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, 2020

Building a better working world

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AUDIT REPORT ON CONSOLIDATED 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.:

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, 2020, 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, 2020 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.

Material uncertainty related to going concern

We draw attention to the matter described in note 2.a.1 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 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 Group'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 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.

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.

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, among others, the following:

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

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

The Codere Group recognized goodwill, other intangible assets and property, plant and equipment in the amounts of 209,544 thousand euros, 309,660 thousand euros and 265,481 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 assets associated with these CGUs. For impairment testing purposes, as indicated in note 4 from the accompanying consolidated financial statements, the Management of the Group projects each CGU 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 estimates that involve complex 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 11 and 14 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

The Group recognized deferred tax assets in the amount of 45,888 thousand euros. The disclosures and valuation criteria pertaining to these assets can be found in notes 4 and 13 of the accompanying consolidated financial statements.

The Group's Management assesses, as of year end, the recoverability of the tax assets in turn derived from the Group's financial projections and business plans, prevailing applicable tax regulations.

Given that the recognized value of these assets depends on these estimates and the judgments that they entail, which can be complex, this area has been considered as a key audit matter for our audit.

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 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 Group'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 consolidated financial statements disclosures, in accordance to the applicable financial information standards.

Our audit procedures in relation with deferred tax assets included, among others, the following:

- Understanding the process related to the recoverability analysis of the accounted tax assets. Analysis of the design and implementation of the relevant controls of said process.
- 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 immersed 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), 19 and 23 of the consolidated financial statements for more details.

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 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. 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 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, 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 Group in the notes of the consolidated financial statements.

Refinancing process

Description

As indicated in notes 2.a.1 and 20 of the accompanying consolidated financial statements, on October 30, 2020, Codere, S.A. and its subsidiaries entered into a refinancing agreement with a group of its noteholders.

That refinancing agreement entailed the concession of 250 million euros of new financing and the amendment of the terms and conditions of the existing notes 500 million euros and 300 million US dollars -, the details of which are disclosed in that same note.

The analysis of the impact of the refinancing agreement on the 2020 consolidated statement of profit or loss, including verification of its accounting treatment, constitute a key audit matter on account of the materiality and importance of this transaction.

Our response

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

- We reviewed the documents comprising the refinancing agreement in order to reach an understanding of the transaction and verify identification by the Group's management of the obligations assumed, analyzing their correct measurement and recognition for accounting purposes.
- We checked the accuracy of the analysis performed by the Group's management to determine whether the refinancing transaction qualified as an amendment of an existing financial liability or as a new financial liability in accordance with applicable accounting requirements. We verified the qualitative and quantitative aspects of the new liability compared to that refinanced, essentially the manner in which it has been structured, the terms and guarantees provided and the reasonableness of the impact on the consolidated statement of profit or loss.
- We involved our financial instrument experts to help us with the audit task of verifying that the transaction had been correctly accounted for.
- We checked that the disclosures made in the consolidated financial statement notes comply with the applicable financial reporting framework.

Other information: consolidated management report

Other information refers exclusively to the 2020 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 consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a. Checking only that the consolidated 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 consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting 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 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 consolidated management report is consistent with that provided in the 2020 consolidated financial statements and its 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 of the parent Company 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 year and we have been carrying out the audit of the consolidated 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

CODERE, S.A. AND SUBSIDIARIES

Consolidated financial statements for the year ended December 31, 2020 and
2020 Group management report

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CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2020
(Thousands of euros)

		At Dec. 31,	
ASSETS	**Note**	**2020**	**2019**
Non-current assets		**1,084,572**	**1,337,559**
Intangible assets	7	309,660	374,012
Right-of-use assets	8	191,733	254,689
Property, plant and equipment	9	265,481	350,584
Investment properties	9	44,699	52,669
Goodwill	11	209,544	232,292
Investments in equity-accounted investees	10	170	526
Non-current financial assets	12	17,397	19,957
Non-current loans		13,933	15,397
Held-to-maturity investments		3,464	4,560
Deferred tax assets	13	45,888	52,830
Current assets		**257,290**	**312,963**
Inventories	15	7,123	10,731
Accounts receivable	16	84,926	142,860
Trade receivables		24,617	28,752
Current tax assets		5,603	26,574
Sundry receivables		22,716	33,627
Accrued tax receivable		31,990	53,907
Financial assets	17	42,602	43,345
Short-term securities portfolio		-	-
Other loans and investments		42,602	43,345
Accruals and deferred income		12,316	12,930
Cash and cash equivalents	25	110,323	103,097
TOTAL ASSETS		**1,341,862**	**1,650,522**

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, 2020
(Thousands of euros)

		At Dec. 31,	
EQUITY AND LIABILITIES	**Note**	**2020**	**2019**
Equity attributable to equity holders of the parent	18	**(326,334)**	**(38,008)**
Issued capital		59,269	509,715
Share premium		563,178	563,178
Restricted reserves		470,399	19,953
Retained earnings		(990,240)	(928,339)
Translation differences		(192,353)	(140,864)
Profit/(loss) for the period attributable to equity holders of the parent		(236,587)	(61,651)
Non-controlling interests		**45,164**	**81,057**
Total equity		**(281,170)**	**43,049**
Non-current liabilities		**1,239,855**	**1,221,529**
Deferred income		-	-
Non-current provisions	19	28,867	21,988
Non-current borrowings	20	1,145,949	1,103,815
Bank borrowings		42,732	76,990
Issued notes		922,431	787,931
Other borrowings		180,786	238,894
Deferred tax liabilities	13	65,039	95,726
Current liabilities		**383,177**	**385,944**
Provisions and other	19	8,742	7,396
Bank borrowings	20	16,878	20,646
Notes and other marketable securities	20	34,240	11,737
Other non-trade payables	20	227,105	229,819
Trade payables		96,182	92,203
Current tax liabilities	20	30	24,143
TOTAL EQUITY AND LIABILITIES		**1,341,862**	**1,650,522**

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, 2020
(Thousands of euros)

	Note	Year ended Dec. 31, 2020	2019
Operating income		584,767	1,389,414
Revenue		575,420	1,370,510
Other income	24	9,347	18,904
Operating expenses	24	(786,036)	(1,304,750)
Raw materials and consumables used and other external expenses		(27,675)	(44,502)
Employee benefits expense	24.d	(122,021)	(193,163)
Depreciation and amortization	7.9	(169,556)	(189,965)
Change in provisions for bad debt		(9,039)	(9,932)
Other operating expenses	24.c	(455,745)	(867,188)
Asset impairment	7, 9, 11 & 14	(2,000)	-
Gain/(loss) on derecognition/disposal of assets	6	(2,741)	(2,572)
OPERATING PROFIT/(LOSS)		**(204,010)**	**82,092**
Finance income		62,386	5,018
Finance costs		(104,549)	(110,263)
Net exchange (losses)/gains		(15,297)	(9,679)
NET FINANCE COST	24.g	**(57,460)**	**(114,924)**
PROFIT/(LOSS) BEFORE TAX		**(261,470)**	**(32,832)**
Income tax	22	4,729	(29,656)
Share of profit/(loss) of equity-accounted investees		(134)	(155)
PROFIT/(LOSS) FOR THE YEAR		**(256,875)**	**(62,643)**
Attributable to:			
Non-controlling interests		(20,288)	(992)
Equity holders of the parent		(236,587)	(61,651)
Basic and diluted earnings per share (euros)	24.f	**(2.18)**	**(0.54)**
Basic and diluted earnings per share from continuing operations attributable to equity holders of the parent (euros)	24.f	**(2.01)**	**(0.53)**

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020
(Thousands of euros)

		Year ended Dec. 31	
	Note	**2020**	**2019**
Profit/(loss) for the year	18	**(256,875)**	**(62,643)**
Other comprehensive income for the year		(486)	(909)
Foreign currency translation differences		(63,044)	3,695
Net other comprehensive income		**(63,530)**	**2,786**
Total comprehensive income for the year	18	**(320,405)**	**(59,857)**
Attributable to non-controlling interests		**(31,843)**	**4,079**
Attributable to equity holders of the parent		**(288,562)**	**(63,936)**

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, 2020
(Thousands of euros)

	Issued capital	Share premium	Retained earnings	Restricted 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, 2019	**509,715**	**563,178**	**(928,339)**	**19,953**	**(140,864)**	**(61,651)**	**(38,008)**	**81,057**	**43,049**
Profit/(loss) for the year	-	-	-	-	-	(236,587)	(236,587)	(20,288)	(256,875)
Change in translation differences	-	-	(486)	-	(51,489)	-	(51,975)	(11,555)	**(63,530)**
Total comprehensive income	**-**	**-**	**(486)**	**-**	**(51,489)**	**(236,587)**	**(288,562)**	**(31,843)**	**(320,405)**
Revaluation reserves			(256)				(256)		(256)
Changes in ownership interests			492				492	(27)	465
Reduction in share capital (note 18. d)	(450,446)			450,446			**-**	-	**-**
Dividend payments[1]							**-**	(4,023)	(4,023)
Amounts transferred to retained earnings			(61,651)			61,651	**-**	-	-
Total changes in equity	(450,446)		(61,415)	450,446	-	61.651-	**236**	**(4,050)**	**(3,814)**
Balance at December 31, 2020	**59,269**	**563,178**	**(990,241)**	**470,399**	**(192,353)**	**(236,587)**	**(326,334)**	**45,164**	**(281,170)**

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

	Issued capital	Share premium	Retained earnings	Restricted 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**	**(883,649)**	**19,953**	**(160,086)**	**(40,411)**	**8,700**	**83,422**	**92,122**
Profit/(loss) for the year	-	-	-	-	-	(61,651)	**(61,651)**	(992)	(62,643)
Change in translation differences 137	-	-	(909)	-	19,222	-	**18,313**	5,125	23,438
Total comprehensive income	**-**	**-**	**(909)**	**-**	**19,222**	**(61,651)**	**(43,338)**	**4,133**	**(39,205)**
Revaluation reserve	-	-	(154)	-	-	-	**(154)**	-	(154)
Changes in ownership interests	-	-	(3,216)	-	-	-	**(3,216)**	479	(2,737)
	-	-	-	-	-	-	**-**	-	-
	-	-	-	-	-	-	**-**	-	-
Dividend payments[1]								(6,977)	(6,977)
Amounts transferred to retained earnings	-	-	(40,411)	-	-	40,411	**-**	-	
Total changes in equity	-	-	(43,781)	-	-	40,411	**(3,370)**	(6,498)	(9,868)
Balance at December 31, 2019	**509,715**	**563,178**	**(928,339)**	**19,953**	**(140,864)**	**(61,651)**	**(38,008)**	**81,057**	**43,049**

(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. b.3.2)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

	Note	Year ended Dec. 31, 2020	Year ended Dec. 31, 2019
Profit/(loss) before tax		(261,470)	(32,832)
Net finance cost		57,460	114,924
Operating profit/(loss)		(204,010)	82,092
Non-cash expenses		184,113	201,223
Depreciation and amortization	7 & 9	169,556	189,965
Asset impairment	25	2,000	
Other operating expenses		11,939	8,945
Effect of inflation on earnings		618	2,313
Non-cash income	25	(2,691)	(2,193)
Changes in working capital		38,020	11,624
Inventories		3,608	160
Accounts receivable		8,627	10,382
Accounts payable		24,000	(4,857)
Other		1,785	5,939
Income tax paid		(9,052)	(40,783)
NET CASH FROM OPERATING ACTIVITIES		**6,380**	**251,964**
Payment for purchases of property, plant and equipment		(45,584)	(97,817)
Loans to establishment owners: cash outflows		(13,767)	(27,093)
Loans to establishment owners: cash inflows		14,534	25,717
Payments for investments		(164)	(1,497)
Proceeds from disposals			-
Net change in other financial assets		(1,994)	(2,313)
Interest received		1,255	1,143
CASH FLOWS USED IN INVESTING ACTIVITIES		**(45,720)**	**(101,860)**
Notes issue		250,000	-
Drawdown of Codere's senior debt		41,000	50,000
Repayment of Codere's senior debt		(86,000)	(15,000)
Drawdown of other borrowings		409	29,306
Repayment of other borrowings		(2,569)	(10,839)
Change in borrowings		**(47,160)**	**53,467**
Proceeds from bank loans		22,061	21,454
Repayment of bank loans		(11,417)	(40,188)
Change in other bank loans		**10,644**	**(18,734)**
Capitalized lease payments (IFRS 16)		**(46,419)**	**(69,797)**
Dividend payments		**(3,100)**	**(6,480)**
Payments for other financial borrowings		6,679	(5,669)
Repayment of other financial borrowings (net)		(29,097)	(467)
Change in other financial borrowings		**(22,418)**	**(6,136)**
Other cash flows due to impact of exchange rates on collections and payments		**(1,787)**	**(7,536)**
Buyback of own equity instruments		(90)	(2,572)
Disposal of own equity instruments		86	2,495
Net investment in own shares		**(4)**	**(77)**
Interest paid		**(81,801)**	**(68,818)**
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES		**57,955**	**(124,111)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**18,615**	**25,993**
Reconciliation			
Cash and cash equivalents, opening balance		103,097	81,775
Effect of changes in exchange rates on cash and cash equivalents		(11,389)	(4,671)
Cash and cash equivalents, closing balance		110,323	103,097
Net increase/(decrease) in cash and cash equivalents		**18,615**	**25,993**

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

1. COMPANY 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 arenas.

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, 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 25, 2021

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, 2020, the Group had negative working capital in the amount of 125,187 thousand euros (December 31, 2019: a negative 72,980 thousand euros), a situation shaped by the requirement to classify within current liabilities: (i) the 19 million euros of HRU notes; and (ii) the deferral of payment deadlines negotiated with multiple suppliers at the Group level (approximately 55 million euros) and availing of moratoria awarded by the authorities in respect of levies and taxes (most notably the deferral of gaming taxes in Italy - approximately 30 million euros - and Spain - approximately 30 million euros). Note, further, that the separate capital and reserves of Codere, S.A. (the Group Parent) amounted to 721,5million euros at December 31, 2020 (including share capital of 59 million euros).

Sources of uncertainty

On March 11, 2020, the World Health Organization escalated the status of the public health crisis triggered by the expansion of the coronavirus (COVID-19) to that of a global pandemic. The speed at which events have unfolded, in Spain and abroad, is causing an unprecedented health crisis that is directly impacting the social and macroeconomic environments in general and the Group's business performance in particular. To tackle that situation, each of the countries in which the Group operates decreed measures designed to mitigate the risk of transmission. Those decisions initially implied the temporary closure of leisure and entertainment premises, including our business establishments. The original measures were later eased to differing degrees, enabling the - partial and limited - resumption of business (subject to varying restrictions, including in restrictions on capacity, social distancing requirements, opening hours limitation and curfews).

In 2020, the Group was forced to close virtually all of its face-to-face operations in all of its markets in the wake of the mandatory restrictions and lockdowns dictated to counter Covid-19. Those restrictions began in the middle of March. The Group was able to gradually reopen its premises in some of its markets between June (Spain and Italy) and December (when it reopened for the first time in Argentina). At present, all of the Group's online businesses are operational. As for its face-to-face operations, in Spain the business is partially operational (temporary business closures and restrictions of varying severity have been introduced - and eased - with differing intensity between October and February to mitigate the impact of the successive waves of the pandemic), as is the case in Mexico and Colombia (in both countries the Group is operating under temporary restrictions and closure requirements in different regions or towns). Only the operations in Uruguay and Argentina are operating somewhat normally, subject only to capacity constraints. In Italy, despite having fully reopened between June and the end of October, the authorities were obliged, in light of the deterioration in the health situation, to order the closure of gaming activities in early November, a decree that as currently worded is set to remain in effect until March 2021. Something similar has occurred in Panama, where the Group has had to temporarily close its operation in Panama City (the largest in the country) from December 2020 until the middle of March 2021.

The impact of those closures on revenue in 2020 is estimated at around 860 million euros. That situation has caused the Group significant liquidity problems in terms of servicing its obligations and upholding the commitments assumed in the ordinary course of its business activities. Completion of the financial restructuring transaction outlined below has played a significant role in enabling the Group to continue to operate throughout 2020 and throughout the third wave of the pandemic. However, the adverse path taken by the pandemic during the last quarter of 2020, which, as noted above, has forced the various authorities to once again close or restrict gaming activities in the Group's operating markets, are having a material impact on its ability to generate revenue and cash flow. Against that backdrop, the Group has begun talks with a group of the largest holders of its Super Senior Notes (the "Noteholder Group") in order to explore alternatives for enhancing the Group's liquidity and reinforcing its capital structure.

Mitigating factors

As a consequence of the foregoing, the Parent's directors have rolled out a contingency plan with a view to preserving liquidity and supporting business continuity. Among many others, the key measures being pursued, having completed the refinancing transaction that raised 250 million euros of financing for the Group in 2020 and extended the maturity of its corporate debt to 2023, are as follows:

- The Group is looking to arrange credit backed by the government guarantee schemes available in Italy and Spain which could inject additional liquidity in the coming months. Against that backdrop, it managed to secure temporary moratoria in 2020 on most of its local credit facilities, including its existing loans in Mexico and Italy and at Carrasco Nobile and the holding companies.

