

# 2015 ANNUAL REPORT

---







# 2015 ANNUAL REPORT

---

# Letter from the CHAIRMAN

---



JOSÉ ANTONIO MARTÍNEZ SAMPEDRO  
**CODERE Chairman & CEO**

Dear shareholders,

The past year 2015 has witnessed the culmination of the lengthy negotiation process necessary to establish the terms of the restructuring of the Company's balance sheet. For three long years, the Group's financial priorities have inevitably taken precedence over its business needs.

The approval of the Scheme of Arrangement by the High Court of Justice of England and Wales on 17 December 2015, pursuant to the UK Companies Act 2006, and the Chapter 15 recognition order issued by the US Courts on 22 December 2015, were both notified via a Significant Event on 23 December 2015, by virtue of which the resolutions of the Company's General Shareholders Meeting held on 4 December 2015 became effective.

Over the past three years, CODERE has been compelled to perform a strict operational cost adjustment in order to regain its competitive edge. The most obvious example of such adjustment is the downsizing of its staff by over a third of its employees, from 21,637 people on 31 January 2013 to 13,713 on 31 December 2015. Overall, 7,924 dismissals which, nevertheless, have allowed CODERE to maintain its revenue levels, namely, 1,664 million euros in 2012 and 1,639.5 million euros in 2015.

Similarly, the operating cash flow, EBITDA, not including extraordinary items related to the financial restructuring process, has barely suffered variation, with 287 million euros in 2012 and 280.1 million euros in 2015.

Even though this has been an extraordinarily lengthy restructuring process, its results appear to be reasonable from a project viability perspective.

The historic debt, which amounted to 1,508 million euros, has been reduced to 683 million euros

by capitalizing the difference between both figures, that is, 825 million euros. Additionally, CODERE has issued 400 million euros in new debt, of which 130 million have been applied to repay the historic senior debt, 20 million as provision of collateral, and 91 million to reduce working capital (mainly suppliers and fees) and closing costs and expenses. As a result, the remaining amount of 159 million euros provides additional liquidity to the Company's cash flow.

In summary, the total debt is reduced from 1,508 million euros to 933, the net debt decreases from 1,392 million euros to 658, the Group cash flow levels increase by 159 million euros, the net debt/adjusted EBITDA ratio (at the real effective exchange rate in Argentina) decreases from 5.5 to 2.6, and interest payments on the debt are reduced by 52.6 million per year (from 132.9 to 80.3 million euros, of which 50% are payable in cash and the other 50% are payable in kind).

Throughout 2015, business figures have continued to evolve positively, notwithstanding the adjustments and limited investments, 65.9 million euros in 2015 and 54.2 million euros in the previous year. Revenues increased to 1,639.5 million euros, 18.3% more than the preceding year, while our operating costs have increased by 11.5%, implying that the Operating Income has increased from 20.8 million euros to 124.5 million euros. Similarly, the adjusted EBITDA – not including extraordinary items related to the financial restructuring process- has also improved by 31.4%, up to 280.1 million euros. The adjusted EBITDA margin has continued to improve as well, from 15.4% to 17.1%. The controlling company's net result, including all extraordinary items, is still negative; however, the loss has been reduced from 173 million euros to 113.1 million euros.

Amongst the agreements entered into in 2015, effective from 2016, it is worth highlighting the debt-to-equity swap through an issue of new sha-

res, effective from 6 April 2016, and the renewal of CODERE's Board of Directors on 5 May 2016.

2015 has not only been about implementing improvements in efficiency measures in order to restore profit margins and increase revenues. We have also worked towards evaluating the business's competitive position in all the markets in which it operates in order to define the strategies that should determine a business plan in the medium to long term, which will support the historical leadership of the business project.

CODERE is faced with challenges in all the markets in which it operates. The regulatory and technological evolution is favoring competitive stagnation and requires a higher degree of sophistication in client relationship management, with an increasing focus on the use of social media and all digital tools available.

The business plan which will define the Company's roadmap in each market will include the following opportunities:

- Consolidation, in those markets in which it is possible to acquire competitors which may be more profitable under our control;
- Organic growth in those markets in which there is still room for such growth;
- Development of new businesses in those markets where it is foreseeable from a regulatory perspective.

During 2016, we should conclude this market definition exercise and implement the various roadmaps.

Yours faithfully,  
*José Antonio Martínez Sampedro*

# INDEX

---

## 1 The COMPANY

14 —

- 15 CODERE Group
- 16 Our Values
- 18 CODERE worldwide
- 20 CODERE countries
- 24 CODERE's Milestones
- 28 Our Organization
- 30 Key Figures

## 2 Management REPORT

32 —

- 33 Executive Analysis
- 36 Corporate Analysis

## 3 Client CENTRICITY

38 —

- 39 Client-oriented Strategy

## 4 Business AREAS

42 —

- 43 Gaming Machines
- 48 Gaming Halls
- 54 Betting
- 59 Racetracks
- 63 Online gaming

## 5 Corporate GOVERNANCE

64 —

- 65 CODERE Shareholders
- 66 Governing Bodies
- 70 Standards of Good Governance

## 6 Responsible GAMING

72 —

- 73 CODERE and its personnel
- 86 Compliance
- 93 CODERE Foundation
- 97 CODERE and the society

