitration already has issued its award in favor of Sikeston, now Sikeston has requested the Mercantile Court to resume the jurisdictional proceeding where Sikeston sought the declaration of nullity of certain shareholders meetings resolutions.

New gaming advertising regulations in Spain. On February 24, 2020, Spain's Ministry of Consumption published, for public consultation, draft legislation on commercial messages for gaming activities; the draft royal decree contains 37 articles including 100 measures with a series of limitations on gaming advertising, such as:

- A restriction on TV and radio advertising to a timeframe between 1am and 5am, except for live sports events starting after 8pm;
- A ban on having celebrities or public figures participate in gaming advertising campaigns;
- Restrictions on free-play offers, welcome vouchers, and other promotions designed to capture new customers;
- Limitations on promotions on social media and website banner ads.