- Prioritization of payments to maximize liquidity and focus on business continuity. Restrictions on cash outflows that do not meet the stipulated criteria (essentially wages, taxes and debt service) for as long as its establishments remain closed and negotiation with each major supplier of payment plans aligned with the business reality, i.e., postponing settlement of outstanding balances to the extent possible until after its establishments reopen and recover.

- Ongoing negotiations with establishment landlords in an attempt to secure total or partial gaming room rent forgiveness or deferrals while business operations remain suspended.

- Measures have also been taken to reduce staff costs through the use of the short-time work and furlough schemes made available during the lockdown (in keeping with the legislation prevailing in each of the countries in which the Group has operations) in light of the mandatory closures. To the extent possible, additional extraordinary measures have been taken in each jurisdiction to support companies facing business restrictions.

- By the same token, during the periods in which it has not possible to open for business, the Group has reduced non-essential services and suspended maintenance and cleaning services, among others, while paring security services back to the bare minimum.

- In parallel, virtually all operational upgrade and central service projects have been paralyzed except for those with a direct and short-term impact on the cost reduction effort. The Group has minimized its capital expenditure program, including investment in growth-driven maintenance (upgrade of gaming machines and refurbishment of gaming rooms). All non-critical projects and initiatives have been put on hold to cut back on spending.

The Group estimates that, although it could face fresh temporary closures in some markets in the near term and many of the establishments that are open may continue to be constrained by trading hour, capacity or customer limits, its operations will gradually return to normal. Estimates have been made on the basis of a hypothetical gradual revenue recovery curve (underpinned by strong business performances at the operations that were successively reopened in 2020), assuming that revenue recovers gradually, depending on the country in question, to around 77-95% of pre-crisis levels by the end of 2021, going on to slowly return to pre-pandemic levels towards the beginning of 2022. That recovery curve could be affected if the impact of Covid-19 proves more severe than anticipated by the directors due to the direction the pandemic takes and its impact on the Group's various business markets.

In addition to the above initiatives, in February 2021, the Company began talks with the Noteholder Group (as defined above) to explore all possible avenues for reinforcing the Group's liquidity and capital structure to enable it to overcome the impact of the pandemic, particularly in light of the deterioration in the health situation since the end of 2020. As of the date of authorizing these consolidated financial statements for issue, the Group and the Noteholder Group continue to work constructively on exploring the alternatives for raising the liquidity needed to enable the Company to meets its financial and operating obligations in 2021.

The directors are presenting these consolidated financial statements on a going-concern basis, assuming that their estimates for a gradual recovery in revenue will be met, the cost contention measures rolled out will be effective and the above-mentioned negotiations ongoing with its Noteholder Group will conclude satisfactorily. Given the uncertainty created by Covid-19 (including the potential for new waves of the pandemic and government measures to stem it), the directors' expectations and the recovery estimated across the Group's various markets could be affected. It is not currently possible to reliably estimate the timing or extent of any such impact on the Group's revenue and cash flows from one region to the next.

Refinancing process

Codere, S.A., along with its subsidiaries, entered into an agreement ("Lock-up Agreement") on July 13, 2020, later amended on July 21, 2020, with respect to the terms of a proposed refinancing transaction (the "Transaction") with an ad-hoc group of holders of the USD 300,000,000 7.625% Senior Secured Notes due 2021 and the EUR 500,000,000 6.750% Senior Secured Notes due 2021 (together, the "Existing Notes") issued by Codere Finance 2 (Luxembourg) S.A. That Agreement contemplated execution of the Transaction in two steps on different terms: the first part to be executed immediately and the remainder subject to a Scheme of Arrangement to be initiated by Codere Finance 2 (UK), Ltd.

The Group undertook that once the Scheme was duly sanctioned by the English courts, it would seek to have it recognized before a US court under Chapter 15 of the US Bankruptcy Code (required by virtue of the fact that the Existing Noteholders are subject to New York law); Chapter 15 recognition was obtained in early October, at which point the Lock-Up Agreement took effect. Under the terms of the Scheme, implementation of the Transaction was conditional upon satisfaction of certain implementation conditions, including obtaining authorization in the US, in keeping with Chapter 15 of the US Bankruptcy Code (required because the Existing Noteholders are subject to New York law). Those implementation conditions were met on October 28, 2020, such that, in accordance with the Scheme, the Transaction completed on October 30, 2020.

The Transaction terms include, among other things:

- New financing:

  - The grant of new financing totaling 250 million euros:
    - The Interim Notes, in the amount of 85 million euros, were issued on July 27, 2020, to provide the Group with the liquidity needed to continue to operate and cover its expenses, pending sanction of the Scheme and completion of the overall refinancing transaction.
    - The Further Notes, in the amount of 165 million euros, were issued on October 30, 2020. The proceeds from the Further Notes have been used to repay the corporate super senior revolving credit facility ("RCF") (a 95 million euro facility drawn down almost entirely), whose repayment was one of the refinancing conditions, and provide the Group with additional funding following the Transaction close to support it as the business returns to normal during the remaining months of 2020 and 2021.

  - After the Transaction completed, the Interim Notes and the Further Notes were merged into a single instrument with the same terms and conditions, the New Super Senior Notes, which rank senior to the Existing Notes, and fall due on September 30, 2023.

  - The cost of the new financing is 10.75%. They were issued at an original issue discount (OID) of 3% with respect to the Interim Notes. Until completion of the Transaction, however, the notes accrued interest at 12.75%, reflecting their holders' higher implicit risk during that period.

  - All of the fees and charges associated with the issuance of the Interim and Further Notes on the dates indicated above have been paid.

  - The New Super Senior Notes feature a minimum liquidity requirement, such that the Group must hold 40 million euros of liquidity (cash and cash equivalents and undrawn credit facilities, an obligation to be verified monthly) at all times. In the event it breaches that requirement, however, the Group has 60 days to address the situation. At the date of authorizing the issuance of these consolidated financial statements, Group liquidity for the purposes of that covenant amounted to 110.3 million euros, so complying with that requirement.

  - The New Super Senior Notes feature limits on the amount of debt that can be issued locally, specifically a basket of 95 million euros for local debt and a limit of 25 million euros for debt taken on for general purposes. As of September 30, 2020, the Group had approximately 85 million euros of local debt and had not availed of the basket of debt for general corporate purposes.

  - The New Super Senior Notes (including the Interim Notes) rank as super senior obligations under the terms of the intercreditor agreement (the "Intercreditor Agreement") which currently governs the inter-relationship between the RCF, the surety bond facility and the Existing Notes.

- Existing Notes:

- The terms and conditions of the Existing Notes - 500 million euros and 300 million US dollars - have been modified as follows:
  - o The extension of their maturity date to November 1, 2023; and
  - o An increase in the corresponding coupon, comprising a mandatory 4.50% cash-pay component and, at the election of the issuer, a further cash-pay (5.00% on the euro notes; 5.875% on the dollar notes) or payment in kind (PIK) (6.25% on the euro notes; 7.125% on the dollar notes) component.
  - o Addition of a minimum liquidity requirement equivalent to that applied to the New Super Senior Notes.

The fees accrued during the refinancing process included the following:

- An "Early-Bird Consent Fee" equivalent to a *pro rata* share of 0.5 % of the principal amount of the Existing Notes for noteholders acceding to the Lock-Up Agreement before July 20, 2020; and

- A "Consent Fee" equivalent to a *pro rata* share of 0.5% of the principal amount of the Existing Notes for noteholders acceding to the Lock-Up Agreement before July 27, 2020 (subsequently extended to the end of September).

- A Backstop Fee of 2.5% of the amount required to cover the contributions of any noteholders who turned down the offer to participate in this new financing.

- Lastly, a Work Fee for the Noteholder Group for the work put in to secure and deliver the agreement (the time spent and the risk undertaken by agreeing to receive material confidential information such that they could not trade their holdings for a time - information that was subsequently disclosed publicly) equivalent to 1% of the principal amount of the Existing Notes. The Work Fee, which is customary and comparable to the amounts offered in similar transactions, was paid upon receipt of the proceeds from the Interim Notes at the end of July 2020.

Those fees were accrued and paid for as they were generated throughout the process so that no material restructuring-related charges are outstanding at the time of writing.

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, 2019, except for the following standards, interpretations and amendments, which have been applied for the first time this year:

Amendment to IFRS 16 - Covid-19-related rent concessions

This amendment allows lessees, as a practical expedient, not to assess whether a Covid-19 related rent concession is a lease modification. A lessee that makes this election accounts for any qualifying change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

This practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic. To which end, all the following conditions must be met: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

The Group has opted to avail of this practical expedient, with an impact on the 2020 statement of profit or loss of 15.132 thousand euros.

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

The Group intends to apply the new standards, interpretations and amendments issued by the IASB whose application is not mandatory in the European Union when they are effective, to the extent applicable to the Group. Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, it estimates that their initial application will not have a significant impact on its consolidated financial statements.

There were no significant changes in the Group's finance leases during the reporting period.

a.4) Accounting inconsistencies in 2019

In 2019, the Codere Group detected certain accounting inconsistencies in its interim reports for that year. The inconsistencies were duly disclosed to the regulator and the market in a series of price-sensitive notices filed between October and November 2019. The inconsistencies in question only affected the 2019 numbers and had no impact on the prior-year figures. They were disclosed in the interim financial statements for the nine-month period ended September 30, 2019, which were published on December 18, 2019 (where the Group also disclosed the impact on the other interim earnings disclosures made earlier in the year) and in the 2019 annual consolidated financial statements, which were published on February 28, 2020. The impact of those inconsistencies was duly recognized in the 2019 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 IFRS 9 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.

Classification of Argentina as a hyperinflationary economy

The Argentine economy has 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 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 103.26 Argentine pesos per euro as at December 31, 2020.

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.

(Thousands of euros)

- 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.
- 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, 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 11).

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.

Investments in the equity instruments of listed and unlisted companies that used to be classified as "Available-for-sale financial assets" are now classified and recognized as "Equity instruments at fair value through other comprehensive income" and will be measured as "Financial assets at fair value through other comprehensive income".

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.

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) Employees 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:

This long-term incentive plan has been awarded to several Group executives. It initial start and end dates were September 2017 until April 2021; on February 27, 2020, the Board of Directors of Codere S.A. agreed to extend the original maturity date to December 31, 2021, among other amendments.

The overriding purpose of that long-term incentive plan is to align the interests of its beneficiaries with those of the Company's shareholders and to provide key individuals with an additional incentive to remain at the Group.

The long-term incentive scheme is a variable, extraordinary, multi-year and mixed remuneration plan under which each beneficiary will receive one or both of the following components:

- Retention incentive: a share-based payment as a function of each beneficiary's permanence throughout the incentive vesting period;
  - Entitlement to those shares is conditional upon the beneficiaries continuing to be party to a valid employment or commercial agreement with the Company or any of its Group companies at the end of the plan's life.
  - If qualifying for the share payment in light of the above, each beneficiary will receive shares valued at an amount equivalent to one-third of the maximum bonus to which he or she is entitled.
  - The number of shares receivable by each beneficiary will be determined by dividing the value of that third by the weighted average price at which the Company acquires shares from the date of the plan agreement.

  As of the date of authorizing the consolidated financial statements for issue, the Group had not bought back any shares in order to cover this retention incentive. In the event those shares are never purchased, the retention portion would have to be settled in cash, that currently being the most likely option, which is why the transaction has been recognized as a liability for accounting purposes.

  The maximum amount of this portion of the incentive is 8.1 million euros. The Group has recognized a provision in the amount of 2.7 million euros corresponding to the accrual of the retention incentive as of the reporting date, factoring in the dates of approval and notification of the amendments made to the plan and the retention incentive offered to a group of beneficiaries.

- Bonus: a cash payment conditional upon the shareholder value generated during a specific period of time, to be measured using the Total Shareholder Return concept.

  The bonus pool will be calculated at the end of the incentive plan using a formula based on last 12-month-EBITDA[1], net debt and other financial metrics as of December 31, 2021, divided by the

[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.

number of Company shares outstanding (adding any dividends paid out) and comparing that figure with the benchmark price of 3.23 euros (as approved by the Board of Directors in 2017).

The maximum amount of the bonus portion of the incentive plan is 24.4 million euros. As of the date of authorizing the consolidated financial statements for issue, the Group believes it does not need to recognize a provision in respect of the bonus portion of the plan given that the result of the above calculation exercise is below the minimum threshold for vesting of the bonus.

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 23).

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.
- It used an incremental borrowing rate, from the date of first-time application rather than historical discount rates, per portfolio of similar leases (similar in terms of countries and lease terms) for discount rate purposes. 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 2023 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, consolidated cash flow or cash available for debt service. In 2020, framed by the extraordinary circumstances induced by the global pandemic, the Group increased its borrowings over and above those benchmarks in order to ensure its business continuity. The idea is to gradually deleverage and return to the multiples set down in its policy as the Group's business operations and cash generation normalize.

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. 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. The Group's financial systems currently rely significantly on human intervention. The Group is making an effort to reduce the level of human intervention in the related processes.

Lastly, as became clear in 2020, and as outlined in note 2.a.1) above, the Group faces other types of general risks that are difficult to predict, including those related to health issues such as the Covid-19 pandemic, which can have a material adverse impact on its operations and, by extension, its ability to generate income. Specifically in relation to the ongoing pandemic, the Group is facing considerable uncertainty with respect to the timeline for normalization of its operations in each of its business markets. That timeline depends largely on external factors, including the incidence of the virus in the population, the levels of hospital saturation across the various markets and, most importantly, the effectiveness of the available vaccines and the progress made on the inoculation front. Against that backdrop, negative deviations with respect to the estimated timeline could, despite the Group's best efforts to mitigate them, have a material adverse impact on business continuity.

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. That department identifies, evaluates and hedges financial risks in close cooperation 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, 2020	Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
ARS/EUR	103.2605	(375)	-	375	-
BRL/EUR	-	-	-	-	-
COP/EUR	4212.0208	3,512	-	(3,512)	-
USD/EUR	-1,2271	-1,108	-	(1,108)	-
UYU/EUR	51.9554	133	-	(133)	-
MXN/EUR	24.4625	2,939	-	(2,939)	-

		Thousands of euros			
		10% devaluation of the US dollar		10% appreciation of the US dollar	
Currency	**Exchange rate at Dec. 31, 2020**	**Impact on profit and loss**	**Impact on equity**	**Impact on profit and loss**	**Impact on equity**
ARS/USD	84.1500	(934)	-	934	-
BRL/USD	-	-	-	-	-
COP/USD	3432.5000	155	-	(155)	-
MXN/USD	19.9352	50,118	-	(50,118)	-
UYU/USD	42.3400	16	-	(16)	-
EUR/USD	0.814900	(20,982)	-	20,982	-
EUR/GBP	1.111800	7	1	(7)	(1)

		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)

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 750 million euros); these bonds carry fixed coupons. It has also issued marketable bonds carrying fixed rates in Uruguay (208.9 million Uruguayan pesos of indexed bonds and 2.7 million US dollars) and fixed-rate bonds in Panama (2.7 million US dollars). It has also fixed-rate bank borrowings in Uruguay (15.8 million US dollars and 48.5 million Uruguayan pesos), Panama (6.6 million US dollars) and Spain (2.2 million euros). The rest of the Group's borrowings, which stood at around 35 million euros at December 31, 2020, 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 97% 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.

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

	Thousands of euros		
Item	**Increase (+) / decrease (-) in interest rate (basis points)**	**2020**	**2019**
Impact on after-tax profit	+100	(920)	(291)
	-100	920	291
Impact on equity	+100	(920)	(291)
	-100	920	291

(*) In 2019 and earlier, the calculation of the interest rate is carried out over +/-50 basic points

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 17 and 25).
- Non-current financial assets (note 12).
- Trade and other accounts receivable (note 16).

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 52,735 thousand euros at December 31, 2020 (59,747 thousand euros at year-end 2019).

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 existing of financial difficulties, including bankruptcy proceedings.
- An analysis of the debtor's ability to repay the loan extended.

In 2020, in light of the extraordinary circumstances affecting the economy and the markets to which the Group is exposed, a detailed analysis was made of the state of the market and the Group's debtors, including their business outlooks and debt repayment capabilities, in order to align the credit loss impairment allowances for the prevailing economic reality. Note 16 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	
	2020	**2019**
Trade receivables	45.435	59,747
Cash and cash equivalents	110,323	103,097
Other financial assets	42.602	43,345
	198,360	**206,189**

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.