## 7 Auditor's REPORT

104 —

- 106 Auditors' Report
- 108 CODERE S.A. and Subsidiaries



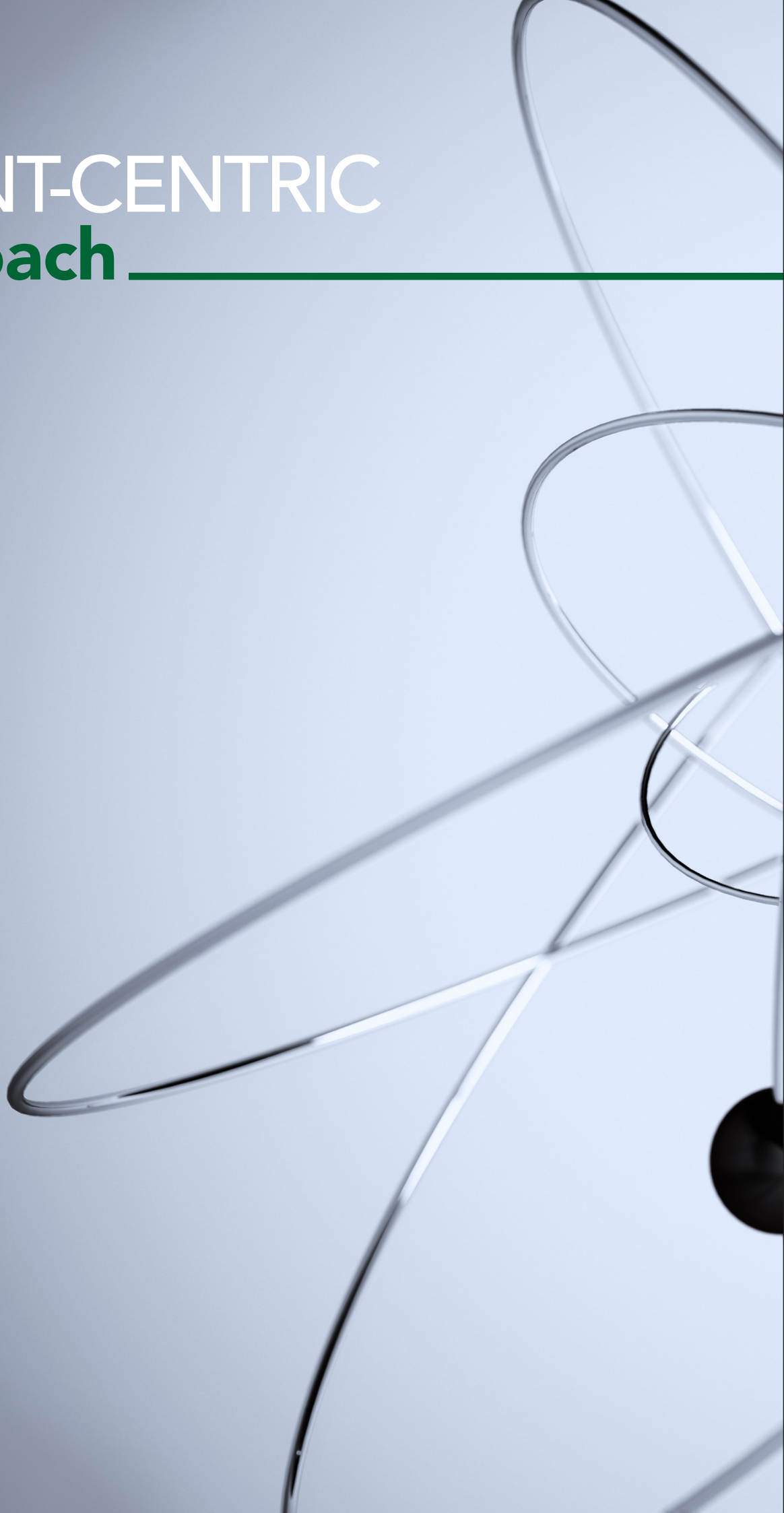


incode



# CLIENT-CENTRIC approach

---



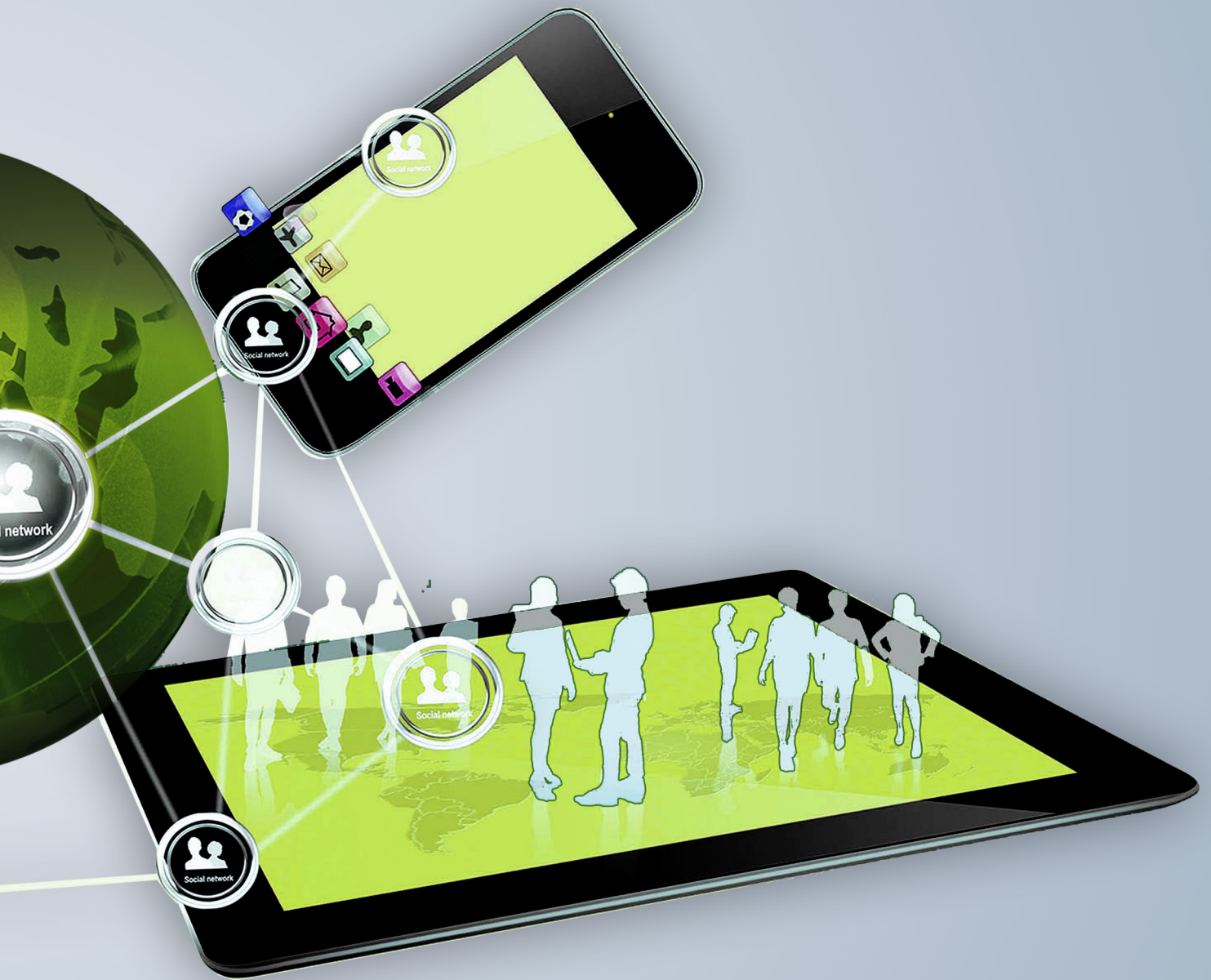






# MULTICHANNEL strategy

---









# COMPETITIVE Leadership

---





# OPERATIONAL excellence

---











# The COMPANY



# CODERE

## Group

---

**CODERE is a leading Spanish multinational company within the private gaming industry holding more than 35 years of business expertise, a company that took its first steps into the world of gaming machines in 1980, as a private gaming operator in Madrid.**

**Since then, the Company, which currently employs more than 14,000 people, has become a benchmark within the gaming industry and develops successfully its business activity in eight countries in Europe and Latin America, within these 5 areas: gaming machines, gaming halls, sports betting, horse racing and online activity.**

Furthermore, CODERE is the first and only Spanish company in the gaming industry listed on the Stock Exchange since October, 19th, 2007 and operates its business activity within this complex industry with complete transparency and accountability.

CODERE holds a leading position within its core business areas and countries where it operates. The Company is the leading gaming halls operator in the province of Buenos Aires (Argentina), Mexico and Italy, and a leading gaming operator in other emergent markets, such as Panama, Colombia, Brazil and Uruguay, and in AWP machines in Spain and has continuously adapted itself to market conditions, reinvesting its benefits into new business opportunities.

CODERE Group closed 2015 with revenues of €1,639.5 million, 18.3% more over the previous year, 73% of which resulted from its business operations in Latin America, and adjusted EBITDA of €280 million. These results are reflecting the increases in Argentina, due to the appreciation of the Argentine peso and the dollar against the euro, as well as the increase in the volume of gambling in the gaming halls operated in local currency in most of the markets.

