

**Audit Report on Financial Statements
issued by an Independent Auditor**

**CODERE, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2020**



AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

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

To the shareholders of Codere, S.A.:

Report on the financial statements

Opinion

We have audited the financial statements of Codere, S.A. (the Company), which comprise the balance sheet as at December 31, 2020, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

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 financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the 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.

Material uncertainty related to going concern

We draw attention to the matter described in note 2.3 of the accompanying consolidated financial statements for the year ended December 31, 2020, which notes that the pandemic induced by COVID-19 has caused a reduction in the Group's revenue as well as significant liquidity tensions. The Company and the Group reported negative working capital at December 31, 2020.

As outlined in that same note, the Group is in the process of securing additional liquidity and taking the steps needed to address the situation and minimize its impact. However, due to the uncertainty surrounding the pandemic, it is not possible to reliably estimate the extent of its impact on the Group's revenue and cash flows from one region to the next or the possible timeline of events.

These circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's capacity to continue as a going concern. The matter does not modify 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the “Material uncertainty related to going concern” section, we determined that the circumstances described below are the key audit matters that would require disclosure in our audit report.

Non-current assets (Investments in group companies and affiliates)

Description	<p>Investment in group companies and affiliates</p> <p>As explained in Note 7 to the accompanying financial statements, the Company recorded equity instruments amounting to 341,003 thousand euros in “Investments in group companies and associates”. At least at year end, the Company assesses if there is evidence of impairment and recognizes any impairment loss. The amount of the impairment loss is the difference between the investment’s carrying and recoverable amounts. The significant risk that some of these equity instruments show impairment, together with the relevance of the amounts involved and the estimates made by management that entail complex judgments to determine the recoverable amount of these assets, cause us to consider the valuation of investments in group companies and associates as a key audit matter.</p>
Our response	<p>In relation to this matter, our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> ▶ Analysis the internal and external factors considered by the Company 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 to determine the recoverable amounts of its non-current (non-financial) assets and the underlying projection process. Analysis of the design and implementation of the relevant controls of said process. ▶ Evaluate the methodology utilized by management to determine the recoverable amounts of the assets in question, involving in-house valuation specialists 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 available market forecasts and with that projected the prior years in order to assure ourselves about the consistency and reasonableness of the estimates. ▶ Additionally, assessing the scenarios prepared by the Company’s Management in relation to the effects of COVID-19. Testing how sensitive the results are to reasonable possible changes in the key assumptions made. ▶ Reviewing of the accompanying financial statements disclosures, in accordance to the applicable financial information standards.

Provisions and contingent liabilities

Description	The Company is immersed in several legal proceedings, as indicated in note 17 of the accompanying financial statements. We consider this area to be a key audit matter due to the relevance 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 judgment on the part of Company Management.
Our response	<p>In the context of our audit, our work consisted primarily of:</p> <ul style="list-style-type: none"> ▶ Understanding the processes in place at the Company for assessing possible contingencies. Analysis of the design and implementation of the relevant controls of said process. ▶ Reviewing ongoing and potential lawsuits and contingencies, assessing the estimates made by Management as to their probability of occurrence and the potential impact on the Company's 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, when appropriate, to provide assistance during our audit in reviewing ongoing and potential lawsuits and contingencies. ▶ Reviewing of reasonability of the information disclosure by the Company in the notes of the financial statements.

Other information: management report

Other information refers exclusively to the 2020 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 financial statements does not cover the management report. Our responsibility for the management report, in conformity with prevailing audit regulations in Spain, entails:

- a) Checking only that the non-financial statement and certain information included in the Corporate Governance Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.
- b) Assessing and reporting on the consistency of the remaining information included in the management report with the financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2020 financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the 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 Company'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 director's 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 Company'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 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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the 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 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 of the Company, we determine those matters that were of most significance in the audit of the 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 26, 2021.

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.
(Registered in the Official Register of
Auditors under No. S0530)

(Signature on the original in Spanish)

José Enrique Quijada Casillas
(Registered in the Official Register of
Auditors under No. 15310)

February 26, 2021