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:

	Balance at Dec. 31, 2020	**Between Jan. 1, 2021 and Mar. 31, 2021**	**Between Jan. 1, 2021 and Dec. 31, 2021**	**Between Jan. 1, 2021 and Dec. 31, 2022**	**Between Jan. 1, 2021 and Dec. 31, 2025**
Current assets					
Short-term securities portfolio	-	-	-	-	-
Cash and cash equivalents	110,323	110,323	110,323	110,323	110,323
Total current assets	**110,323**	**110,323**	**110,323**	**110,323**	**110,323**
Non-current liabilities					
Notes, bonds and other marketable securities	922,431	-	-		922,431
Non-current bank borrowings	42,732	-	-	15,991	42,732
Total non-current liabilities	965,163	-	-	15.991	965,163
Current liabilities					
Current notes and bonds	34,240	13,343	34.240	34.24016.87 9	34
Current bank borrowings	16,878	3,761	16,879	16,879	16,879
Total current liabilities	**51,118**	**17,104**	**51.119**	**51.119**	**51.119**
Expected gain/loss on foreign currency hedging transactions	**-**	**-**	**-**	**-**	
Net liquidity	**(905,958)**	**93,219**	**59.204**	**43.213**	**(905.959)**

	Balances at Dec. 31, 2019	Between Jan. 1, 2020 and Mar. 31, 2020	Between Jan. 1, 2020 and Dec. 31, 2020	Between Jan. 1, 2020 and Dec. 31, 2021	Between Jan. 1, 2020 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)**

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 20) 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 liabilities based on contractual undiscounted payments (in thousands of euros):

	2021	2022	2023	2024	2025 & bey.	Total
Notes, bonds and other marketable securities	*64,399*	*66,557*	*1,193,271*	*5,198*	*13,127*	**1,342,551**
Principal	2,423	2,422	996,901	4,519	11,802	1,018,068
Interest	61,976	64,134	196,370	679	1,324	324,483
Bank borrowings (*)	*20,919*	*18,758*	*12,987*	*9,065*	*7,799*	**69,528**
Principal	16,878	15,992	11,323	8,154	7,263	59,610
Interest	4,041	2,767	1,663	911	536	9,918
Payments under finance leases (*)	*57,811*	*55,797*	*50,018*	*20,278*	*120,591*	**304,495**
Total	**143,129**	**141,113**	**1,256,276**	**34,542**	**141,517**	**1,716,574**

(*) Payments under finance leases include the estimated maturities of the liabilities recognized since January 1, 2020 under IFRS 16 *Leases* (refer to note 8).

With respect to the senior notes with a face value of 500 million euros and 300 million US dollars, their maturity has been extended to 2023 and, as detailed in note 2.a.1), the Codere Group is taking the steps needed to reinforce its capital structure in the near future.

The Notes in Uruguay, in Balance they are classified as short-term notes. In this table we are considering their maturity according to their amortization schedule, between the years 2021 and 2029.

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, 2020, the Group presented negative equity attributable to equity holders of the parent of 326,334 thousand euros, which is 288,327 thousand euros less than at December 31, 2019, owing mainly to the loss recognized in 2020 in the amount of 236,587 thousand euros, in addition to translation losses.

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:

	Thousands of euros
	Dec. 31, 2020
Notes issued by Alta Cordillera, S.A.	2,230
Notes issued by HRU, S.A.	19,640
Notes issued by Codere Finance II, S.A.	753,463
	775,333

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 14).

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 consolidated 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 18.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) Claims

(i) <u>Tax lawsuits in Mexico</u>

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 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 (51.9 million euros at December 31, 2020). 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 agreed with the arguments put forward by the expert designed by the subsidiary, which is currently working on the arguments it is going to present. On February 13, 2020, the Superior Chamber of the Federal Court of Administrative Justice resolved said matter in the sense that, due to violations of the procedure, the file is returned to the Regional Chamber to correct it, as of today the notification of the sentence is still pending.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 (2.7 million euros at December 31, 2020). 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 (20.8 million euros at December 31, 2020) 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. On February 13, 2020, Operadora Cantabría filed an application for annulment before the Federal Court of Administrative Justice against the determined credit. By agreement dated March 17, 2020, notified on June 30, 2020, the lawsuit was accepted. As of today, the trial is ongoing.

It was also agreed to grant the provisional suspension of the execution of the contested act by providing a guarantee.

Initially the Company requested to the Mexican authorities to accept as guarantee the own company Operadora Cantabria (it is called “garantizar con la negociación”) but this was refused by the authorities as consequence of some formal defects in the documentation provided. The company is currently solving the defects and at the same time is requesting to provide another guarantee, based on the value of some shares owned by Codere Mexico; the Tax Authorities are analyzing this proposal and Codere is still waiting for a response. Additionally, Operadora Cantabria is also negotiating a bail bond that would be provided to the Authorities as guarantee only in case the other two guarantees in process were not finally accepted.

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 (23.6 million euros at December 31, 2020) in this respect. Disagreeing with the assessment, on December 16, 2019, the subsidiary filed an appeal before the tax authorities. As of today, the trial is ongoing.

- 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, 2020) and 14.6 million Mexican pesos (0.7 million euros at December 31, 2020), respectively.

  The Company's directors, based on the reports of its legal advisors, believe there is no need to recognize any provision in this respect.

(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 been 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 and agreed to pay the tax on installments. The Group recognized a provision for this outlay of 0.7 million euros at December 31, 2019. In 2020 the Italian tax authorities accepted the tax amnesty and the due amount was reduced from 0.7 to 0.3 million euros. At December 2020 the outstanding amount to be paid that amounts to 0.2 million euros, has been registered in the accounts.

- VAT - Codere Italy (2014-2018)

In 2019, the Italian tax authorities initiated an inspection of Codere Italy's VAT returns for 2014 and 2015. In 2020 the inspection was extended to fiscal years 2016-2018.

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. In 2020 the figures are still being discussed as the tax inspector in charge of the tax audit changed although the initial expectation of the tax exposure has been reduced.

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. The output VAT amount expected to be assessed by the tax authorities amounts to 3.8 million euros. The Group has recognized a provision for this amount.

(iii) Tax lawsuits in Argentina

- Tax on debits and credits

The Argentine tax authorities have raised an assessment of 0.2 million euros (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.

Several other similar claims are currently before the Supreme Court, albeit in these instances brought by the Argentine tax authorities; they relate to the same tax and correspond 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) 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 2.5 million euros and the amount provided 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. On May 6 2020, and due to the state of alarm in Spain, the Court suspended the proceeding, and re-scheduled it on 5, 12 and 26 March 2021. After the trial, final arguments shall be produced either orally or in writing upon agreement of the parties. After that, the Court should issue the decision on the merits.

- 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.

On 24 April, 2018 the preliminary hearing was held. Codere reaffirmed its allegation based on the prescription of the action, and submitted evidence which was accepted by the Court. The judge decided to postpone his decision about the prescription of the action until his final judgement or immediately before that. The trial has taken place on February 2, 2021. Given that some witnesses were not able to attend the hearing, the parties have requested the Court to set a new date for their statements and the Judge has accepted it, setting it for September 2021.

v) <u>Legal proceedings related with lawsuits challenging shareholder agreements.</u>

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  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. On May 6 2020, and due to the state of alarm in Spain, the Court suspended the proceeding, and re-scheduled it on 5, 12 and 26 March 2021. After the trial, final arguments shall be produced either orally or in writing upon agreement of the parties. After that, the Court should issue the decision on the merits.

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  The Group Administrators, based on reports from their legal advisors, consider that it is not necessary to record a provision for this judicial procedure as of December 31, 2020.

- In 2021 CODERE, S.A. has received from the Tax Administration two requirements within a tax management procedure, for which it questions the deductibility of input VAT for the years 2017 and 2018. In these requirements no amount is quantified, requiring the Company only an explanation of the operations carried out in those exercises.

The company understands that there are arguments to defend that the VAT paid in those years is deductible within the VAT Group from which the entity Codere, S.A. it is the dominant entity. However, he is currently analyzing the matter.

The VAT paid and deducted by Codere, S.A. amounts to 1,528 thousand euros (167 thousand euros and 1,361 thousand euros, for the years 2017 and 2018, respectively).

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.

Following the documentary production phase, Claimants submitted their reply to the counterclaim on March 10, 2020. Following the filing of said reply, the Company filed its Statement of Rejoinder and Statement of Reply to the Answer to the Counterclaim. The Hearing was finally held on 29, 30 of June and 1 July. The Tribunal decided to hear some additional witnesses on October 29 and 30 2020. On December 18 2020, the Tribunal issued a procedural order staying the arbitration until February 5, 2021, giving 45 days to the plaintiffs to appoint new counsels. Yet the final award should not be deferred beyond the end of June 2021.

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.

  Additionally, on February 19th, 2020 we were notified of the request filed by Sikeston S.A., before the Mercantile Court, in order to resume the jurisdictional proceeding initiated by Sikeston in 2015 to challenge certain shareholders´ resolutions. As mentioned above, initially Mercantile Court declared not competent for the decision, since the shareholders´ agreements includes an arbitration clause. With the arbitration being solved in favor of Sikeston, they requested the Mercantile Court to resume the proceeding, and the annulment of the resolutions. Both Carrasco Nobile S.A. and Codere Mexico S.A. de CV have presented their response on the petition, asking court the possibility to add the entire arbitration file and not just the award, in order to analyze all the elements and arguments produced by the parties. A preliminary hearing has been held on August 20th, 2020, and the judge requested the parties to present possible alternatives to settle the claim.

  Hearings continued on September 15 and 30 and October 22. Despite the fact that both parties presented settlement offers, no agreement has been reached and the trial is expected to continue. On November 12, 2020, the Court entered its judgment granting the preliminary motion filed by Codere Mexico to dismiss the claim on grounds that Sikeston failed to comply with certain formal and legal requirements when commencing the proceeding, thereby precluding the Court from adjudicating the merits of the claim.

  On November 20, 2020, Sikeston appealed. We have been notified by the Court of Appeals, and both Codere Mexico and Carrasco are filing arguments requesting the Court of Appeals affirm the Mercantile Court's ruling. A ruling from the Court of Appeals is expected in mid-2021.

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. On November 30, 2020, the parties reached an agreement that was judicially approved, whereby Codere S.A. paid Perella three million euros, concluding the judicial procedure in this way, and releasing Codere from any other liability related to it.

f) Subsidiaries with material 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.

		Thousands of euros
Summarized financial information for subsidiaries with material non-controlling interests at December 31, 201209	**Administradora Mexicana Hipódromo S.A. de C.V.**	**Alta Cordillera, S.A.**
Intangible assets	112,409	8,185
Property, plant and equipment	72,613	10,038
Investment properties	42,874	-
Deferred tax assets	4,073	949
Other non-current assets	884	29,386
Cash and cash equivalents	723	1,691
Other current assets	30,034	3,574
Non-current liabilities	(84,469)	(59,401)
Current liabilities	(54,840)	(16,908)
Inter-company eliminations (*)	(215,966)	(68,947)
Non-controlling interest (%)	15.2	25.0
Non-controlling interest	13,362	1,901
Operating income	62,130	15,479
Profit/(loss) for the year	(56,049)	(23,119)

		Thousands of euros
Summarized financial information for subsidiaries with material non-controlling interests at December 31, 2019	**Administradora Mexicana Hipódromo S.A. de C.V.**	**Alta Cordillera, S.A.**
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

(Thousands of euros)

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)

(*) 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

2020 statement of profit or loss	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Online	Inter-segment transactions (*)	Total
Operating income												
External customers	116,924	97,812	59,972	8,743	155,011	52,288	-	22,668	9	71,340	-	584,767
Inter-segment	-	-	-	-	-	-	-	-	22,736	-	(22,736)	-
	116,924	97,812	59,972	8,743	155,011	52,288	-	22,668	22,745	71,340	(22,736)	**584,767**
Operating expenses												
Depreciation and amortization	(30,898)	(65,188)	(17,092)	(5,063)	(19,146)	(7,221)	(361)	(14,768)	(5,922)	(3,897)	-	(169,556)
Change in provision for bad debt	(3,707)	(2)	-	(554)	(2,723)	(174)	-	(1,888)	9	-	-	(9,039)
Other operating expenses	(90,410)	(100,287)	(62,869)	(8,924)	(160,340)	(32,357)	(45)	(22,888)	(49,256)	(78,065)	-	(605,441)
Asset impairment	-	-	-	-	-	-	-	(2,000)	-	-	-	(2,000)
	(125,015)	**(165,477)**	**(79,961)**	**(14,541)**	**(182,209)**	**(39,752)**	**(406)**	**(41,544)**	**(55,169)**	**(81,962)**	**-**	**(786,036)**
Gain/(loss) on derecognition/disposal of assets	(1,143)	(1,290)	32	(82)	(565)	(3)	-	310	-	-	-	**(2,741)**
Inter-segment expenses	(9,694)	(5,299)	(3,528)	(1,280)	(1,266)	(1,082)	-	(1,568)	-	981	22,736	**-**
OPERATING PROFIT/(LOSS)	**(18,928)**	**(74,254)**	**(23,485)**	**(7,160)**	**(29,029)**	**11,451**	**(406)**	**(20,134)**	**(32,424)**	**(9,641)**	**-**	**(204,010)**
Finance income - external	309	1,089	165	33	379	134	-	198	59,969	110	-	62,386
Finance income - inter-segment	-	-	-	-	-	-	-	-	47,645	-	(47,645)	-
Finance costs - external	(3,040)	(11,357)	5,063	(726)	(1,584)	(3,098)	-	(5,032)	(89,734)	(134)	-	(109,642)
Finance costs - inter-segment	(1,815)	(36,052)	(2,456)	(1,087)	(4,785)	36	-	(2,465)	-	979	47,645	-
Change in financial asset impairment provisions	-	(504)	-	-	-	-	-	-	5,597	-	-	5,093
Net exchange differences	-	(9,525)	(4,155)	(2,897)	-	(2,361)	(2)	(462)	4,238	(133)	-	(15,297)
NET FINANCE INCOME/(COST)	**(4,546)**	**(56,349)**	**(1,383)**	**(4,677)**	**(5,990)**	**(5,289)**	**(2)**	**(7,761)**	**27,715**	**822**	**-**	**(57,460)**
PROFIT/(LOSS) BEFORE TAX	**(23,474)**	**(130,603)**	**(24,868)**	**(11,837)**	**(35,019)**	**6,162**	**(408)**	**(27,895)**	**(4,709)**	**(8,819)**	**-**	**(261,470)**
Income tax	2,896	578	9,031	(296)	5,997	48	-	(723)	(11,653)	(1,149)	-	**4,729**
Share of profit/(loss) of equity-accounted investees	-	(136)	-	-	2	-	-	-	-	-	-	(134)
PROFIT/(LOSS) FOR THE PERIOD	**(20,578)**	**(130,161)**	**(15,837)**	**(12,133)**	**(29,020)**	**6,210**	**(408)**	**(28,618)**	**(16,362)**	**(9,968)**	**-**	**(256,875)**
GROUP PROFIT/(LOSS)												
Attributable to:												
Non-controlling interests	(816)	(8,097)	(334)	(209)	(3,519)	-	-	(7,308)	(1)	(4)	-	(20,288)
Equity holders of the parent	(19,762)	(122,064)	(15,503)	(11,924)	(25,501)	6,210	(408)	(21,310)	(16,361)	(9,964)	-	(236,587)
GROUP PROFIT/(LOSS)	**(20,578)**	**(130,161)**	**(15,837)**	**(12,133)**	**(29,020)**	**6,210**	**(408)**	**(28,618)**	**(16,362)**	**(9,968)**	**-**	**(256,875)**

(Thousands of euros)

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)**

(Thousands of euros)

Statement of financial position at Dec. 31, 2020	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Online	Total
Intangible assets	51,212	162,085	41,358	-	14,721	12,643	110	10,225	9,673	7,633	**309,660**
Right-of-use assets	20,454	61,575	9,998	5,628	26,149	3,478	-	60,783	3,372	296	**191,733**
Property, plant and equipment	44,297	111,118	37,312	6,487	11,500	40,288	-	12,276	1,080	1,123	**265,481**
Goodwill	29,863	60,571	39,775	-	47,384	5,318	-	26,633	-	-	**209,544**
Investment properties	1,825	42,874	-	-	-	-	-	-	-	-	**44,699**
Investments in equity-accounted investees	-	163	-	-	7	-	-	-	-	-	**170**
Non-current financial assets	6,083	1,257	1,600	217	4,800	-	-	3,328	32	80	**17,397**
Deferred tax assets	4,684	18,120	2,866	177	12,155	4,194	-	949	549	2,194	**45,888**
Other non-current assets	-	-	-	-	-	-	-	-	-	-	**-**
Current assets	36,044	65,154	9,493	6,345	57,106	24,714	70	9,405	43,916	5,043	**257,290**
TOTAL ASSETS	**194,462**	**522,942**	**142,402**	**18,829**	**173,822**	**90,635**	**180**	**123,599**	**58,622**	**16,369**	**1,341,862**
Deferred income	-	-	-	-	-	-	-	-	-	-	**-**
Provisions	247	5,410	1,896	694	15,017	20	7	1,122	2,909	1,545	**28,867**
Non-current borrowings	46,120	120,014	11,855	1,904	25,573	19,062	-	58,652	927,328	480	**1,210,988**
Current liabilities	58,724	108,664	25,896	11,276	66,716	36,923	200	19,702	37,183	17,893	**383,177**
TOTAL EQUITY AND LIABILITIES	**105,091**	**234,088**	**39,647**	**13,874**	**107,306**	**56,005**	**207**	**79,476**	**967,420**	**19,918**	**1,623,032**
OTHER DISCLOSURES											
Additions to non-current assets	**12,100**	**6,053**	**491**	**178**	**4,259**	**3,574**	**-**	**1,831**	**5,206**	**4,156**	**37,848**
Intangible assets	6,778	-	-	-	2,379	69	-	-	5,206	4,156	**18,588**
Property, plant and equipment	5,322	6,053	491	178	1,880	3,505	-	1,831	-	**-**	**19,260**
Other non-cash charges	8,878	1,299	174	143	1,753	3	-	(310)	-	**-**	**11,940**