At the year end, the Company operated 53,596 gaming machines, 183 gaming halls, 1,805 betting shops and 2 race-tracks, in addition to its online activity.



# Our VALUES

---

The CODERE Group's vision is based on the values of: Professionalism, Transparency, Innovation, Excellence, and Responsibility, which represent firm commitments of the Company. These commitments, far from being a mere declaration of principles, are extended to our daily practice and are fully integrated into the daily management of the Group in all areas of activity. The Company considers that professional performance under the values described is the best guarantee of the Company's commitment to creating value for shareholders and main stakeholders.



## PROFESSIONALISM

---

The sound and stable growth of CODERE is due to the operational quality of a highly specialized management team. The Company has a differentiated business model, diversified by geographic area and business units, and where the growth, results orientation and efficiency of the workforce are the keys to success. Accordingly, the selection, training and care of its personnel are essential in order to achieve CODERE'S business goals.



## TRANSPARENCY

---

CODERE stands out as an expert group, not only in strict compliance with all regulatory requirements of the gaming business in each of the countries in which it operates, but also as a specialist collaborator with regulatory authorities.

CODERE is a transparent and reliable company, the only listed company in the gaming industry in Spain and operates in highly regulated markets, subject to strict administrative control.



## INNOVATION

---

For CODERE, innovation is the foundation for growth, sustainable development and differentiation in the market. The Company is committed to the new technologies and performs research to obtain the best products. CODERE's relationships with leading suppliers in technological developments, combined with its experience in various markets and activities, allows the Company to have the best technology platforms in the industry.



## EXCELLENCE

---

CODERE provides state-of-the art gaming devices to its customers to improve the user experience. This is accompanied by a top level customer service in excellent facilities completed with catering and first class entertainment. CODERE stands out for providing comprehensive, quality care based on flexible and personalized service.



## RESPONSABILITY

---

CODERE cooperates with the governments of all countries where it operates, and its own Foundation works to improve the industry's development.

# CODERE WORLDWIDE

## in 2015



(\*)The implementation of the recent reform of the IFRS 11 standard has originated a change in the method of consolidation which also affects the "Hípica Rioplatense Uruguay" (HRU). 2015 Uruguay data do not include: 5 gaming halls, 24 betting shops, two racetracks and 1,868 gaming machines.

## ITALY

Gaming machines: 9,041 (7,632 AWP & 1,409 VLTs)  
Gaming halls: 11  
Gaming machines network concessions: 1

## SPAIN

Gaming machines: 9,845  
Gaming halls: 1  
Betting shops: 1,651

# STRATEGY

Throughout 2015, Codere implemented efficiency policies, coupled with the strong performance of its key markets such as Argentina and Spain allowing closing the year with growth, despite the Group restructuring process. At present, the company is focused on growth and on those business development projects to maximize the incomes in the future and its leading position in the industry, taking advantage of the opportunities offered by the different markets where it

operates its business activity, especially in the Latin American market.

Moreover, CODERE promotes the development by the regulators of a legal channel for new types of gaming, technological innovations and channels that allow the company to operate gambling interchangeably on gaming platforms on/offline favoring the multichannel concept and customer services with all the guarantees.

# CODERE

## countries

### ARGENTINA

#### leadership reinforcement



Argentina represents CODERE's main market and a leading operator with 14 gaming halls and 6,951 gaming machines. It currently manages 28.8% of the total of gaming machines in the Province of Buenos Aires.

In 2015, one of the main novelties is the enhancing of the Smoking Clubs in 65% of the gaming halls, which are designed as exclusive spaces with state-of-the-art gaming machines, food & beverages facilities and first class customer care.

Moreover, and in line with the impetus to the development of responsible gambling in previous years, the company continues to develop initiatives with an important social outreach and promoting activities in the municipalities where it operates.

#### BUSINESS AREAS

**Gaming machines:** 6,951

**Gaming halls:** 14

#### START OF BUSINESS OPERATIONS

1991

#### 2015 KEY FIGURES

**Income:** €681,8 million

**EBITDA:** €146,1 million

#### 2015 MILESTONES

Smoking Clubs implemented in up to 65% of the gaming halls.

### MEXICO

#### greater impetus to the activity inside the Gaming Halls

Codere Mexico is the largest operator of gaming halls in the country, owning 90 gaming halls. Last year, the company opened 6 new gaming halls and operated 18,750 machines, 7.7% more than the previous year. The company carried out in 2015 an intense promotional and entertainment activity in its gaming halls creating more than 1,300 events.



#### BUSINESS AREAS

**Gaming machines:** 18,750

**Gaming halls:** 90

**Betting shops:** 84

**Racetracks:** 1

#### START OF THE BUSINESS OPERATIONS

1998

#### 2014 KEY FIGURES

**Income:** €355.3 million

**EBITDA:** €91.5 million

#### 2015 MILESTONES

The company opened 6 new gaming halls and gave greater impetus to the entertainment events.



## ITALY

### local growth



In 2015, the company maintained its growth strategy with the integration of new local operators. This year, it signed an agreement with its partner GAP GAMES for the acquisition of PGO SERVICE srl, an operator of gaming machines in the regions of Veneto, Friuli, Tuscany and Lazio. In July, the company announced the acquisition of the 51% of GARET srl and GAME OVER srl, with business operations in Tuscany and Umbria.

At year end, and in line with the impulse to responsible gambling of the previous years, the company carried out once again the workshop "On behalf of Legality 2.0", a series of meetings attended by national and local institutions, control bodies and various associations. These meetings, which since 2011 took place in the main cities in which CODERE operates its Italian business, they started to be held digitally in 2015.

#### BUSINESS AREAS

**Gaming machines:** 9,041 (7,632 AWP and 1,409 VLT)

**Gaming halls:** 11

**Gaming machines network concessions:** 1

#### START OF THE BUSINESS OPERATIONS

2001

#### 2015 KEY FIGURES

**Ingresos:** 284,2 millones de euros

**EBITDA ajustado\*:** 26,7 millones de euros

#### 2015 MILESTONES

The company promotes growth through local operators and develops its responsible gambling action through the "In nome della legalità 2.0" program.

## SPAIN

### take-up of sports betting business



In 2015 CODERE continued its sports betting growth plan, opening new sports betting shops in La Rioja, Castilla & León and Extremadura, thus maintaining a global presence in all the Spanish regions legally regulated at this purpose. Moreover, the Company started its online activity through codere.es under national license and added the casino games to its online gaming offer. Moreover, despite the reduction of the total number of gaming machines, the company experienced good results thanks to an improved management and increased revenues per gaming machine.

#### BUSINESS AREAS

**Gaming machines:** 9,845

**Gaming halls:** 1

**Betting shops:** 1,651

#### START OF THE BUSINESS OPERATIONS

1980

#### 2015 KEY FIGURES

**Income:** €155.9 million

**EBITDA:** €24.6 million

#### 2015 MILESTONES

CODERE started its sports betting business in La Rioja, Castilla León, and Extremadura. "codere.es" operated under national license.

## PANAMA

### brand integration



In Panama, CODERE operates a broad range of business lines: gaming machines, casinos, sports betting shops and a race-track. The results of these areas of activity are driven by continuous improvements CODERE performs inside its gaming halls in order to ensure excellence in service to its customers. In 2015, the company finalized the integration of the Crown brand nationwide and boosted client-oriented actions. Moreover, the Presidente Remon Racetrack celebrated its 59th anniversary, being the one and only racetrack in Central America. The 6th generation of jockeys graduated from the Laffit Pincay Jr. Jockeys Training Academy in 2015.

#### BUSINESS AREAS

**Gaming machines:** 2,951

**Gaming halls:** 12

**Betting shops:** 63

**Racetracks:** 1

#### START OF THE BUSINESS OPERATIONS

2005

#### 2015 KEY FIGURES

**Income:** €103.4 million

**EBITDA:** €11.8 million

#### 2015 MILESTONES

The Company finalized the integration of the Crown brand nationwide and celebrated the 59th anniversary of The Presidente Remon Racetrack, the one and only racetrack in Central America.

## COLOMBIA

### consolidating its position in the market



CODERE kept consolidating its leading position in the market as one of the major gaming machines and gaming halls operator in the country. In 2015, the Company celebrated the 6th premium Crown Casinos, consolidating it as one of the most relevant brand within the big casinos market. In addition, and as part of the brand consolidation strategy, in the last quarter of the year the company initiated the transformation process of Mundo Fortuna Vizcaya gaming hall, located in the city of Medellin, to incorporate it to Crown Casinos brand offer in the first quarter of 2016.

In 2015, the company also focused on the Operational Efficiency Plan with management strategies for the product, commercial management, F&B management, operational management, technology and human resources management in order to increase competitiveness in all the business lines. Throughout the year, they also carried out the activities to meet the obligations required by the regulator Coljuegos.

#### BUSINESS AREAS

**Gaming machines:** 5,663

**Gaming halls:** 54

#### START OF THE BUSINESS OPERATIONS

1984

#### 2015 KEY FIGURES

**Income:** €28.7 million

**EBITDA:** €6.9 million

#### 2015 MILESTONES

Crown Brand strengthened its position as an entertainment leader. Boost of Fantasia Royal and Mundo Fortuna brands with implementation of centralized promotional activities, interconnecting both brands. Migration as for the gaming halls management systems in the Traditional Line with implementation of own management system scheme (no third parties), in Fantasy Royal Ferias and Fantasia Royal Cabecera gaming halls.

## URUGUAY

### increasing the wide range of business activities



CODERE concentrates its operations in Uruguay in Montevideo area and its surroundings, operating the National Race-track of Maroñas along with its partner SLI, the Racetrack Las Piedras and other related activities: horse betting system, entertainment halls with gaming & sports betting machines. The strong technological investment in both racetracks makes them be the main ones in Latin America to offer simulcasting, a unique simultaneous satellite TV betting system enabling the broadcasting of the horseraces all over Europe, North America and Latin America.

(\*)The implementation of the recent reform of the IFRS 11 standard has originated a change in the method of consolidation which also affects the "Hípica Rioplatense Uruguay" (HRU). 2015 Uruguay data do not include: 5 gaming halls, 24 betting shops, two racetracks and 1,868 gaming machines.

Moreover in 2015, the company – also managing the Sofitel Montevideo Casino Carrasco & Spa – continued its brand positioning campaign based in the concept of "Entertainment Flagship" ("Emblema de Entretenimiento"), redefining its gambling areas, VIP spaces and creating a smoking gambling area, besides hardly promoting the wide range of entertainment activities in the casino.

#### BUSINESS ACTIVITIES\*

Gaming machines: 395

Gaming halls: 1

#### START OF THE OPERATIONS

2002/2013

#### 2015 KEY FIGURES\*

Income: €27.8 million

EBITDA: €(3.1) million

#### 2015 MILESTONES

Since 2015 Uruguay has 12 horseraces included in the Part I of the International Cataloguing Standards Book of the IFHA which returns the international category to the main horseraces held at Maroñas National Racetrack. In addition, in 2015 the Sofitel Montevideo Casino Carrasco & Spa finalized the reconstruction works committed to the Municipality of Montevideo and promoted its entertainment areas with new services, spaces and activities for its clients.

## BRAZIL

### international bets boost

In recent years, CODERE Brazil has undertaken several initiatives to promote betting and international Turff. At the end of 2015, the company started the preparation of the online turff betting activity along with the Jockey Club of Rio Grande do Sul, planning to include other sports for 2016.

The previous year, the company had signed an agreement with Jockey Club do Rio Grande do Sul to improve the technological infrastructure and integration of JCRGS bets in the international market and also a new agreement between Codere Brazil, Hipica Rioplatense in Uruguay (HRU) and the Jockey Club do Rio Grande do Sul (JCRGS) for the international integration of the betting totalizer of the Maroñas and Las Piedras Racetracks in Uruguay with the one at Cristal Racetrack in Porto Alegre.



#### BUSINESS AREAS

Betting shops: 7

#### START OF THE BUSINESS OPERATIONS

2006

#### 2015 KEY FIGURES

Income: €2.4 million

EBITDA: €(1.4) million

#### 2015 MILESTONES

CODERE will be the first legal sports betting online operator and prepares the launching of the [www.suaposta.com.br](http://www.suaposta.com.br)

# CODERE'S

## milestones

---

At the end of 2015, CODERE Group celebrated its 35 years of business expertise within the private gaming industry. Throughout all these years there have been several important milestones that marked CODERE's history and corporate development.

# 1980

CODERE began operations in Madrid.  
Entered into the markets in Catalonia and Valencia.  
CODERE begins its international expansion in Colombia.

# 1990

Start of the management of gaming halls in Argentina.  
Began operations in Mexico with Grupo Caliente and CIE.

# 1999

Syndicated loan of €45 million.  
First acquisition of a bingo hall in Denia.  
Authorization of the installation of gaming machines in bingo halls in Argentina, boosting profitability.

# 2000

Expansion in Chile.  
Award of a syndicated loan of €72 million.  
Acquisition of Bingo CANOE in Madrid.  
Acquisition of Operibérica adding 3,500 new machines to the business in Spain.

# 2001

CODERE awarded a contract to manage the services in 16 bingo halls in Italy.  
Monitor Clipper Partners invests €40 million in CODERE.

# 2003

CODERE ESPAÑA S.L. contracted a mezzanine credit facility for €135 million.  
Awarded the management and reopening of Hipódromo Maroñas de Montevideo (Uruguay).  
Segregation of the business: Spain and International.

# 2004

Start of the management of gaming terminals in Italy.  
Start of the management of EBT in Mexico.  
Acquisition of Royal Group in Argentina.  
Launch of €335 million bond issue.  
Acquisition of Operbingo in Italy.

# 2006

Operations begin in Brazil.  
Launch of €160 million and €165 million bond issues.  
Acquisition of Bingo Palace and CODERE Network in Italy.  
Withdrawal from the market in Peru  
Acquisition of Recreativos MAE in Mallorca (Spain).  
Acquisition of Promojuegos in Mexico.  
The Martinez Sampedro family buys the shares of the Franco brothers and of the funds ICG and MCP.  
Exchange of assets between Chile and Panama.

# 2007

CODERE IPO.  
Acquisition of 49 % of ICELA in Mexico.  
Acquisition of Maxibingo in Italy.  
Renewal of some bingo licenses in Argentina.  
CODERE and its partners are licensed for sports betting in the Basque Country (Spain).