(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**
Property, plant and equipment	29,124	101,540	29,769	6,548	21,959	5,189	-	55,476	5,079	5	**254,689**
Goodwill	55,646	162,636	36,656	11,476	12,365	54,437	-	15,940	734	694	**350,584**
Investment properties	29,863	70,024	47,092	-	47,444	6,593	-	31,276	-	-	**232,292**
Investments in equity-accounted investees	1,851	50,818	-	-	-	-	-	-	-	-	**52,669**
Non-current financial assets	-	353	-	-	173	-	-	-	-	-	**526**
Deferred tax assets	6,256	1,543	1,564	215	6,820	-	-	3,427	32	100	**19,957**
Other non-current assets	3,457	19,257	1,625	184	6,908	4,941	-	2,301	11,958	2,199	**52,830**
Current assets	-	-	-	-	-	-	-	-	-	-	**-**
TOTAL ASSETS	26,136	112,452	27,729	8,855	69,247	18,939	104	14,101	26,170	9,230	**312,963**
	205,519	**714,026**	**199,243**	**27,298**	**186,629**	**107,279**	**722**	**136,990**	**52,935**	**19,881**	**1,650,522**
Deferred income											
Provisions	-	-	-	-	-	-	-	-	-	-	**-**
Non-current borrowings	235	5,780	2,200	806	10,650	24	144	1,113	561	475	**21,988**
Current liabilities	50,480	156,814	33,568	4,588	25,909	48,843	-	57,986	820,748	605	**1,199,541**
TOTAL EQUITY AND LIABILITIES	51,819	149,024	41,699	10,214	54,879	18,835	284	15,853	26,088	17,249	**385,944**
	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**	**87,327**
Intangible assets	9,054	-	6	-	2,692	119	-	-	5.619	4,492	**21,982**
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**

6. BUSINESS COMBINATIONS AND CHANGES IN THE SCOPE OF CONSOLIDATION

a) Business combinations

a.1) 2020

The Group has made the acquisition of the remaining 70% of Italy's New Joker, S.R.L. It is not significant, so it is not detailed.

a.2) 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, 2020	702	**702**
Pro forma profit/(loss) contribution from January 1, 2020	175	**175**

The acquisitions closed by the Group in 2019 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 2019. The costs related with the acquisition mainly related to attorney fees and were recognized in the 2019 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

b.1) 2020

The main changes in the consolidation scope included:

- Codere Gaming Italia, S.R.L. was merged into Codere Italia, S.p.A. on January 1, 2020, leaving the Group with a 100% interest.
- The Group acquired 1% of Hotel Icela, S.A.P.I. de C.V. on January 14, 2020, thus increasing its shareholding in that investee to 50%.
- The Group acquired 1% of Calle Icela, S.A.P.I. de C.V. on February 12, 2020, thus increasing its shareholding in that investee to 50%.
- Juego Responsable, A.I.E. was incorporated on March 6, 2020 and is 50%-owned by Operibérica, S.A.U.
- FG Slot Service, S.R.L. was merged into Gap Games, S.R.L. on July 13, 2020 and the resulting company's name was changed to Codwin, S.R.L.
- Codere Finance (UK) 2, Limited was incorporated in the United Kingdom on July 16, 2020 and is 75%-owned by Codere, S.A.
- HR México City Proyect CO, S.A.P.I. de C.V. was incorporated on Mexico on July 17, 2020 and is 75%-owned by CCJV, S.A.P.I. de C.V.
- Operbingo Italia, S.p.A. acquired 70% of New Joker, S.R.L. on July 31, 2020, increasing its ownership interest in that investee to 100%.
- Codere Italia, S.p.A. acquired 25.5% of SE.BI.LOT, S.R.L on August 3, 2020, increasing its ownership interest in that investee to 76.5%.
- Entretenimiento Recreativo, S.A. de C.V., Entretenimiento Virtual, S.A. de C.V., Impulsora Recreativa de Entretenimiento AMH, S.A. de C.V., Juegamax de las Américas, S.A. de C.V. and Comercializadora Sortijuegos, S.A. de C.V. were merged into Administradora Mexicana de Hipódromo, S.A. de C.V. on October 1, 2020.

b.2) 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. was incorporated in Mexico on July 16, 2019 and is 75%-owned by Codere, S.A.

- 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.

7. INTANGIBLE ASSETS

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

2020						**Thousands of euros**
Cost	**Balance at Dec. 31, 2019**	**Business combination s**	**Additions**	**Derecognitions**	**Translation differences (*)**	**Balance at Dec. 31, 2020**
Licenses	341,541	-	2	(35)	(43,711)	297,797
Trademarks	30,555	-	-	(327)	(3,911)	26,317
Rights	247,526	218	8,277	(6,045)	(10,909)	239,067
Software	70,873	7	10,061	(36)	(1,838)	79,067
Other intangible assets	33,144	-	1,421	(415)	(3,096)	31,055
	723,639	**225**	**19,761**	**(6,858)**	**(63,464)**	**673,303**
Accumulated amortization						
Licenses	(135,115)	-	(8,127)	35	12,637	(130,570)
Rights	(145,743)	-	(18,089)	4,680	5,864	(153,288)
Software	(49,815)	-	(10,424)	10	1,475	(58,754)
Other intangible assets	(17,375)	-	(2,548)	-	471	(19,452)
	(348,048)	**-**	**(39,188)**	**4,725**	**20,447**	**(362,064)**
Provisions	(1,579)	-	-	-	-	(1,579)
	(1,579)					**(1,579)**
Carrying amount	**374,012**					**309,660**

(*) “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 acquisition of the remaining 70% of Italy's New Joker, S.R.L. (note 6.a1).

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

The column headed “Software” reflects software licensing agreements included within Holdcos.

2019 — Thousands of euros

Cost	Balance at Dec. 31, 2018	Business combinations	Additions	Derecognitions	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)**
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.b.3.2)

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

7.a) Other disclosures

The Group's sole indefinite-lived intangible assets are its trademarks, which were carried at 47,775 thousand euros at December 31, 2020 (51,943 thousand euros at year-end 2019).

The Group considers that its trademarks have indefinite useful lives because there is no legal or other kind of limit on those 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:

	2020	2019
	Trademarks	**Trademarks**
Spain	972	1,299
Mexico	25,345	29,256
	26,317	**30,555**

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

Asset class	Carrying amount	Remaining useful life
Argentina hall licenses	4,376	Between 1 and 9 years
Panama casino licenses	8,622	Between 2 and 3 years
Mexico licenses	156,042	Between 12 and 26 years
Italian gaming machine network concession	2,961	Between 1 and 2 years

The Group had no material contractual commitments for the acquisition or sale of intangible assets at December 31, 2020.

The gross carrying amount of fully amortized items of intangible assets still in use at December 31, 2020 and 2019 is as follows:

		Thousands of euros
Cost	**Dec. 31, 2020**	**Dec. 31, 2019**
Concessions, patents, licenses and trademarks	15,515	16,758
Rights	26,781	24,576
Software	44,490	35,818
	86,786	**77,152**

8. RIGHT-OF-USE ASSETS

The Codere Group 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, 2020, 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 wasquite 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 years ended December 31, 2020 and 2019 below:

			Thousands of euros
	Cost	Accumulated depreciation	Carrying amount
Balance at Jan. 1, 2020	**311,371**	**(56,682)**	**254,689**
Additions	43,503	(47,766)	(4,263)
Derecognitions	(38,477)	6,706	(19,628)
Reclassifications	-	-	-
Translation differences	(31,364)	4,442	(39,065)
Balance at Dec. 31, 2020	**285,033**	**(93,300)**	**191,733**

The additions included specially modification in the rental amounts of rents in Panamá.

			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 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
	2020	**2019**
Buildings	3,290	3,807
Gaming rooms	40,272	44,107
Machines	2,600	4,636
Vehicles	1,309	1,763
Plant	251	318
Computer equipment	44	56
Total	**47,766**	**54,687**

In 2020, the Group incurred variable lease payments not included in the lease liabilities measurement of 12,531 thousand euros (2019: 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:

	2020	**2019**
Fixed lease payments	49,500	73,978
Variable lease payments	12,531	38,324
Total lease payments	**62,031**	**112,302**

The cash outflows under lease arrangements amounted to 62,031 thousand euros in 2020 (2019: 112,302 thousand euros).

The interest rates used are country specific, and ranged between 5.5% and 13% in 2020 (between 7.5% and 18.7% in 2019), with the exception of the leases in local currency in Argentina, where interest rates stand at around 50%.

The impact of implementation of IFRS 16 on the consolidated statement of profit or loss in 2020 and 2019 was as follows:

	Thousands of euros	
	2020	**2019**
Depreciation of right-of-use assets	(47,766)	(54,687)
Gain/(loss) on derecognition of assets	620	90
Financial impact of unwinding of discount of lease liabilities	(21,854)	(39,246)
Income tax	667	4,099
Short-term rental expense	(863)	(861)
Low-value rental expense	(2,218)	(3,169)
COVID-19 Rental cancellations	15,132	-
Impact of IFRS 16 on consolidated statement of profit or loss	**(56,282)**	**(92,652)**

The amount recognized in the 2020 consolidated statement of profit or loss within "Other operating expenses" with respect to short-term leases totaled 863 thousand euros (2019: 861 thousand euros). The amount recognized in respect of low-value leases was 2,218 thousand euros in 2020 (2019: 3,169 thousand euros).

The impact of implementation of IFRS 16 on the consolidated statement of financial position at December 31, 2020 and 2019 was as follows:

	Thousands of euros	
	Dec. 31, 2020	**Dec. 31, 2019**
ASSETS		
Right-of-use assets	191,733	254,689
Deferred tax assets	5,577	4,158
TOTAL ASSETS	**197,310**	**258,847**
EQUITY AND LIABILITIES		
Equity	(15,297)	579
Non-current liabilities	152,292	208,033
Current liabilities	60,315	50,235
TOTAL EQUITY AND LIABILITIES	**197,310**	**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	
	2020	**2019**
Within next 5 years	13,986	22,715
Over 5 years	180,938	142,817
	194,924	**165,532**

The maturity schedule of the Group's lease liabilities:

	12 months	2-5 years	Over 5 years	Total
2020	60,315	93,426	58,866	**212,607**
2019	50,234	137,560	70,472	**258,266**

Lease forgiveness related with Covid-19

As allowed in an amendment made to IFRS 16 *Leases*, the Group has availed of the practical expedient of not recognizing Covid-19-related rent concessions as lease agreement amendments.

Below is the reconciliation of the opening and closing lease liabilities balances:

	2020	2019
Lease liabilities - opening balance	**258,268**	**316,320**
Finance cost - interest expense	21,854	39,246
Lease payments	(46,419)	(69,797)
COVID-19-related rent concessions	(15,132)	-
Changes in useful life		(30,823)
Net increase/(decrease) during the year	25,488	11,073
Reclassifications		5,790
Exchange differences	(31,454)	(13,541)
Lease liabilities - closing balance	**212,605**	**258,268**

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

9.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:

2020							Thousands of euros
Cost	Balance at Dec. 31, 2019	Business combinations	Additions	Derecognitions	Transfers	Translation differences (*)	Balance at Dec. 31, 2020
Amusement machines	313,101	-	27,511	(15,349)	6,367	(38,826)	292,804
Gaming machines and sports-betting terminals	36,672	-	230	(565)	68	(478)	35,927
Other fixtures, fittings and tools	102,365	75	792	(7,041)	1,369	(8,389)	89,171
Computer equipment	49,603	6	705	(3,040)	523	(3,752)	44,045
Prepayments and PP&E in progress	21,149	-	11,656	(7,572)	(16,804)	(2,360)	6,069
Vehicles	3,607	-	49	(77)	-	(332)	3,247
Land	15,464	-	9	-	-	(681)	14,792
Buildings	177,237	-	2	(668)	2	(19,864)	156,709
Refurbishment of leased premises	266,726	941	6,067	(7,954)	7,805	(32,869)	240,716
Plant and machinery	86,533	76	1,093	(3,247)	670	(5,230)	79,895
Total	**1,072,457**	**1,098**	**48,114**	**(45,513)**	**-**	**(112,781)**	**963,375**

2020 — Thousands of euros

Cost	Balance at Dec. 31, 2019	Business combinations	Additions	Derecognitions	Transfers	Translation differences (*)	Balance at Dec. 31, 2020
Accumulated depreciation							
Amusement machines	(213,134)	-	(32,061)	9,576	-	23,171	(212,448)
Gaming machines and sports-betting terminals	(26,023)	-	(4,047)	426	-	318	(29,326)
Other fixtures, fittings and tools	(83,163)	-	(3,918)	6,366	565	6,553	(73,597)
Computer equipment	(40,932)	-	(3,972)	2,979	-	2,777	(39,148)
Vehicles	(2,569)	-	(287)	71	-	216	(2,569)
Buildings	(108,126)	-	(6,631)	396	-	11,879	(102,482)
Refurbishment of leased premises	(168,162)	-	(13,919)	6,744	(565)	16,349	(159,553)
Plant and machinery	(63,462)	-	(6,196)	2,080	-	3,699	(63,879)
Total	**(705,571)**	**-**	**(71,031)**	**28,638**	**-**	**64,962**	**(683,002)**
Provisions	**(16,302)**	**-**	**(174)**	**1,265**	**-**	**319**	**(14,892)**
Carrying amount	**350,584**						**265,481**

(*) “Translation differences” includes the effect of the hyperinflation in Argentina.

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)**
Provisions	**(20,582)**	**-**	**123**	**4,426**	**-**	**(269)**	**(16,302)**
Carrying amount	**402,134**						**350,584**

The column headed “Business combinations” includes the fair value of the assets associated with the acquisition of the remaining 70% of Italy's New Joker, S.R.L. (note 6.a.1.).

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 “Doctores”, “Centenario”, “Cholula” and “CD del Carmen” gaming room in Mexico. At December 31, 2020, "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), 8,717 thousand euros of asset impairment losses in Colombia (8,818 thousand euros at year-end 2019) and 420 thousand euros in Mexico (1,488 thousand euros at year-end 2019).

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 breakdown of the original cost of the fully depreciated items of property, plant and equipment still in use at year-end (and whose fair value is considered negligible):

	Thousands of euros	
Cost	**Dec. 31, 2020**	**Dec. 31, 2019**
Amusement machines	219,266	155,624
Gaming machines and sports-betting terminals	18,103	9,056
Other fixtures, fittings and tools	93,510	75,635
Computer equipment	64,081	52,656
Vehicles	3,513	2,475
Buildings	21,984	18,225
Refurbishment of leased premises	126,749	98,473
Plant and machinery	62,604	42,375
Total	**609,810**	**454,519**

9.b) Investment properties

At year-end 2020 and 2019, 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, 2019**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2020**
Other fixtures, fittings and tools	3,680	120	(98)	-	(492)	3,210
Computer equipment	995	47	-	-	(132)	910
Vehicles	96	-	-	-	(12)	84
Land	715	-	-	-		715
Buildings	74,970	-	-	-	(9,845)	65,125
Refurbishment of leased premises	5,266	186	-	-	(704)	4,748
Plant and machinery	925	178	-	-	(123)	980
Total	**86,647**	**531**	**(98)**	**-**	**(11,308)**	**75,772**

						Thousands of euros
Accumulated depreciation	**Balance at Dec. 31, 2019**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2020**
Other fixtures, fittings and tools	(3,405)	66	-	-	455	(2,884)
Computer equipment	(977)	(5)	-	-	130	(852)
Vehicles	(96)	-	-	-	13	(83)
Buildings	(26,990)	(1,523)	-	-	3,611	(24,902)
Refurbishment of leased premises	(1,736)	(138)	-	-	232	(1,642)
Plant and machinery	(774)	(39)	-	-	103	(710)
Total	**(33,978)**	**(1,639)**	**-**	**-**	**4,543**	**(31,072)**
Carrying amount	**52,669**					**44,699**

Thousands of euros

Cost	Balance at Dec. 31, 2018	Additions	Derecognitions	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**

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 2020. However, in light of the prevailing pandemic, rental income fell drastically in 2020, as the Center was initially shut down and later provided for use as a hospital facility for Covid-19 patients in Mexico City.