# 2008

Start of the introduction of coinless systems (TITO) in Argentina.  
VICTORIA awarded the license to operate sports betting in the Community of Madrid and opens the first betting shop in Spain.  
Opening of a new casino in Panama.  
Start of sports betting operations in the Basque Country (Spain).

# 2009

CODERE renews the license of the La Plata Bingo Hall (Argentina).  
CODERE awarded the contract for the reconstruction of the Carrasco Casino Hotel in Montevideo (Uruguay).  
CODERE inaugurates the Crown Casino Palatino in Bogota (Colombia).

# 2010

CODERE consolidates its position in Mexico and announces an agreement with Caliente Group.  
Acquisition of six casinos in Panama.  
Start of sports betting operations in Navarre (Spain).  
Launch of the first online bingo operation in Italy through [www.codere.it](http://www.codere.it) and installation of VLT in the gaming halls.

# 2011

The CODERE Group signs an Purchase Option on an additional 35.8 % of ICELA.  
CODERE Italy closes the purchase of FG Slot Services, Gap Games and Gaming Re over 2011.  
CODERE became the exclusive distributor of international simulcasting following its agreement with Jockey Club do Parana (Brazil).  
CODERE approved the group-wide Code of Ethics and Professional Conduct

# 2012

CODERE places U.S.\$300 million bond issue.

Acquisition of 60% of the operator Dalla Pria Service SRL in Italy. The Company obtained the license for the ownership, use and exploitation of the Hippodrome de las Piedras in Uruguay for 30 years and continues with the restoration work at the Hotel Casino Carrasco.

Inauguration of CrowN Casino Zona T in Bogota, Colombia.

Renewal, until 2028 and 2029, of five of the licenses for the gaming halls that CODERE operates in the province of Buenos Aires (Argentina).

Award of online gaming licenses for Madrid and Spain.

# 2013

Casino Carrasco and Las Piedras Racetrack reopening in Uruguay.

The 70th anniversary celebration of the Americas Racetrack in Mexico. Horse racing simultaneous broadcasting in North America directly from the Las Americas Racetrack.

Renewal of the corresponding operating licenses for five gaming halls in Argentina.

# 2014

In September, CODERE reached a debt restructuring agreement.

The simulcasting agreement between Maroñas and Las Piedras Racetracks in Uruguay and Cristal Racetrack in Porto Alegre, Brazil.

CODERE owns the leadership of offline sports betting in Spain and launches the sports betting mobile web App: [www.codere.es](http://www.codere.es).

# 2015

CODERE Italia's growth through the purchase of the local operators.

CODERE Spain begins to operate sports betting under national license and incorporates casino games to its online activity.

CODERE Brazil prepares the launching of its online activity.

End of the CrowN brand integration process in Panama.

# Our ORGANIZATION

**CODERE Group is structured by geographic regions and business units.**

The Company operates in Latin America and Europe. CODERE Europe includes business activities in Spain - gaming machines, gaming halls, sports betting and online gaming - and business activities in Italy - gaming machines and gaming halls-. The control of the operations of each of the business areas in CODERE America is also organized by country.

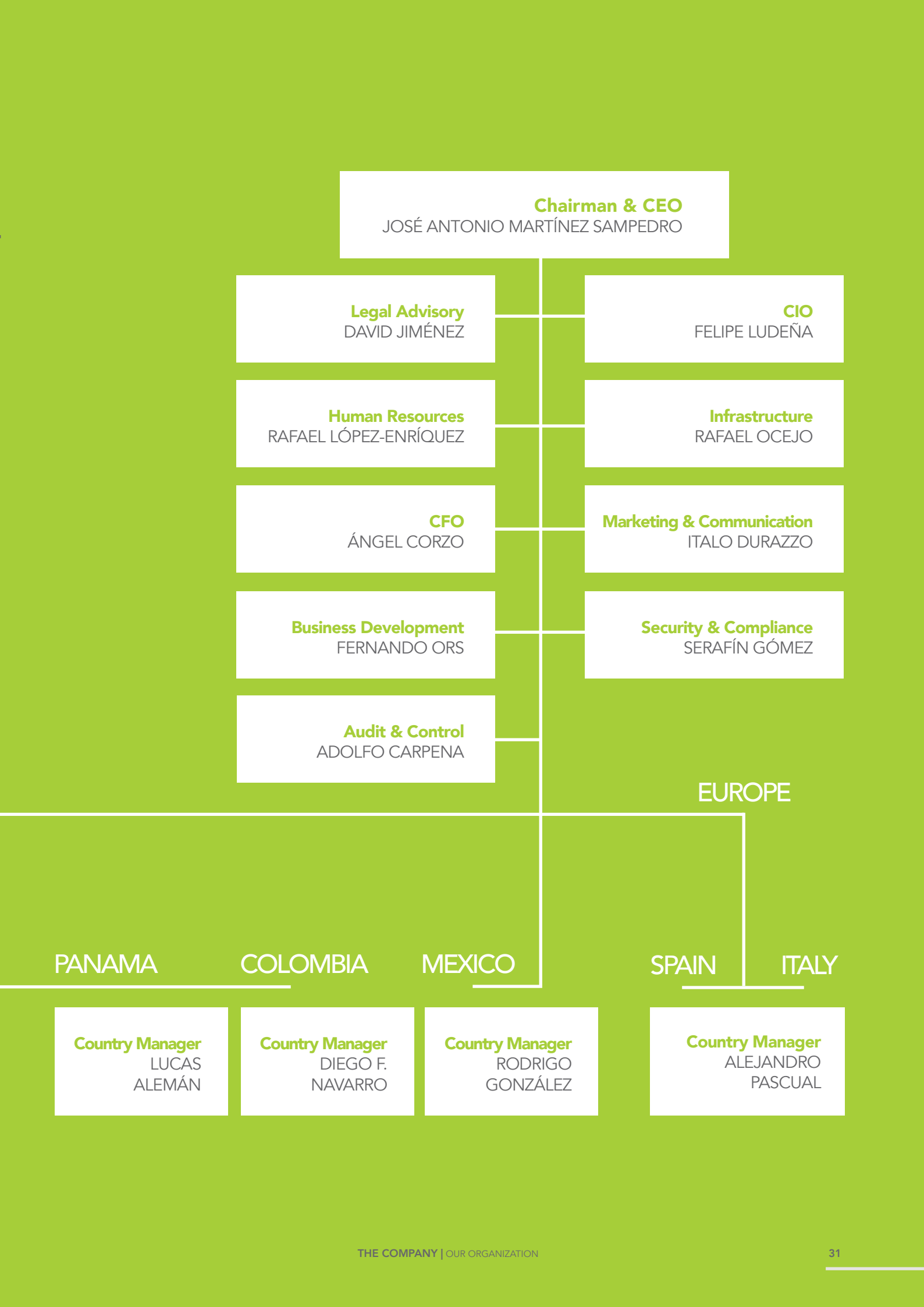
In 2015, the company started a project to exchange best practices among the

different countries in Latin America in order to integrate the operations of Mexico, Panama and Colombia under the same management team located in Mexico throughout 2016.

The Group headquarters and central services are located in Madrid and are responsible for the overall strategy and corporate policies, institutional relations, management of joint activities and coordination of all business units operations.







**Chairman & CEO**

JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

**Legal Advisory**

DAVID JIMÉNEZ

**CIO**

FELIPE LUDEÑA

**Human Resources**

RAFAEL LÓPEZ-ENRÍQUEZ

**Infrastructure**

RAFAEL OCEJO

**CFO**

ÁNGEL CORZO

**Marketing & Communication**

ITALO DURAZZO

**Business Development**

FERNANDO ORS

**Security & Compliance**

SERAFÍN GÓMEZ

**Audit & Control**

ADOLFO CARPENA

**EUROPE**

**PANAMA**

**COLOMBIA**

**MEXICO**

**SPAIN**

**ITALY**

**Country Manager**

LUCAS  
ALEMÁN

**Country Manager**

DIEGO F.  
NAVARRO

**Country Manager**

RODRIGO  
GONZÁLEZ

**Country Manager**

ALEJANDRO  
PASCUAL

# 2015 KEY FIGURES

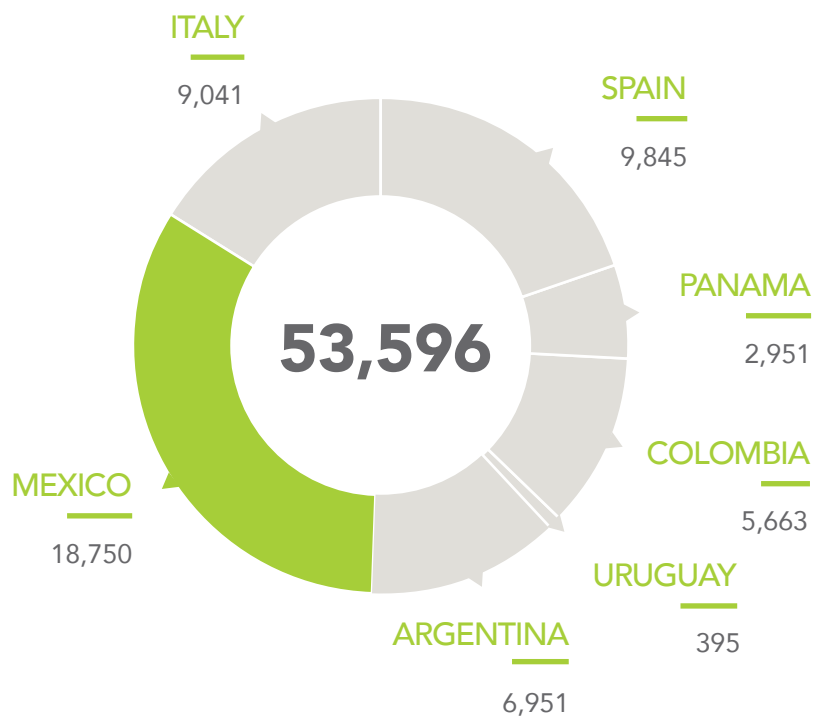
## RACETRACKS



## Online GAMING



## Gaming MACHINES



## REVENUES

Units expressed in millions of euros

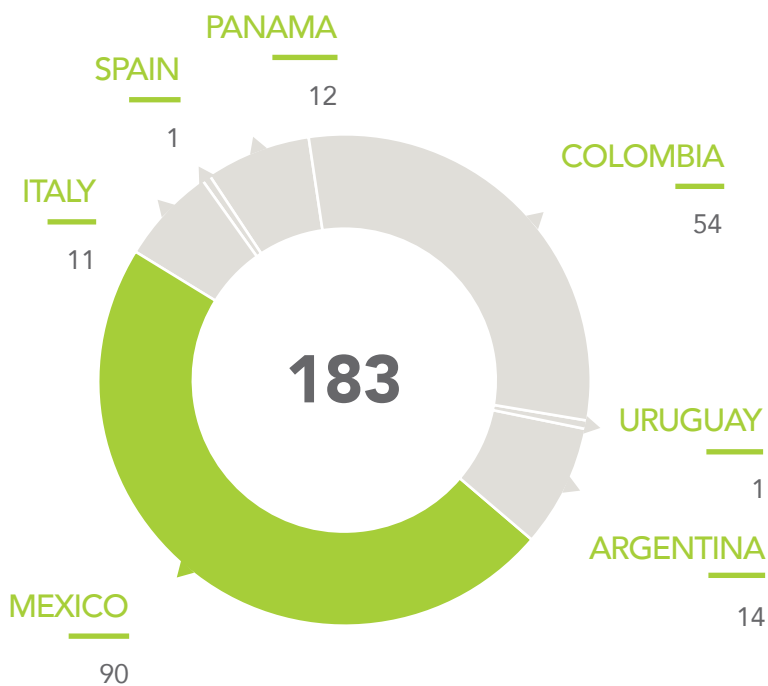
**13,7%**  
CAGR IFRS  
2005-2015

IFRS/NIIF: International Financial Reporting Standard

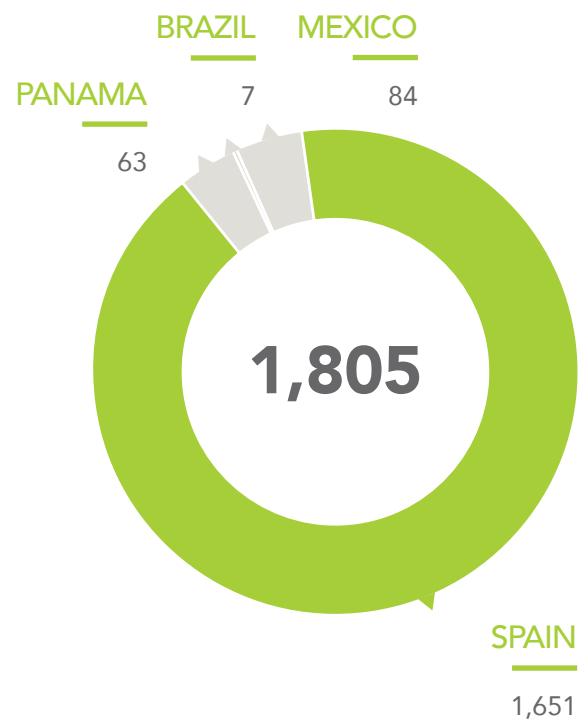
CAGR: Compound Annual Growth Rate



## Gaming HALLS



## Betting SHOPS



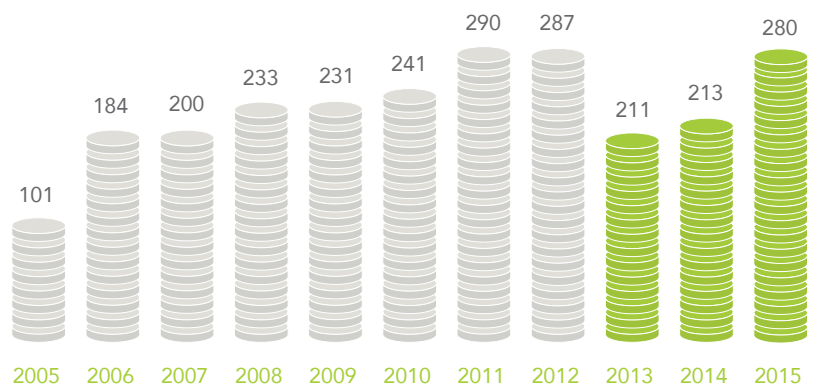
## EBITDA

Units expressed in  
millions of euros

# 10,8%

CAGR IFRS  
2005-2015

**2004-2008:** Excludes discontinued operations  
**2008-2009:** Excludes the gain or losses on  
 assets disposals  
**2013-2015:** Data adjusted in accordance with the  
 equity method





# Management REPORT





# EXECUTIVE

## Analysis

---

**The company's financial results in 2015 have been affected by the international macroeconomic environment, by the regulatory changes - especially in Italy, Panama and Colombia-, by the Group's restructuring process, the fiscal impact of the Corte dei Conti in Italy and the currencies evolution in Latin America.**

Revenues at year end amounted to €1,640 million, 18% more than in 2014 while the adjusted gross operating profit reached €280 million, 31% more than in 2014.