The estimated minimum future rent collectable under this lease agreement in the next five years amounts to 763 million pesos.

Under the terms of the agreement, the Group has also undertaken to invest at least 15 million Mexican pesos (approximately 0.6 million euros) in the facility every year.

Fair value of investment properties

The Group has updated the fair value of the assets, fundamentally the Centro City Banamex in Mexico, based on the estimate of future flows according to the lease contract described in Note 9, considering a discount rate of 11.7 under the assumption of continuity of the contract. The growth rate used to calculate the terminal value of each unit is equivalent to the annual variation of the consumer price index in the long term for each country, in the case of Mexico is 3 %. Based on this analysis, the fair value at December 31, 2020 is 62.7 million euros (99.7 million euros at December 31, 2019).

10. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

The entities with which the Group has joint ventures are disclosed in Appendix I. At December 31, 2020, the Group companies that constitute joint ventures are Hippobingo Firenze, S.R.L., 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, 2019**	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Dec. 31, 2020**
Investments in equity-accounted investees	526	-	(166)	(190)	170
	526	**-**	**(166)**	**(190)**	**170**

					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**

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

Joint ventures **2020**	**Hippobingo Firenze, S.R.L.**	**Total**
Non-current assets	**2,819**	**2,819**
Fixed and intangible assets	2,819	2,819
Deferred tax	-	-
Current assets	**350**	**350**
Current assets	280	280
Cash and cash equivalents	70	70
TOTAL ASSETS	**3,169**	**3,169**
Non-current liabilities	**(647)**	**(647)**
Deferred tax	-	-
Non-current borrowings	(608)	(608)
Non-current financial liabilities	(39)	(39)
Current liabilities	**(2,501)**	**(2,501)**
Current payables	(2,163)	(2,163)
Current financial liabilities	(338)	(338)
TOTAL EQUITY AND LIABILITIES	**(3,148)**	**(3,148)**
Revenue	1,439	1,439
Operating expenses	(1,430)	(1,430)
Operating profit/(loss)	**9**	**9**
Finance income	-	-
Finance costs	(3)	(3)
Net finance cost	**(3)**	**(3)**
Tax expense	-	-
Profit/(loss) for the year	**6**	**6**

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 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 borrowings	(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 EQUITY AND 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 cost	**(2)**	**(20)**	**(22)**
Tax expense	(22)	-	(22)
Profit/(loss) for the year	**(264)**	**245**	**(19)**

On July 30, 2020 Operbingo Italia, S.P.A. became the sole shareholder of New Joker, S.R.L. and that investment is now fully consolidated as a result. Before that date, the Group held a 30% interest in New Joker, S.R.L., whose core business is the management and operation of a bingo hall in Rome.

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 2020 and 2019 and the resulting year-end balances are provided below:

	Thousands of euros	
	2020	2019
EXPENSES AND INCOME		
Other expenses	-	-
TOTAL EXPENSES	**-**	**-**
Finance income	160	
Services rendered	290	33
Sale of inventories	-	-
Other income	-	1
TOTAL INCOME	**450**	**34**

	Thousands of euros	
	Dec. 31, 2020	Dec. 31, 2019
YEAR-END BALANCES:		
Trade receivables	1,183	1,875
Loans extended	2,824	2,617
TOTAL ACCOUNTS RECEIVABLE	**4,007**	**4,492**
Trade payables	-	(1)
Loans received	(11)	(11)
TOTAL ACCOUNTS PAYABLE	**(11)**	**(12)**

11. GOODWILL

The reconciliation of the carrying amount of goodwill by cash-generating unit at the beginning and end of the reporting period (in thousands of euros):

	Thousands of euros				
2020	Balance at Dec. 31, 2019	Additions	Derecognitions	Translation differences (*)	Balance at Dec. 31, 2020
Spain	29,863				29,863
Argentina	47,092			(7,317)	39,775
Italy	47,444		(60)		47,384
Panama	31,276		(2,000)	(2,643)	26,633
Mexico	70,024			(9,453)	60,571
Uruguay	6,593			(1,275)	5,318
Total	**232,292**		**(2,060)**	**(20,688)**	**209,544**

(*) “Translation differences” includes the effect of the hyperinflation in Argentina (note 2.b.2.3)

The amounts derecognized in 2020 correspond to impairment losses recognized in Panama (note 14) and in Italy due to the closure of a gaming room.

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			
2020	Cost	2018 and earlier	2019	2020	Carrying amount
Spain	109,191	(79,328)			29,863
Argentina	39,775				39,775
Italy	116,518	(69,134)			47,384
Panama	28,633			(2,000)	26,633
Mexico	84,901	(24,330)			60,571
Uruguay	5,318				5,318
	384,336	**(172,792)**		**(2,000)**	**209,544**

12. 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:

Item	Balance at Dec. 31, 2019	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2020
						Thousands of euros
Loans and receivables	15,397	1,712	(1,644)	(219)	(1,313)	13,933
Held-to-maturity investments	4,560	1	(1,491)	397	(3)	3,464
	19,957	**1,713**	**(3,135)**	**178**	**(1,316)**	**17,397**

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

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

Currency	Thousands of euros 2020	2019
Euros	10,996	13,208
US dollars	4,860	4,851
Argentine pesos	103	164
Mexican pesos	1,221	1,519
Colombian pesos	217	215
	17,397	**19,957**

a) Loans and receivables:

Type	Company holding the asset	Thousands of euros 2020	2019
Non-current loans	Alta Cordillera, S.A.	2,753	2,905
Non-current loans	Grupo Operbingo Italia, S.p.A.	2,183	2,183
Non-current loans	Operibérica, S.A.	1,173	1,318
Non-current loans	Codere México, S.A.	1,256	1,543
Other smaller loans to third parties		6,568	7,448
		13,933	**15,397**

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

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

	Thousands of euros	
	2020	**2019**
2021	-	4,383
2022	5,299	3,011
2023	545	635
2024	957	387
2025	460	-
Beyond	6,672	6,981
	13,933	**15,397**

b) Held-to-maturity investments:

	Thousands of euros	
Investment type	**2020**	**2019**
Hopper deposits	3,258	3,839
Other	206	721
	3,464	**4,560**

13. DEFERRED TAX

The reconciliation of deferred tax (in thousands of euros):

	Thousands of euros			
	2020		**2019**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	16,869	(51,227)	17,865	(80,842)
Property, plant and equipment	7,598	(7,478)	9,932	(2,741)
Financial assets	-	-	(1)	-
Exchange differences	-	-	-	-
Tax credits	15,415	4,781	19,736	-
Impact of IFRS 16	5,499	-	5,197	-
Provisions	4,179	925	2,003	2,071
Inflation adjustment for income tax purposes in Argentina (5/6)	(3,866)	(8,919)	912	(5,664)
Argentine asset revaluation for tax purposes	16,869	(51,227)	17,865	(80,842)
Argentine asset revaluation for accounting purposes (hyperinflation)	7,598	(7,478)	9,932	(2,741)
Other	194	(3,121)	1,186	3,034
	45,888	**(65,039)**	**56,830**	**(95,726)**
Deferred tax assets/(liabilities) to be recovered after more than 12 months	28,325	(62,067)	54,240	(96,741)
Deferred tax assets/(liabilities) to be recovered within 12 months	17,563	(2,972)	2,590	1,015

	45,888	**(65,039)**	**56,830**	**(95,726)**

Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity and there is a legally enforceable right to offset current tax assets against current tax liabilities.

The ability to utilize the recognized tax assets is reassessed regularly against the business projections, analyzing the reversal of the temporary differences and the ability to utilize the tax losses. Those projections specifically take into consideration the following:

- The business performance trends gleaned from the business plans for each region over a 5-year projection period.

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

- Estimated cash flows from operations from the companies comprising the consolidated group as a result of transactions with the rest of the business units. Those flows are generated by:

    • The provision of corporate services.

    • Returns on loans extended.

    • Dividends receivable.

The amount of such positive flows in terms of taxable income at the group is considered sufficient to substantiate the ability to utilize the tax assets recognized on the statement of financial position within the terms provided for in prevailing tax legislation in each country.

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

(Thousands of euros)

	Balance at Dec. 31, 2019	Recognized in profit or loss for the year	Recognized directly in equity	Business combination	Transfers	Restatement for hyperinflation	Translation differences	Balance at Dec. 31, 2020
Assets								
Unused tax losses and credits	15,736	(1,355)	-	-	1,056	-	(22)	15,415
Intangible assets	17,865	2,559	-	-	(1,098)	-	(2,457)	16,869
Property, plant and equipment	9,932	(195)	58	7	(995)	-	(1,209)	7,598
Provisions	2.003	1,364	-	-	837	-	(25)	4,179
Non-current financial assets	(1)	-	-	-	1	-	-	-
IFRS 16	5,197	689	-	-	418	-	(805)	5,499
Inflation adjustment for income tax purposes in Argentina	912	2,047	-	-	(4,306)	(2,199)	(320)	(3,866)
Other	1,186	(560)	-	1	(417)	-	(16)	194
	52,830	**4,549**	**58**	**8**	**(4,504)**	**(2,199)**	**(4,854)**	**45,888**
Liabilities								
Tax credits	-	4,781	-	-	-	-	-	4,781
Property, plant and equipment	(2,741)	2,194	-	-	(8,940)	-	2,009	(7,478)
Financial assets	-	-	-	-	-	-	-	-
Intangible assets	(80,842)	5,295	-	(221)	17,202	-	7,339	(51,227)
Provisions	2,071	2,329	-	-	(3,055)	-	(420)	925
Argentine asset revaluation for accounting purposes (hyperinflation)	(17,248)	(541)	-	-	4,641	(1,667)	5,896	(8,919)
Other	3,034	(1,067)	(58)	-	(5,344)	-	314	(3,121)
	(95,726)	**12,991**	**(58)**	**(221)**	**4,504**	**(1,667)**	**15,138**	**(65,039)**
	(42,896)							**(19,151)**

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							
Unused tax losses and 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
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)**	**0**	**831**	**52,830**
							0
Liabilities							0
Property, plant and equipment	(4,044)	97		315	-	891	(2,741)
Financial assets	(216)	-	-	216	-		0
Intangible assets	(73,433)	(2,378)	-	(860)	-	(4,171)	(80,842)
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)**	**0**	**546**	**4,534**	**1,560**	**(95,726)**
	(47,086)						**(42,896)**

The deferred tax assets and liabilities recognized in 2020 mainly relate to:

Deferred tax assets: As a result of the Group's analysis of the recoverability of its deferred tax assets, it proceeded to recognize deferred tax assets for unused tax losses in the amount of 10,707 thousand euros in Argentina, 5.088 thousand euros in Italyand 209 thousand euros in Spain in relation to companies that are not part of the consolidated tax group; elsewhere, it derecognized tax assets in the amount of 11,089 thousand euros in respect of the tax group in Spain and in the amount of 1,490 thousand euros in Panama.

In 2019, it recognized deferred tax assets for unused tax losses in the amount of 1,400 thousand euros in Panama, which was offset by the utilization of tax losses during the year in the amount of 300 thousand euros by Group companies in Italy and the derecognition of tax assets in respect of unused tax losses in Spain in the amount of 4.000 thousand euros.

IFRS 16: Application of IFRS 16 *Leases* triggered the recognition of a deferred tax asset for temporary differences totaling 300 thousand euros in 2020 (5,200 thousand euros in 2019), amounts that will be reverted in the coming years, in keeping with the terms of the lease agreements recognized as right-of-use assets. Refer to note 8 above for detailed disclosures regarding the effects of application of IFRS 16.

Investment impairment losses: 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 8,000 thousand euros in 2016, which was equivalent to four-fifths of the impairment losses still pending reversal during the following four years.

In 2018, 2019 and 2020, a total of 6,000 thousand euros have reverted, leaving an outstanding balance of 2,000 thousand euros at year-end 2020, corresponding to the one-fifth of the impairment losses pending reversal in 2021; that balance is included within deferred tax liabilities for provisions in respect of Spain, along with other items corresponding to the other Group companies.

Adjustment for Tax Inflation:

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. At 31 December 2020, the Group recognized a deferred tax asset of 17,279 thousand euros in that connection (20,294 thousand euros at year-end 2019).

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 2018, 2019 and 2020, the Group recognized a deferred tax liability in respect of the accounting depreciation/amortization charges related to the assets revalued for hyperinflation accounting purposes. The related deferred tax liability amounted to 25,690 thousand euros at December 31, 2020 (year-end 2019: 31,878 thousand euros) (refer to "Argentine asset revaluation for accounting purposes (hyperinflation)" in the above reconciliation). The decline from year-end 2019 in euro terms reflects currency depreciation in 2020 ("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 2020 the Group recognized a net deferred tax liability of 4,375 thousand euros in respect of the stipulated inflation adjustment calculated for the year (4,752 thousand euros in 2019). The remaining sixth to be allocated to the current year was duly recognized within current tax (note 22).

Asset depreciation: The rest of the changes observed in deferred tax assets and liabilities with respect to 2019 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).

On the other hand, in relation to the dividend repatriation policy described in note 18.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, for which the change in the Law on general state budgets approved in Spain for 2021 has been taken into account in relation to the limitation to 95% of the applicable exemption on dividend income that had been applied to 100% to date.

14. 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 tests its non-financial assets (goodwill and other non-current assets) for impairment annually or more often if events or changes in circumstances indicate a potential impairment. However, the mandatory restrictions and lockdowns imposed in response to Covid-19 and the fact that the bulk of the Group's in-person operations were closed during the first half of 2020 have meant that the Group has been testing its non-financial assets for impairment quarterly, recognizing a loss of 2 million euros against assets in Panama in 2020.

However, the Group's value in use has been reduced by 24% compared to 2019.

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.

The impairment tests incorporate the right of use in the CGU, but reduce it by the financial liability, considering the application of paragraph 78 of IAS 36 applies.

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 2021 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 prepared by the Codere Group's management in 2020 and were approved by the Board of Directors on January 25, 2021.

For 2021 and 2022 the new forecasts are based on the detailed projections approved by each business unit, layering in the best estimates for the businesses' outlook. The forecasts are underpinned by certain assumptions about the pace of business reopening in each region and how long it will take for demand to recover; specifically, the demand recovery curve assumes that revenue will recover gradually in time. The new projections were prepared by the Codere Group's management after the December 31, 2020 reporting date and were ultimately approved by the Board of Directors. The projections are based on a hypothetical gradual revenue recovery curve that runs, initially, from January 2020 until December 2021, assuming that revenue recovers slowly, depending on each country, to end up back at 85-90% of normal levels by year-end 2021.

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, revised to reflect the impact of the Covid-19 pandemic in 2020 and 2021, 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 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, 2020.

The need to factor the impact of Covid-19 on cash flow generation into the cost of capital calculations has made it necessary to make a distinction in the capital structure modeling exercise between a short-term structure and a medium/long-term structure. The short-term capital structure reflects the inevitable change in financing conditions deriving from the need to fund operations as a result of the impact of Covid-19 on business operations as well as the recent financing transactions arranged by the Group, while the medium/long-term capital structure reflects normalization of the capital structure in the context of business continuity and the return to more usual operating and financing conditions.

In both instances the average cost of capital uses data observations taken mainly from external sources.

For both the short/medium-term and the long-term capital structure, the cost of equity was obtained using the capital asset pricing model (CAPM); the risk-free rate was determined using yield curves for bonds issued by certain benchmark sovereigns (Germany and the US); the country risk premiums were 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 was then layered in using the levered beta multiplied by the equity risk premium to obtain the total cost of equity.

In both instances (i.e., for both the short/medium-term and the long-term capital structure estimates), in light of the readings observed, it was noted that the yield curves for the bonds issued by certain European governments 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; for that reason, the European sovereign bond curves have been revised upwards.

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 and also by reference to the average yield on long-term European sovereign bonds since 2012.

To calculate the cost of debt, the Group distinguished between its expected cost of borrowing in the medium and long term. For the medium term, the cost of debt was estimated on the basis of the refinancing terms stipulated for the issues currently outstanding and the cost of the new issues completed during the second quarter of 2020. To calculate the estimated long-term cost, the calculations start from the benchmark risk-free rates for each region for external borrowings (long-term swaps in euros and sovereign bonds in US dollars). The calculations then factor in the implicit spreads on B-issues with respect to the risk-free curves, correcting the spreads for the CGUs with lower country risk premiums (by 150bp for Latin America other than Argentina (by 50bp) and by 200bp in Europe).

Lastly, the weighted average cost of capital used for each CGU (shown below) is calculated by using the weighted average of the short-, medium- and long-term capital structure rates (which is also used for the sensitivity analysis).