Business operations in Argentina, Mexico, Italy and Spain generated most of CODERE's revenues in 2015, followed by those in Panama, Colombia, Uruguay and Brazil.

In 2015, the total number of gaming machines increased by 2.7% up to 53,596 mainly due to an increase in the gaming machines fleet in Italy (9.3%), Mexico (7.7%) and Argentina (5.9%), partially affected by the decrease of gaming machines installed in Spain (5.4%) and other operations (5.3%).

At the end of 2015, CODERE's business portfolio counted with 183 gaming halls, 1,805 betting shops, 2 racetracks in Mexico and Panama and online gaming in Spain.

Throughout 2015, the Company's investments totaled €65.9 million, €47 million of which went to maintenance and the remaining €18.9 million were reinvested in growth business opportunities.

At the end of 2015, CODERE Group available cash balance totaled €110.3 million, having completely exhausted the SFA credit line.

*(\*) Data do not include non-recurring items resulting from the financial restructuring process during 2014 and 2015 and the costs related to the agreement with Corte di Conti in Q32014 (Italy).*

## MARKETS EVOLUTION

---

In **Argentina**, revenues at the end of 2015 reached €681,8 million, 39.4% more over the previous year, mainly due to the 4.3% appreciation of the Argentine peso over the euro and an increased average revenue per gaming machine (27.4%). EBITDA, at year end, amounted to €146.1 million, 56.4% more over the previous year. At constant exchange rate, this would have reached €139.4 million, which would have represented an increase of 49.3 % over 2014.

In **Mexico**, revenues increased by 3.9% yoy in 2015 due to an increased gaming machines fleet and the opening of new gaming halls. This growth was partially offset by the depreciation of the Mexican peso. EBITDA increased by 21.8% over the previous year up to €91.5 million, mainly as a result of costs reduction strategies and increased revenues.

In **Italy**, 2015 revenues amounted to €284.2 million, 7.7% more than in 2014, mainly due to a higher average daily coin-in as for the AWP and VLT gaming machines and an increasing number of installed VLTs and partially thanks to increased bingo revenues. 2015 adjusted EBITDA decreased down to 26.7 €million, 9.2% less over 2014, reflecting the side effects of the additional fee imposed by the 2015 Italian Stability Law.

In **Spain**, revenues at the end of 2015 totaled €155.9 million, 4% more than in 2014, mainly due to the progressive growth of the sports betting and gaming machines business during the second half of the year. Just as the previous year, 2015 EBITDA kept improving amounted up to €24.6 million, 39.8% more than in 2014.

## OTHER BUSINESS OPERATIONS

---

In **Panama**, revenues increased by 16.7%, mainly because of the appreciation of the dollar over the euro. Costs increased by 22.3% in Panama due to the effect of the non-recurring expenses and the evolution of the currencies.

In **Colombia**, business revenues decreased by 8.6% mainly affected by the Colombian peso depreciation against the euro. Expenses were also reduced by 27.8%, due to several cost reduction measures and to local currency depreciation.

Revenues in **Uruguay** increased by 52.7%, due to a better performance of the casino games at Casino Hotel Carrasco and to the local currency appreciation against the euro. Costs were increased by 17.4%, mainly due to higher gaming taxes and local currency rate exchange.

---

In 2015 revenues increased 18,3% over the previous year

---



File Launch Find Tools Reveal Help

ge 4 | Page 5

Keywords						
10	10	10	10	10	10	10
11	11	11	11	11	11	11
12	12	12	12	12	12	12
13	13	13	13	13	13	13
14	14	14	14	14	14	14
15	15	15	15	15	15	15
16	16	16	16	16	16	16
17	17	17	17	17	17	17
18	18	18	18	18	18	18
19	19	19	19	19	19	19
20	20	20	20	20	20	20
21	21	21	21	21	21	21
22	22	22	22	22	22	22
23	23	23	23	23	23	23
24	24	24	24	24	24	24
25	25	25	25	25	25	25
26	26	26	26	26	26	26
27	27	27	27	27	27	27
28	28	28	28	28	28	28
29	29	29	29	29	29	29
30	30	30	30	30	30	30
31	31	31	31	31	31	31
32	32	32	32	32	32	32
33	33	33	33	33	33	33
34	34	34	34	34	34	34
35	35	35	35	35	35	35
36	36	36	36	36	36	36
37	37	37	37	37	37	37
38	38	38	38	38	38	38
39	39	39	39	39	39	39
40	40	40	40	40	40	40
41	41	41	41	41	41	41
42	42	42	42	42	42	42
43	43	43	43	43	43	43
44	44	44	44	44	44	44
45	45	45	45	45	45	45
46	46	46	46	46	46	46
47	47	47	47	47	47	47
48	48	48	48	48	48	48
49	49	49	49	49	49	49
50	50	50	50	50	50	50
51	51	51	51	51	51	51
52	52	52	52	52	52	52
53	53	53	53	53	53	53
54	54	54	54	54	54	54
55	55	55	55	55	55	55
56	56	56	56	56	56	56
57	57	57	57	57	57	57
58	58	58	58	58	58	58
59	59	59	59	59	59	59
60	60	60	60	60	60	60
61	61	61	61	61	61	61
62	62	62	62	62	62	62
63	63	63	63	63	63	63
64	64	64	64	64	64	64
65	65	65	65	65	65	65
66	66	66	66	66	66	66
67	67	67	67	67	67	67
68	68	68	68	68	68	68
69	69	69	69	69	69	69
70	70	70	70	70	70	70
71	71	71	71	71	71	71
72	72	72	72	72	72	72
73	73	73	73	73	73	73
74	74	74	74	74	74	74
75	75	75	75	75	75	75
76	76	76	76	76	76	76
77	77	77	77	77	77	77
78	78	78	78	78	78	78
79	79	79	79	79	79	79
80	80	80	80	80	80	80
81	81	81	81	81	81	81
82	82	82	82	82	82	82
83	83	83	83	83	83	83
84	84	84	84	84	84	84
85	85	85	85	85	85	85
86	86	86	86	86	86	86
87	87	87	87	87	87	87
88	88	88	88	88	88	88
89	89	89	89	89	89	89
90	90	90	90	90	90	90
91	91	91	91	91	91	91
92	92	92	92	92	92	92
93	93	93	93	93	93	93
94	94	94	94	94	94	94
95	95	95	95	95	95	95
96	96	96	96	96	96	96
97	97	97	97	97	97	97
98	98	98	98	98	98	98
99	99	99	99	99	99	99
100	100	100	100	100	100	100