Key assumptions

Given the global crisis generated by the Covid-19 pandemic, the Group has prepared a series of estimates and projections based on business operating assumptions as a function of each country's path towards 'normalization' so as to enable the opening of the Group's physical establishments in its various operating markets.

The most significant assumptions used to project gaming operations during the period in which the Group is being affected in terms of its ability to open its establishments and the various restrictions introduced by each government mainly 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 those variables following the interruption of business due to the global Covid-19 pandemic drives variability in revenue in 2020 and 2021.

Other relevant inputs include the projected levels of operational efficiency and gearing, as key drivers of EBITDA margins, and the drop in variable costs during the period in which operations are interrupted. The table below shows the carrying amount assigned to each cash-generating unit at December 31, 2021, 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 most sensitive assumptions are the after-tax discount rate applied and the organic growth rate used to calculate the terminal value at the end of the explicit projection period:

Cash-generating unit	Carrying amount of the CGU assets[1] at December 31, 2020 (thousands of euros)	Impairment loss / reversal of loss at December 31, 2020 (thousands of euros)	After-tax discount rate
Argentina	101,039	-	39.7%
Mexico	53,256	-	11.0%
Banamex Convention Center	267,780	-	10.3%
Spain[3]	42,874	-	10.3%
Italy[4]	42,244	-	9.1%
Panama	2,217	-	9.6%
Colombia	117,371	-	7.4%
Uruguay	40,014	-	7.6%
Holdcos and other			
Total	**666,795**		**N/A**

Cash-generating unit	Organic growth rate used to calculate the terminal value
Argentina	17.0%
Mexico	3.0%
Banamex Convention Center	3.0%
Spain(3)	1.7%
Italy(4)	1.4%
Panama	2.0%
Colombia	3.0%
Uruguay(5)	4.0%
Holdcos and other	-
Total	**N/A**

Note: Due to the pandemic situation caused by covid 19 and its impact on the company's income and results, the data of the compound anual rate of income growth in local currency and the variation of the EBITDA margin in percentage points are not provided, given the lack of comparability of the same from one year to another

(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) 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.
(3) 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, 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(5)	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(5)	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, 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 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).

Sensitivity analysis - December 31, 2020

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 value in use and the CGUs' 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	42.3%	14.7%
Uruguay	25.1%	-27.7%
Mexico	19.3%	-13.9%
Banamex Convention Center	13.5%	-1.4%
Panama	12.2%	-2.2%
Colombia	177.5%	<-25%
Spain	15.4%	-11.2%
Italy	20.3%	-22.1%
Holdcos and other	-	-
Total	**N/A**	**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.

15. INVENTORIES

	Thousands of euros	
	Year-end 2020	**Year-end 2019**
Gaming machines	134	147
Machine parts	1,625	2,455
Hospitality supplies	2,141	3,809
Bingo cards	105	139
Other items	3,118	4,181
	7,123	**10,731**

In 2020, the Group expensed 8,710 thousand euros of inventories (2019: 34,686 thousand euros).

16. Accounts receivable

a) Trade receivables:

At December 31, 2020, “Trade receivables” includes, among other items, 3,977 thousand euros due for the provision of hospitality and management services to hospitality establishments in Spain (3,338 thousand at year-end 2019).

b) Current tax assets:

At December 31, 2020, “Current tax assets” amounted to 5,603 thousand euros (year-end 2019: 26,574 thousand euros), of which 166 thousand euros corresponded to the Argentine segment and 3,444 thousand euros to the Mexican segment (8,967 thousand euros and 13,421 thousand euros at year-end 2019, respectively).

c) Sundry receivables:

	Thousands of euros	
	2020	**2019**
Sundry receivables	65.266	70,979
Accrued tax receivable	31.990	53,907
Due from employees	912	892
Provisions	(43.462)	(38,244)
	54.706	**87,534**

At year-end 2020, “Sundry receivables” includes approximately 25,485 thousand euros (23,803 thousand euros at year-end 2019) 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.

It also includes 370 thousand euros (1,571 thousand euros at December 31, 2019) receivable from CIE group companies, mainly Make Pro, S.A. de C.V., for advertising and sponsorship services.

Lastly, this heading includes 9,168 thousand euros (16,678 thousand euros at December 31, 2019) 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 machine operators in Italy and also against amounts due from the customers of Carrasco Nobile in Uruguay. As indicated in note 2, in 2020, due to the pandemic and its adverse impact on the Group's business, management conducted exhaustive analysis of its expected credit losses in the various markets in which it operates, an exercise that has given rise to a significant increase in provisions for receivables impairment by comparison with prior years.

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

	Thousands of euros
Balance at Dec. 31, 2019	**(38,244)**
New businesses incorporated	-
Provision for receivables impairment	(29,920)
Unused amounts reversed	23,179
Derecognition	469
Translation differences	1,054
Balance at Dec. 31, 2020	**(43,462)**
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)**

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

d) Accrued tax receivable:

At December 31, 2020, "Accrued tax receivable" amounted to 31,991 thousand euros (31,990 thousand euros at year-end 2019). That sum includes 24,583 thousand euros (44,094 thousand euros receivable at year-end 2019) 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 7,407 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**	
	2020	**2019**
Euros	32,339	46,487
US dollars	8,925	16,461
Argentine pesos	623	9,463
Mexican pesos	33,806	66,084
Uruguayan pesos	6,759	2,473
Pound sterling	-	15
Colombian pesos	2,406	1,781
Brazilian reais	68	96
	84,926	**142,860**

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.

17. OTHER CURRENT FINANCIAL ASSETS

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

2020	Balance at Dec. 31, 2019	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2020
						Thousands of euros
Other credit	43,345	12,832	(11,568)	(292)	(1,715)	42,602
	43,345	**12,832**	**(11,568)**	**(292)**	**(1,715)**	**42,602**

The decrease under "Other credit" in the table above is mainly attributable to the year-on-year decline, following the business closures induced by the pandemic, in the balances receivable across the Italian gaming network.

2019	Balance at Dec. 31, 2018	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2019
						Thousands of euros
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 2019 corresponded 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:

	2020	2019
	Thousands of euros	
Current loans	18,101	14,619
Deposits and guarantees extended	24,501	28,358
Short-term deposits	-	368
	42,602	**43,345**

"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 4,205 thousand euros (10,494 thousand euros at year-end 2019).

Additionally, 7,300 thousand euros are included corresponding to a cash collateral that the Group has deposited to support the issuance of a bank guarantee for 100% of the guarantee that is held before the Montevideo City Council, necessary for the operation of the Hotel Casino Carrasco. This collateral was constituted as a consequence of the cancellation of the multi-currency supersenior credit line and will be canceled in the short term when the corresponding guarantee to replace the deposit made is achieved.

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

Currency	Thousands of euros	
	2020	**2019**
Euros	21,710	26,499
US dollars	8,548	4,307
Argentine pesos	(279)	45
Mexican pesos	12,310	11,819
Uruguayan pesos	92	423
Colombian pesos	221	2
Pound sterling	-	250
	42,602	**43,345**

18. EQUITY

a) Share capital

The Parent's shares have been traded on the Madrid stock exchange since October 19, 2007.

On July 24, 2020, the shareholders of Codere S.A. agreed at the Annual General Meeting, in order to create a restricted reserve, and at the recommendation of the Board of Directors, as per a report issued by the latter on June 22, 2020 for the purposes of article 286 of Spain's Corporate Enterprises Act, to reduce the Company's share capital by 450,445,638.80 euros by reducing the par value of each of the Company shares currently outstanding by 3.80 euros per share. That transaction was raised to public deed on September 11, 2020 and duly registered on October 1, 2020.

As a result of that capital reduction, the Company's share capital amounts to 59,269,173 euros, each share having a par value of 0.50 euros.

The Parent's shareholder structure at year-end:

	Shareholding (*)	
	%	%
Shareholder	**Year-end 2020**	**Year-end 2019**
Silver Point Capital Management, LLC.	23.19%	3.19 %
José Antonio Martínez Sampedro	14.07%	*14.07%*
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%
Evermore Global Advisors LLC	5.20%	5.20%
Other minority shareholders	20.63%	20.63 %
	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 2020.

a) 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).

b) Own shares

At December 31, 2020, the Company held 190,066 own shares (year-end 2019: 189,519) that were carried in equity at 707 thousand euros (year-end 2019: 721 thousand euros).

Codere terminated the liquidity agreement with JB Capital Markets, S.V., S.A.U. (dated November 20, 2018) on April 17, 2020, the most significant characteristics of which, in keeping with the provisions of applicable securities market law, were:

- 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 used in 2019 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.

- Suspension of the voting and dividend rights on the shares deposited in the security account.

Of the 189,519 own shares held at December 31, 2019, 161,743 were acquired 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 in 2019 at an average price of €3.45 per share. Those shares are fully paid.

In 2020, 517 shares were acquired under that agreement.

d) Legal reserve and restricted reserves

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. The legal reserve stood at 19,953 thousand euros at September 30, 2020 and December 31, 2019.

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.

Elsewhere, in connection with the capital decrease resulting from the above-mentioned reduction in the par value of the Company's shares, the Company has set up a restricted reserve in the amount of 450,445,638.80 euros. As provided in article 335.c) of the Corporate Enterprises Act, that reserve can only be used if the requirements stipulated for reducing share capital are met.

e) 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, except for Spain.

At present, all of the subsidiaries can distribute dividends except for the Spanish companies that have been obliged to avail of the pandemic-related furlough schemes and the Argentine companies that have received government aid, which, for the most part, are not entitled to pay out dividends from the earnings generated during the year in which the related measures were introduced. In addition, in Argentina, dividends may only be distributed if the prior-year tax losses have been offset.

f) Disclosures by company

The breakdown of equity by Group company at year-end 2020 is provided in Appendix II.

19. PROVISIONS

19.1. Non-current provisions

					Thousands of euros
2020	**Balance at Dec. 31, 2019**	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Dec. 31, 2020**
Provision for retirement bonuses	14,568	3,851	(1,686)	(947)	15,786
Other provisions	7,420	6,266	662	(1,267)	13,081
	21,988	**10,117**	**(1,024)**	**(2,214)**	**28,867**

Derecognitions includes the transfer to “Other payables” from "Non-current payables" of the existing provisions for taxes, which stood at 230 thousand euros at December 31, 2020, as prescribed in IFRIC 23 (note 8).

"Other provisions" includes the 2.7 million euro provision recognized in connection with the long-term incentive plan detailed in note 2. b.19.

					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**

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, 2020, this heading includes 1,689 thousand euros recognized by Codere Network, S.p.A. to cover potential liabilities arising from claims ongoing in Italy (year-end 2019: 1,493 thousand euros).

It 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. Lastly, it includes the 2.7 million-euro provision recognized in connection with the long-term incentive plan detailed in note 2.b.19.

19.2. Current and other provisions

	Thousands of euros	
	2020	**2019**
Provision for options	1,564	1,552
Other	7,718	5,844
Total current and other provisions	**8,742**	**7,396**

“Other” in the table above mainly includes 3,881 thousand euros (2,831 thousand euros at year-end 2019) of income collected in advance by the Icela Group.

20. FINANCIAL LIABILITIES

a) Non-current borrowings

	Thousands of euros	
	2020	**2019**
Notes issued by Codere Finance 2 (Luxembourg), S.A., by HRU, S.A. (Hípica Rioplatense Uruguay, S.A.) and by Alta Cordillera, S.A.	922,431	787,931
Bank borrowings	42,732	76,990
Other borrowings	28,494	30,861
Finance lease obligations (*)	152,292	208,033
Total	**1,145,949**	**1,103,815**

(*) In 2020 and 2019, this heading corresponds entirely to the lease liabilities recognized under IFRS 16 (note 8)

a.1) Issued notes - non-current

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

	Thousands of euros					
	Face value	**Currency**	**Effective interest rate**	**Maturity**	**2020**	**2019**
Notes issued by Codere Finance 2 (Luxembourg), S.A.	500,000	Euros	14.55%	October 31, 2023	457,875	496,824
Notes issued by Codere Finance 2 (Luxembourg), S.A.	300,000	US dollars	15.36%	October 31, 2023	223,933	265,103
Notes issued by Codere Finance 2 (Luxembourg), S.A.	250,000	Euros	13.28%	September 30, 2023	238,526	-
Marketable notes issued by Hípica Rioplatense Uruguay (*)	26,924	US dollars	4.25%	November 29, 2029	-	21,763
Marketable notes issued by Hípica Rioplatense Uruguay (*)	3,076	US dollars	4.75%	November 29, 2029	-	2,441
Notes issued by Alta Cordillera, S.A.	1,500	US dollars	8.89%	September 13, 2024	1,180	1,227
Notes issued by Alta Cordillera, S.A.	700	US dollars	8.89%	October 2, 2024	550	573
Notes issued by Alta Cordillera, S.A.	200	US dollars	7.50%	July 26, 2024	163	-
Notes issued by Alta Cordillera, S.A.	250	US dollars	7.50%	July 26, 2024	204	-
					922,431	**787,931**

(Thousands of euros)

As outlined in the going-concern assessment in note 2.a.1, on October 30, 2020, the Group completed the refinancing of the notes issued by Codere Finance 2 (Luxembourg), S.A. (the Existing Notes) and issued the Further Notes (together with the 85 million euros of Interim Notes issued in July 2020, the New Notes) in the amount of 165 million euros, for total new funding of 250 million euros. Until the date of the refinancing, the existing euro notes bore an annual coupon of 6.750%, while existing US dollar notes bore a coupon of 7.625%. The Interim Notes, in the amount of 85 million euros, bore a coupon of 12.75%.

As from the date of the refinancing - October 31, 2020 -, the terms of the Existing Notes and New Notes have been amended as follows:

- The date of maturity on Existing Notes has been extended to October 30, 2023; the New Notes mature on September 30, 2023.

- The rates of interest have been modified as follows:

  - For the Existing Notes, there has been an increase in the corresponding coupon, comprising a mandatory 4.50% cash-pay component and, at the election of the Issuer, a further cash-pay (5.00% on the euro notes; 5.875% on the dollar notes) or payment in kind (PIK) (6.25% on the euro notes; 7.125% on the dollar notes) component.
  - For the New Notes, the coupon is 10.75%.

The New Notes are super senior obligations under the terms of the intercreditor agreement (the "Intercreditor Agreement") which currently governs the inter-relationship between the RCF, the surety bond facility ("SBF") and the Existing Notes.

The New Notes feature limits on the amount of debt that can be issued locally, specifically a basket of 95 million euros for local debt and a limit of 25 million euros for debt taken on for general purposes. At September-end 2020, the Group had approximately 85 million euros of local debt and had not availed of the basket of debt for general corporate purposes.

In the two noted issuance concessions, Glas Trust Corporation Limited acts as Guarantee Agent, being guarantors of the operations:

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

(*) Guarantor on the notes.
(**) Guarantor on the notes and shares pledged as collateral.
(***) Parent guarantor on the notes.
(****) Issuer and guarantor of the notes.

In addition, all of the above-listed companies were guarantors under the 95 million-euro super senior multi-currency revolving facility taken out by Codere Newco, S.A.U., which was repaid as part of the refinancing process completed on October 30, 2020.

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.

The notes feature a minimum liquidity requirement, such that the Group must hold 40 million euros of liquidity (cash and cash equivalents and undrawn credit facilities, measured monthly) at all times. In the event it breaches that requirement, however, the Group has 60 days to address the situation.

Accounting treatment of the refinancing process

Given the conclusion that the borrowings arising from the modification of the terms and conditions of the Existing Notes (refer to note 2.a.1 on the financial restructuring process) constitute a new financial liability (the 10% test points to substantially different terms), the latter has to be valued at its fair value as of the date of the restructuring (October 30, 2020).

In estimating the fair value of the restructured notes, it was decided not to use the quoted price as a direct input (for either the euro- or dollar-denominated notes), due to the fact that the market on which they are traded is not considered an "active market", as prescribed in IFRS 13; there is some trading but the trades are infrequent (not daily), trading volumes are low and prices vary considerably. As a result, it was concluded that the prices at which those trades go through cannot be deemed Level 1 quoted prices for fair value hierarchy purposes (paragraphs 76 and 77 of IFRS 13).

On the restructuring close date, Codere also issued New Notes. The New Notes do not stem from a previous restructuring and the return earned by the investors that have invested their funds in those notes is deemed a market return, such that they represent new money (in euros) for which the investors have agreed to a specific return.

Therefore, the yield on those New Notes was taken as the benchmark for measuring the Existing Notes and was then adjusted to reflect the fact that the former rank senior to the latter. The difference in the ranking claim was accounted for by reference to the difference in the official credit ratings assigned by the ratings agencies to the New versus the Existing Notes. The yield on the euro versus the dollar notes varies additionally on account of the difference in the risk-free rates, or swap rates, between the two regions.

The adjusted yield was then used to discount the Existing Notes to their present value. That present value was deemed the best estimate of their fair value. As a result of that valuation exercise, the Group has recognized an accounting gain in the amount of 60 million euros in the 2020 consolidated statement of profit or loss.

The measurement so obtained is considered Level 2 for fair value hierarchy purposes.

The transaction costs associated with the issuance of the New Notes and the renegotiation of the Existing Notes, in a total amount of 28,853 thousand euros, have been deducted from the carrying amount of the borrowings. Subsequently the borrowings are measured at amortized cost

At December 31, 2020, the Group was compliant with all of the restrictions and ratios imposed under its main borrowing agreements. However, as part of the refinancing process outlined in note 2.a.1, on July 23, 2020, Codere entered into a standstill agreement with the RCF creditors (the "RCF Standstill Agreement"), under which it obtained a temporary waiver, for the period of time needed to implement the refinancing transaction, from the events of default stipulated in the RCF. The refinancing transaction completed on October 30, 2020, at which point the RCF was repaid in full.

The Group evaluates compliance with its ratios regularly and will tackle any potential future breach as warranted.

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.

On December 31, 2020, the entire balance corresponding to the marketable notes issued by HRU were reclassified to current liabilities due to the estimated shortfall at year-end in respect of the “Guarantee Ratio” stipulated in the securities note and trust agreement, as a result of the adverse impact of the pandemic on the business in Uruguay. That ratio is measured quarterly and is calculated as prevailing monthly lease payments on casino rooms multiplied by 12 relative to the balance outstanding on the marketable notes and must at all times exceed 1x.

Although the aforementioned breach of the Guarantee Ratio does not automatically trigger prepayment, as that can only be declared via majority at a Noteholder Assembly, and although noteholders holding at least 51% of the related voting rights have expressly told the Company that they do not intend to call the notes as a result of the above breach, those borrowings have been classified as current financial liabilities in accordance with paragraph 75 of IAS 1.

At December 31, 2020, the interest accrued and outstanding amounted to 12,749 thousand euros (9,019 thousand euros at December 31, 2019).

a.2) Non-current bank borrowings:

			Thousands of euros	
	Effective average interest rate	**Maturity**	**2020**	**2019**
Spanish Group	1.69%	2021-2028	1,630	549
Holdco	8.25 %	2022	1,860	7,959
Holdco	Euribor + 4.0%	2021	-	42,337
Italian Group	1.31%	2021-2023	3,853	1,409
Icela Group	TIIE (Mex. benchmark rate) + 3.5%	2026	5,776	6,860
Icela Group	TIIE (Mex. benchmark rate) + 4.9%	2025	15,329	-
Mexican Group	1m LIBOR + 6.0%	2020	-	1,009
Mexican Group	TIE (Mex. benchmark rate) + 5%	2022	1,363	826
Uruguay (Carrasco Nobile)	6.78% - 8.35%	2022-2023	12,921	16,041
			42,732	**76,990**

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 12,921 thousand euros at December 31, 2020 (16,041 thousand euros at year-end 2019), 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.

- The borrowings of the ICELA Group, in the amount of 15,329 thousand euros, correspond to a loan agreement entered into on March 13, 2020, in the amount of 85 million pesos, due 2025.
- 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. On October 30, 2020, the Group fully repaid the balance drawn under that facility, specifically 86 million euros plus the amount corresponding to the surety bond facility, included in the revolving facility, in the amount of 8.2 million dollars.

a.3) Other non-current borrowings

The amount recognized under "Other non-current borrowings" in the amount of 28,494 thousand euros at December 31, 2020 (30,861 thousand euros at December 31, 2019) includes non-current accounts payable by Spanish companies for exclusivity rights in the amount of approximately 10,124 thousand euros at December 31, 2020 (10,280 thousand euros at year-end 2019). At year-end 2020, it also includes the sum of 11,925 thousand euros (year-end 2019: and 10,790 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, Catalonia, Asturias, Aragon, Castile & Leon, Extremadura and La Rioja. 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 411 thousand euros at December 31, 2020 (893 thousand euros at December 31, 2019).

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

Currency	**Thousands of euros**	
	2020	**2019**
Euros	763,100	582,075
US dollars	298,189	386,624
Argentine pesos	8,978	8,903
Mexican pesos	70,113	92,708
Uruguayan pesos	3,666	28,917
Colombian pesos	1,903	4,588
	1,145,949	**1,103,815**

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

Thousands of euros

Year	2020 Bank borrowings	2020 Other non-current borrowings	2020 Total	2019 Bank borrowings	2019 Other non-current borrowings	2019 Total
2021	-	-	-	56,452	781,686	838,138
2022	10,820	9,879	20,699	8,850	6,863	15,713
2023	26,960	928,182	955,142	3,055	4,712	7,767
2024	2,722	3,865	6,587	7,004	4,588	11,592
2025	1,598	806	2,404			
Beyond	632	8,194	8,826	1,629	20,944	22,573
	42,732	**950,926**	**993,658**	**76,990**	**818,793**	**895,783**

This schedule does not include within other non-current borrowings the maturities of the lease liabilities recognized under IFRS 16 (note 20).

b) Current liabilities

b.1) Notes

At year-end 2020, the amountrecognized under "Notes and other marketable securities" within current liabilities 21.473 thousand euros includes the interest accrued and outstanding of 12,749 thousand euros on the notes issued by Codere Finance 2 (Luxembourg), S.A. (9,019 thousand euros at year-end 2019), the interest accrued on the notes issued by Alta Cordillera S.A. and on the marketable notes issued by HRU, S.A. In addition, as detailed in note 20.a.1) above, given the shortfall with respect to the Guarantee Ratio stipulated in respect of the HRU marketable notes, due 2029, although that breach does not automatically trigger their prepayment, the entire outstanding balance has been reclassified to current financial liabilities, in accordance with paragraph 75 of IAS 1.

b.2) Bank borrowings

	Thousands of euros 2020	Thousands of euros 2019
Current borrowings	16,845	19,949
Receivables discounting lines and credit facilities	-	-
Accrued interest	33	697
Total bank borrowings	**16,878**	**20,646**
Total available for drawdown	-	42,395
Total drawdown limit	**16,878**	**63,041**

<u>Current borrowings</u>

At December 31, 2020, current loans were concentrated at Administradora Mexicana de Hipódromo, S.A. de C.V., in the amount of 4,841 thousand euros (1,159 thousand euros at year-end 2019), in Uruguay, in the amount of 4,287 thousand euros (4,852 thousand euros at year-end 2019) and at Mexico, in the amount of 1,022 thousand euros (4,911 thousand euros at year-end 2019).

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

	Thousands of euros	
	2020	**2019**
Taxes payable	75,129	116,793
Deferred gaming taxes	29,933	17,072
Employee benefits payable	14,619	15,289
IFRS 16	60,315	50,234
Other borrowings	47,139	54,574
	227,135	**253,962**

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 tax

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, Catalonia, Asturias, Castile & Leon, Extremadura and La Rioja. 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 7,172 thousand euros at December 31, 2020 (6,152 thousand euros at December 31, 2019). Payables to suppliers in Argentina stood at 3,157 thousand euros at December 31, 2020 (3,739 thousand euros at year-end 2019). Payables to suppliers in Mexico stood at 22,539 thousand euros at December 31, 2020 (28,936 thousand euros at year-end 2019).
- Current bills payable by the Spanish companies in the amount of 1,311 thousand euros at December 31, 2020 (2,172 thousand euros at December 31, 2019).
- Payables outstanding in connection with the acquisition of companies in Italy in the amount of 1,830 thousand euros at December 31, 2020 (1,616 thousand euros at December 31, 2019).

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:

	2020 (days)	**2019 (days)**
	58	
Average supplier payment term	55	37
Paid transactions ratio	89	33
Outstanding transactions ratio		89
	101,037	
Total payments made	9,782	109,794
Total payments outstanding	58	6,657

In 2020, due to the pandemic and the ensuing business suspensions/limitations, there was an abnormal increase in the deferral of payments to suppliers. The Group hopes to gradually shorten its payment terms, aligning them with the targeted thresholds, as the situation normalizes in 2021

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, 2020, several Group companies had pledged fixed assets as collateral securing debt totaling 53,970 thousand euros (December 31, 2019: 53,970 thousand euros) (note 22).

d) Current liabilities by currency

Currency	**Thousands of euros**	
	2020	**2019**
Euros	168,960	147,638
US dollars	75,819	92,981
Argentine pesos	19,184	34,782
Mexican pesos	76,689	87,713
Uruguayan pesos	32,327	13,013
Colombian pesos	9,812	8,955
Pound sterling	186	578
Brazilian reais	200	284
	383,177	**385,944**

21. 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 2019, on which date the hedge expired and was not renewed.

22. 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 2020:

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

Spanish tax group, 2020:

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.	J.M. Quero Asociados, S.A.
Codere Apuestas España, S.L.U.	Codere Apuestas Valencia, S.A.U.	JPV Matic 2005, S.L.
Codere Apuestas, S.A.U.	Codere Castilla y León, S.L.	Misuri, S.A.
Codere Apuestas Aragón, S.L.U.	Codere Distribuciones, S.L.	Nididem, S.A.U.

(Thousands of euros)

Codere Apuestas Castilla la Mancha, S.A.	Codere España, S.A.U.	Operiberica, S.A.
Codere Apuestas Castilla y León, S.A.	Codere Interactiva, S.L.	Opersherka, S.L.U.
Codere Apuestas Cataluña, S.A.	Codere Internacional, S.A.	Codere Operadoras de Apuestas, S.L.
Codere Apuestas Cantabria, S.A.	Codere Internacional Dos, S.A.U.	Servicios de Juego Online, S.A.
Codere Apuestas Ceuta, S.L.	Codere Latam, S.A.	Royuela Recreativos, S.L. (*)
Codere Apuestas Extremadura, S.A.	Codere Logroño, S.L.	Sport Bet Extremadura, S.L. (*)
Codere Apuestas Andalucía, S.A.	Codere Online, S.A.	Milenial Gaming, S.A. (**)
Codere Apuestas La Rioja, S.A.	Codere Newco, S.A.U.	Game Asturias, S.L.U. (**)

(*) These companies were added to the tax group in 2019.
(**) These companies were added to the tax group in 2020.

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 Online, 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.

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 2020 and 2019:

Italian tax group, 2020:

Codere Italia, S.p.a.	Operbingo Italia, S.p.a.
Seven Cora Service, S.r.l.	Nori Games Service, 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.
DP Service, S.r.l.	SE.BI.LOT, S.r.l.
Codematica, S.r.l.	Codere Scommesse, S.r.l
CodereNetwork, S.p.a.	Codwin, S.r.l. (*)
Gaming Re, S.r.l.	

(*) These companies were added to the tax group in 2020.

Italian tax group, 2019:

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

Individual Taxation of Group companies:

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 2020 and 2019. 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 41.5%, depending on each jurisdiction

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the legal 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	
	2020	**2019**
Pre-tax consolidated profit/(loss)	(261,470)	(32,832)
At the statutory income tax rate of 25%	(65,367)	(8,208)
Effect of different rates in different countries	(6)	4,733
Tax effect of previously unrecognized tax losses and permanent differences	64,069	36,052
Utilization/recognition of assets for unused tax losses (note 12)	3,425	(2,921)
Income tax expense reported in the consolidated statement of profit or loss	**(4,729)**	**29,656**

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

- Permanent differences in the amount of 12.498 million euros in terms of tax payable (net increase in taxable income) at year-end 2020:

- The permanent differences of the various Group companies, calculated applying the statutory rate prevailing in the corresponding country, resulting from non-taxable income and non-deductible expenses under applicable tax legislation in each country.

- They include as a non-temporary difference in Argentina the estimated effect of hyperinflation on the Argentine entities' statements of profit or loss as a result of the application of IAS 29 *Financial reporting in hyperinflationary economies*, which is not deductible for tax purposes.

- In 2020 they include as a non-temporary difference the result corresponding to the impact on profit or loss of the application of IFRS 16 *Leases* (note 13).

- Other changes in deferred tax assets and liabilities (net expense) in the amount of 29,475 thousand euros in 2020, due mainly to:

  - 325 throusand euros of deferred tax expense 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) (note 13).

  - 13,982 throusand euros of deferred tax income generated in 2020 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) (note 13).

  - 1,284 throusand euros of deferred tax expense corresponding to five-sixths of the inflation adjustment calculated for 2020, which was recognized as a deferred tax liability to be reversed in future years (note 13).

  - The remaining movement in 2020 is attributable to consolidation adjustments with an impact on deferred tax income or expense for the year.

The concept "Negative Tax Basis Consumption / Activation" mainly includes the following items as 2020 and 2019:

- Activation in fiscal year 2020 of negative tax bases generated in the fiscal year in Argentina, Italy and Spain (Spanish companies that are taxed individually), for a quota amount of 16,004 thousand euros.

- Depreciation in fiscal year 2020 of negative tax bases generated in previous years in the consolidation group in Spain and in Panama for a quota amount of 12,579 thousand euros.

The income tax expense calculation for 2020 and 2019:

	Thousands of euros	
	2020	2019
Pre-tax consolidated profit/(loss)	**(261,470)**	**(32,832)**
Permanent differences	49,995	57,801
Temporary differences	38,474	32,764
Utilization of previously unrecognized tax losses	(601)	(11,644)
Taxable income (tax loss)	**(173,602)**	**46,089**

The temporary differences correspond mainly to:

- Different useful lives for tax and accounting purposes of items of property, plant and equipment and intangible assets.
- 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.
- 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 13).
- The impact in 2020 of application of IFRS 16 (notes 13 and 8).

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 2020 and 2019.

The breakdown of income tax expense:

	Thousands of euros	
Consolidated statement of profit or loss	**2020**	**2019**
Current tax		
- Current income tax expense (*)	(13,276)	24,334
- Taxes abroad and other adjustments to current tax	26,085	2,608
Deferred taxes		
- Related to increases and decreases in temporary differences (note 12)	4,037	(8,172)
- Related to the deferred tax burden associated with earnings retained in Argentina	-	-
- Recognition of tax assets for unused tax losses (note 12)	(3,425)	2,921
- Other adjustments to deferred taxes	(18,150)	7,965
	(4,729)	**29,656**

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

Negative tax bases from previous years

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	**2020**	**2019**
Codere, S.A. (tax group)	476,892	440,060
Rest of Spain	38,068	31,406
Italy	36,608	13,064
Mexico	274,836	219,264
Argentina	25,801	-
Panama	23,773	6,045
Uruguay	48,102	53,576
Brazil	12,506	17,611
Colombia	18,646	19,091
Online	-	6,534
	955,232	**806,651**

The tax credit that could be generated by these negative tax bases in the Corporate Income Tax for the coming years is not recorded in the consolidated balance sheet of the Group, except for tax credits activated by Argentina, Italy and entities outside the Spanish tax consolidation group.

Since Spain's new income tax act took effect in 2015, there is no longer any deadline for utilizing tax losses. Unused tax losses in Spain amounted to 508,050 thousand euros at December 31, 2020 (471,466 thousand euros at year-end 2019).

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

				Thousands of euros
		2020		2019
Year	**Spain**	**:her countries**	**Spain**	**Other countries**
2020			**-**	**-**
2020		15,195	-	17,802
2021		18,919	-	21,393
2022		8,188	-	9,351
2023		11,668	-	16,569
2024		34,786	-	38,882
2025		105,020	-	67,139
2026		34,159	-	39,323
2027		33,346	-	40,208
2028		9,215	-	12,730
2029		12,644	-	16,565
Beyond		93,724	-	1
No deadline	514,959	63,409	471,466	55,222
Total	**514,959**	**440,273**	**471,466**	**335,185**

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

				Thousands of euros
		2020		2019
Year	**Spain**	**Other countries**	**Spain**	**Other countries**
2020	104	-	104	-
2021	132	566	132	542
2022	132	3,892	132	5,854
2023	101	-	101	-
2024	97	-	97	-
2025	69	-	69	-
2026	84	5,438	84	8,472
2027	84	-	84	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
Beyond	-	77,787	50	81,069
No deadline	61.011	-	58,436	-
Total	**61,814**	**87,683**	**59,289**	**95,937**

23. 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, 2020 and December 31, 2019 is provided below:

	Thousands of euros	
Sureties and guarantees	**2020**	**2019**
Gaming sureties and guarantees	105,906	109,606
Other guarantees	36,492	35,486
	142,398	**145,092**

Gaming sureties and guarantees

Within the gaming sureties and guarantees, at December 31, 2020 and December 31, 2019, the most significant amounts corresponded 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 in the amount of 35,563 thousand euros at December 31, 2020. 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 7,300 euros at December 31, 2020.

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, 2020 and December 31, 2019.

Codere, S.A. is the parent guarantor on the notes issued by Codere Finance 2 (Luxembourg), S.A.

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 and 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 in an amount equivalent to 7,281 thousand euros at December 31, 2020.

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, 2020.

At the Annual General Meeting held on July 24, 2020, the Company's shareholders also agreed to amend article 24.9 of the Bylaws of Codere, S.A., which now reads as follows:

"The Company may also arrange civil liability insurance for its Directors in addition to other systems alternative or supplementary thereto. The Company may also afford liability coverage to the Directors, excluding in any case from such coverage any actions performed by the Directors in gross negligence or to the detriment of the corporate interest of the Company, excluding also the expenses or costs related to such actions in gross negligence or to the detriment of the Company.

In any case, the amount of the coverage to be afforded by the Company shall be included in the maximum annual amount approved by the Shareholders’ Meeting and established in the Directors’ remuneration policy."

The shareholders set the maximum annual amount relating to possible payments under the director civil liability coverage at 20 million euros, agreeing that such amount may be used exclusively to cover such contingencies and associated expenses, if and when they occur.

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

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		
	Year-end 2020		
	Land and buildings	Machines (*)	Total
Operibérica, S.A.	7,919	36,984	44,903
J.M. Quero S.A.	1,129	-	1,129
J.P.V. Matic 2005, S.L.	776	-	776
Codere Girona, S.L	4,900	-	4,900
Codere Alicante, S.L.	160	-	160
Bingos Codere, S.A.	2,102		2,102
	16,987	**36,984**	**53,970**

	Thousands of euros		
	Year-end 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
Bingos Codere, S.A.	2,583	-	2,583
	20,849	**36,984**	**57,833**

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

24. INCOME AND EXPENSES

a) Revenue from contracts with customers

The breakdown of "Revenue" in 2020 and 2019:

	Year ended Dec. 31	
	2020	2019
Operating income		
Revenue from contracts with customers	575,420	1,370,510
Own work capitalized	260	1,354
Other operating income	9,087	17,550
Total	**584,767**	**1,389,414**

In relation to the revenue from contracts with customers, note that the Group did not have any unsatisfied performance obligations at either year-end 2020 or 2019.

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 2020 and 2019 breaks down as follows by business line and geographical region:

						Thousands of euros DECEMBER 2020
Geographical area	**Machines**	**Betting**	**Bingo**	**Tables**	**Other**	**Total**
Argentina	56,761	-	1,720	-	1,481	59,962
Mexico	70,072	8,290	1,079	3,260	12,860	95,561
Colombia	7,808	398	218	227	(102)	8,549
Panama	15,482	2,084	-	3,094	542	21,202
Uruguay (Casino)	4,103	-	-	2,183	1,086	7,372
Italy	122,715	11	16,041	-	12,571	151,338
Spain	69,645	41,715	4,980	-	(198)	116,142
Uruguay (Racetracks)	-	-	-	-	44,873	44,873
Brazil	-	-	-	-	-	-
Online	-	-	-	-	70,421	70,421
Total revenue from contracts with customers	**346,586**	**52,498**	**24,038**	**8,764**	**143,534**	**575,420**

						Thousands of euros December 2019
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**

“Other” mainly includes revenue from racetracks (entrance, ticket sales, events and sponsorships), the sale of food and drink in gaming halls and casinos, and 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 8, 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 2020 and 2019:

(Thousands of euros)

2020 statement of profit or loss

	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Online	Inter-segment transactions (*)	Total
Operating income												
External customers	116,925	97,812	59,972	8,743	155,011	52,288	-	22,668	9	71,340		**584,767**
Inter-segment	-	-	-	-	-	-	-	-	22,736	-	(22,736)	**-**
Total revenue as per segment reporting note	**116,925**	**97,812**	**59,972**	**8,743**	**155,011**	**52,288**	**-**	**22,668**	**22,745**	**71,340**	**(22,736)**	**584,767**
Amounts classified as other operating revenue and own work capitalized.	783	2,251	10	193	3,673	43	-	1,466	9	919	-	
Revenue from contracts with customers	**116,142**	**95,561**	**59,962**	**8,550**	**151,338**	**52,245**	**-**	**21,202**	**22,736**	**70,421**	**(22,736)**	**575,420**
Machines	69,645	70,072	56,761	7,808	122,715	4,103	-	15,482	-	-	-	**346,586**
Horse- and sports-betting	41,715	8,290	-	398	11	-	-	2,084	-	-	-	**52,498**
Bingo	4,980	1,079	1,720	218	16,041	-	-	-	-	-	-	**24,038**
Tables	-	3,260	-	227	-	2,183	-	3,094	-	-	-	**8,764**
Other	(199)	12,860	1,481	(102)	12,571	45,959	-	542	-	70,421		**143,534**
Revenue from contracts with customers	**116,142**	**95,561**	**59,962**	**8,549**	**151,338**	**52,245**	**-**	**21,202**	**-**	**70,421**	**-**	**575,420**

(Thousands of euros)

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)	**-**
Total revenue as per segment reporting note	**189,765**	**310,575**	**308,319**	**24,178**	**344,261**	**74,247**	**-**	**78,189**	**32,268**	**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**	**23,972**	**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	(8)	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**

b) Raw materials and 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	
	2020	**2019**
Gaming taxes and other levies	221,643	490,158
Machine and other leases	487	41,748
Utilities, repairs and maintenance	44,094	77,172
Professional services and other expenses	189,521	258,110
	455,745	**867,188**

(*) As indicated in note 8, the Group has opted to avail of the practical expedient afforded in an amendment to IFRS 16 that permits lessees to opt not to account for Covid-19-related rent concessions as a lease amendment; the impact of that decision on the consolidated statement of profit or loss for the year amounted to 15,132 thousand euros.

d) Employee benefits expense

The breakdown of employee benefits expense in 2020 and 2019:

	Thousands of euros	
	2020	**2019**
Wages, salaries and similar	95,499	148,862
Social security	21,210	34,755
Other benefit expense	5,312	9,546
	122,021	**193,163**

“Wages, salaries and similar” includes termination benefits in the amount of 1,721 thousand euros in 2020 (3,271 thousand euros in 2019).

With the application of the different Royal Decrees that have regulated the Temporary Employment Regulation Files (ERTEs), the Group companies in Spain have been able to apply various exemptions from Social Security contributions, for a total amount of 2,212 thousand euros.

e) Headcount

	2020		**2019**	
	No. of employees		**No. of employees**	
	Male	Female	Male	Female
Clerical staff	267	376	284	401
Key management personnel	12	-	14	0
Executives	71	19	74	19
Middle management	1,289	672	1,333	701
Operational staff	3,794	2,845	4,110	3,108
Skilled professionals	1,192	351	1,283	375
	6,625	**4,263**	**7,098**	**4,604**

The average number Codere Group employees in Spain with a disability of a severity of 33% or higher was 11 in 2020 (14 in 2019).

	2020
	No. of employees with disabilities
Clerical staff	3
Key management personnel	-
Executives	-
Middle management	1
Operational staff	5
Skilled professionals	2
	11

f) Basic earnings per share

Basic earnings per share

2020			2019		
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
(256,875)	118,348,260	(2.18)	(62,643)	118,374,075	(0.54)

Basic earnings per share attributable to equity holders of the parent

2020			2019		
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
(236,587)	118,348,260	(2.01)	(61,651)	118,374,075	(0.53)

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

2020			2019		
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
(236,587)	118,348,260	(2.01)	(61,651)	118,374,075	(0.53)

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 17) 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 118,348,260 in 2020 (118,374,075 in 2019).

g) Finance income and costs

	Thousands of euros	
	2020	2019
Finance costs		
Contractual interest expense and finance charges	(104.549)	(108,129)
Unwinding of discount on provisions and other liabilities	-	(2,134)
	(104,549)	**(110,263)**
Finance income		
Finance income	61,927	4,244
Interest income from securities, loans and other assets	459	774
	62,386	**5,018**
Net exchange (losses)/gains	**(15,297)**	**(9,679)**
Total net finance cost	**(57,460)**	**(114,924)**

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 21,854 thousand euros in 2020 (2019: 39,246 thousand euros).

Unwinding of discount on provisions and other liabilities

In 2020, the Group recognized an impairment provision of 5,093 thousand euros on loans to third parties.

In 2019, it recognized an impairment provision of 2,134 thousand in that respect.

This heading includes the positive impact of 60 million euros corresponding to the accounting treatment of the refinancing process mentioned in note 20.a.1.

Net exchange (losses)/gains

In 2020, this heading included exchange gains of 173,401 thousand euros offset by 188,699 thousand euros of exchange losses. In 2019, it included exchange gains of 87,429 thousand euros offset by 97,108 thousand euros of exchange losses.

25. ADDITIONAL DISCLOSURES FOR CONSOLIDATED CASH FLOW STATEMENT

Breakdown of cash and cash equivalents

	Thousands of euros	
	2020	2019
Cash equivalents	4,079	17,534
Cash at bank and in hand	106,244	85,563
	110,323	**103,097**

Currency	Thousands of euros	
	2020	2019
Euros	71,916	41,702
US dollars	11,480	16,045
Argentine pesos	8,156	16,630
Mexican pesos	6,127	19,912
Uruguayan pesos	10,643	5,252
Colombian pesos	1,914	3,462
Pound sterling	85	86
Brazilian reais	2	8
	110,323	**103,097**

Additional disclosures for reconciliation purposes

In the year ended December 31, 2020, 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 (2,691 thousand euros), the losses recognized on the sale or derecognition of fixed assets (3,169 thousand euros), certain items of operating expenses (8,770 thousand euros) and the effect of inflation on earnings in Argentina (618 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, 2020, the Group incurred 45t,584thousand euros of capital expenditure, obtained a cash inflow of 767 thousand euros in connection with long-term loans, specifically: a net outflow of 2 thousand euros in respect of loans extended to hospitality establishment owners in Spain (loan payments of 1,876 thousand euros, net of proceeds of 1,874 thousand euros) and a net inflow of 769 thousand from long-term loans extended to establishment owners in Italy (loan payments of 11,891 thousand euros, net of proceeds of 12,660 thousand euros). The Group paid 164 thousand euros for acquisitions, made up of payments for companies acquired in Spain (600 thousand euros), offset by balance-sheet cash at the Italian acquiree now fully consolidated on the acquisition date in the amount 436 thousand euros.

The 47,160 thousand euro decrease in borrowings reflects the net repayment of 45,000 thousand euros of senior debt (drawdown of 41,000 thousand euros and repayment of 86,000 euros), 409 thousand euros of new notes issued in Panama and the repayment of 2,569 thousand euros of the notes issued by HRU. The increase in proceeds from bank loans of 22,061 thousand euros corresponds to loans obtained in Mexico (19,432 thousand euros) and the Italian bingo operations (2,629 thousand euros). The 11,417 thousand euros of bank borrowings repaid took place in Mexico (5,332 thousand euros), Uruguay (1,479 thousand euros), Codere Newco (2,277 thousand euros), Spain (1,784 thousand euros), Colombia (513 thousand euros) and Italy (32 thousand euros). The movement in other financial borrowings reflects an inflow of 6,679 thousand euros in respect of deferred gaming taxes and the payment of expenses associated with the financial restructuring transaction in the amount of 28,854 thousand euros and with borrowings arranged in Mexico in the amount of 243 thousand euros.

“Other cash flows due to impact of exchange rates on collections and payments” reflects an outflow of 1,787 thousand euros.

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, including payments for companies acquired 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 in 2019 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 (13,567 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.

(Thousands of euros)

	Balance at Jan. 1, 2020	Cash flows	Movement in foreign currency	Changes in fair values	New borrowings (*)	Reclassifications	Other	Balance at Dec. 31, 2020
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (current)	11,737	(70,694)	1,518	-	-	21,331	70,348	**34,240**
Current bank borrowings	20,645	(106,006)	1,155	-	-	92,996	8,088	**16,878**
Current finance lease liabilities and forward contracts	102,554	(51,399)	(6,625)	-	-	72,846	(3,993)	**113,383**
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (non-current)	787,931	221,555	(20,774)	(59,824)	-	(21,331)	14,874	**922,431**
Non-current bank borrowings	76,990	63,061	(4,323)	-	-	(92,996)	-	**42,732**
Non-current finance lease liabilities and forward contracts	238,805	6,329	(34,954)	-	43,503	(72,846)	-	**180,837**
Derivatives	-	-	-	-	-	-	-	**-**
Total liabilities arising from financing activities								

(*) Includes borrowings under IFRS 16 as of January 1, 2020 in the amount of 316,320 thousand euros.

	Balance at Jan. 1, 2019	Cash flows	Movement in foreign currency	Changes in fair values	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	(65,612)	(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**

26. RELATED-PARTY TRANSACTION DISCLOSURES

In 2020, the Board of Directors of Codere, S.A., ratified the following resolutions, among others:

- Re-election of Norman R. Sorensen Valdez as independent director.
- Re-election of Matthew Turner as independent director.
- Re-election of David Reganato as proprietary director.
- Re-election of Timothy Lavelle as proprietary director.
- Re-election of Manuel Martínez-Fidalgo Vázquez as proprietary director.
- Re-election of Masampe S.L. as proprietary director, represented by Pío Cabanillas Alonso.

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.

The transactions entered into with related parties that are not part of the Group in 2020 and 2019 and the resulting balances at the respective reporting dates are as follows:

		Thousands of euros	
December 31, 2020	**Nature of the relationship**	**Other**	**Services rendered**
Jusvil, S.A.	Advisor		949
G3M, S.R.L.	Advisor		325
			1,274

Under the heading of independent professional services the part corresponding to the accrual of the long-term incentive corresponding to the contract signed with Jusvil, SA is included, which, as detailed in note 2.b.18, has been accrued for the amount of 2.7 million euros.

		Thousands of euros	
December 31, 2019	**Nature of the relationship**	**Other**	**Services rendered**
Jusvil, S.A	Advisor	-	1,565
G3M, S.R.L.	Advisor	-	377
		-	**1,942**

Transactions with significant shareholders

In 2018, a loan, in the amount of 11,655 thousand euros (of which 5,114 thousand euros was outstanding at December 31, 2020 and 8,300 thousand euros at December 31, 2019), was arranged between three subsidiaries and M&G Investment Management Limited (Prudential PLC) (at year-end 2019: between two subsidiaries and M&G Investment Management Limited (Prudential PLC).

Transactions with related parties were made on terms equivalent to those prevailing in an arm's length transaction. At December 31, 2020, the accumulated interest accrued on loans to executives, in the amount of 772 thousand euros, had been provided for in full (December 31, 2019: 733 thousand euros, similarly fully provided for). The Group had also written down the principal on loans extended to certain executives totaling 1,563 thousand euros (1,734 thousand euros at year-end 2019).

In 2020 and 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 2020, 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	
	2020	**2019**
Director remuneration	1,252	1,414
Services rendered (*)		-
Fixed and variable remuneration		-
	1,252	**1,414**

The fixed remuneration received by the Company's directors in the first half of 2020 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**
Pío Cabanillas Alonso (Masampe S.L.)	200	200
David Reganato	150	150
Timothy Lavelle	150	150
Manuel Martínez-Fidalgo Vázquez	150	150
Norman Sorensen	350	350
Matthew Turner	252	252
	1,252	**1,252**

The fixed remuneration received by the Company's directors in 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**

In addition, Manuel Martínez-Fidalgo Vázquez and Matthew Turner, directors, receive, since 2020, 10 thousand euros a month, up to a limit of 50 thousand euros a year, in their capacity as directors of Codere Finance 2 (UK) Ltd. In 2020, they both received the maximum sum in that respect

In 2020, the Group's key management personnel accrued 4,903 thousand euros of remuneration (5,538 thousand euros in 2019). Some of the Group's executives are also beneficiaries of a long-term incentive plan, arranged in February 2020, with a maximum size of 9,883 thousand euros.

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 183 million euros at December 31, 2020 (year-end 2019: 0.5 million euros).

One officer received 135 thousand euros of severance pay in 2020.

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 2020 or 2019.

In 2020, the Company paid 276 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 (2019: 296 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 Parent’s interests.

b) Balances with Grupo CIE

The Codere Group recognizes an account receivable of 370 thousand euros at December 31, 2020 (1,571 thousand euros at December 31, 2019) from a subsidiary of the CIE Group (a minority shareholder in Mexico), Make Pro, S.A. de C.V., for advertising and sponsorship services.

27. 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**
2020				
Audit services	557	901	-	1,458
Other services	251	723	-	974
	808	**1,624**	**-**	**2,432**

	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**

28. ENVIRONMENTAL ISSUES

Environmental activity refers to any transaction whose main purpose is to minimize damage to the environment or enhance environmental protection efforts.

The Codere Group did not make any major environmental investments in either 2020 or 2019.

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.

29. EVENTS AFTER THE REPORTING DATE

On February 17, 2021, the Board of Directors agreed to the appointment of Gerardo Sánchez Revenga as the proprietary director representing Masampe S.L., in replacement of Pio Cabanillas Alonso.

Under the scope of the refinancing negotiations outlined in note 2.a.1, in February 2021, the role of Observer has been incorporated into the Company's Board of Directors. That Observer does not have the powers or duties of a director but is bound by equivalent non-disclosure and market regulation requirements.