CDR SM

Keywords						
101	101	101	101	101	101	101
102	102	102	102	102	102	102
103	103	103	103	103	103	103
104	104	104	104	104	104	104
105	105	105	105	105	105	105
106	106	106	106	106	106	106
107	107	107	107	107	107	107
108	108	108	108	108	108	108
109	109	109	109	109	109	109
110	110	110	110	110	110	110
111	111	111	111	111	111	111
112	112	112	112	112	112	112
113	113	113	113	113	113	113
114	114	114	114	114	114	114
115	115	115	115	115	115	115
116	116	116	116	116	116	116
117	117	117	117	117	117	117
118	118	118	118	118	118	118
119	119	119	119	119	119	119
120	120	120	120	120	120	120
121	121	121	121	121	121	121
122	122	122	122	122	122	122
123	123	123	123	123	123	123
124	124	124	124	124	124	124
125	125	125	125	125	125	125
126	126	126	126	126	126	126
127	127	127	127	127	127	127
128	128	128	128	128	128	128
129	129	129	129	129	129	129
130	130	130	130	130	130	130
131	131	131	131	131	131	131
132	132	132	132	132	132	132
133	133	133	133	133	133	133
134	134	134	134	134	134	134
135	135	135	135	135	135	135
136	136	136	136	136	136	136
137	137	137	137	137	137	137
138	138	138	138	138	138	138
139	139	139	139	139	139	139
140	140	140	140	140	140	140
141	141	141	141	141	141	141
142	142	142	142	142	142	142
143	143	143	143	143	143	143
144	144	144	144	144	144	144
145	145	145	145	145	145	145
146	146	146	146	146	146	146
147	147	147	147	147	147	147
148	148	148	148	148	148	148
149	149	149	149	149	149	149
150	150	150	150	150	150	150
151	151	151	151	151	151	151
152	152	152	152	152	152	152
153	153	153	153	153	153	153
154	154	154	154	154	154	154
155	155	155	155	155	155	155
156	156	156	156	156	156	156
157	157	157	157	157	157	157
158	158	158	158	158	158	158
159	159	159	159	159	159	159
160	160	160	160	160	160	160
161	161	161	161	161	161	161
162	162	162	162	162	162	162
163	163	163	163	163	163	163
164	164	164	164	164	164	164
165	165	165	165	165	165	165
166	166	166	166	166	166	166
167	167	167	167	167	167	167
168	168	168	168	168	168	168
169	169	169	169	169	169	169
170	170	170	170	170	170	170
171	171	171	171	171	171	171
172	172	172	172	172	172	172
173	173	173	173	173	173	173
174	174	174	174	174	174	174
175	175	175	175	175	175	175
176	176	176	176	176	176	176
177	177	177	177	177	177	177
178	178	178	178	178	178	178
179	179	179	179	179	179	179
180	180	180	180	180	180	180
181	181	181	181	181	181	181
182	182	182	182	182	182	182
183	183	183	183	183	183	183
184	184	184	184	184	184	184
185	185	185	185	185	185	185
186	186	186	186	186	186	186
187	187	187	187	187	187	187
188	188	188	188	188	188	188
189	189	189	189	189	189	189
190	190	190	190	190	190	190
191	191	191	191	191	191	191
192	192	192	192	192	192	192
193	193	193	193	193	193	193
194	194	194	194	194	194	194
195	195	195	195	195	195	195
196	196	196	196	196	196	196
197	197	197	197	197	197	197
198	198	198	198	198	198	198
199	199	199	199	199	199	199
200	200	200	200	200	200	200





# CORPORATE

## Analysis

---

### RESTRUCTURING PROCESS

---

On January 2nd, 2014, CODERE's Board of Directors subscribed the stipulated by the article 5 bis of the Spanish Insolvency Act. The negotiations with the bondholders committee lengthened several months until September 23rd, 2014 when the Company entered into a Lock-Up agreement with the majority of bondholders containing the main terms as for CODERE's debt and equity restructuring process.

Throughout 2015 different milestones in the restructuring process are to be highlighted. On December 4th, the Board of Directors convened an extraordinary Shareholders Meeting approving, among others, the issuance of new ordinary shares to increase CODERE's capital to the amount of €495 million, which allowed to carry out the capitalization of part of the existing debt of the Group

(to be executed on April 6th, 2016), and the creation of CODERE Newco S.A.U. to carry out the procedure of overall assignment of assets and liabilities from CODERE, S.A. to CODERE Newco SAU (a company registered in the Companies Register on April 24th, 2016).

On December 18th, 2015, the Scheme of Arrangement was approved, a judicial process before the English Court, whose approval guaranteed that the contracts signed by the company and more than 75% of its creditors, as established by law, were binding for the remaining 25%, and therefore effective.

The new debt structure was conformed through a new senior loan by issuing new Private Senior Bonds worth 219 million dollars, which was intended to replace the existing SFA and get funds to finan-



ce working capital and future projects, and new bonds worth 739 million dollars (with a maturity of 5 years and one quarter with different characteristics).

Throughout the year, a very important part of the negotiation of the financial restructuring process focused on reducing the indebtedness of the company for it to be sustainable, allowing the viability of the project. The end of the restructuring process took place on April 29th, 2016.

## INVESTOR RELATIONS

CODERE actively works to gain the trust of the investors in its business projects. During 2015, and given the Company's complex situation, CODERE's Investor Relations department focused its activities on face-to-face meetings and conference calls with the Company's investors, financial analysts and other stakeholders, providing them with clear and totally transparent information.



# Client CENTRICITY

---





# CLIENT

## Oriented Strategy

---

**In a context in which the client is increasingly demanding, well informed and interacts daily with the new technologies, CODERE focuses itself on a client-centric approach, properly segmenting each type of clients and collecting their feedback to find out their preferences; therefore the company can create value propositions more customized and adjusted to their behavior and expectations, through various channels and gaming modalities.**

### LOYALTY CLUBS

---

Having registered 40 million visits in our gaming halls during 2015, the company strives to offer to our 2 and a half million clients a wide range of entertainment activities of all kinds adapted to local tastes and preferences.

They closely follow the trends within the gaming markets, both globally, and its adaptation to each local reality, in order to address clients from different perspectives: from the knowledge of their habits of gambling behavior, to deepening their experience in the gaming halls, in order to know the clients' perceptions and identify their main motivations.

One of the main goals is to strengthen the relationship with the clients and ensure their long-term loyalty, and for this reason the main activity is the development of loyalty clubs, currently active in our main markets. In 2015, the company is proud to have reached 1 million and a half club members, representing 60% of our total clients.

The Mexican business is to be mentioned, where almost 100% of the gambling revenue is done through the loyalty program. In Argentina, significant efforts have been made in this area, increasing the number of monthly active

members in more than 20% in 2015. In Europe there is also a significant progress in this sense: in Spain, with the development of our exciting offer of online gaming we have reached more than 100,000 registered clients.

Activities related to loyalty clubs are hogging the most important part of marketing investments and business management, with an increasing trend year after year, given the clear commitment of CODERE to customer satisfaction. Through these programs, a part of the profits the Company obtains from gambling, it is returned to the club members.

The contents of loyalty programs focus on providing its members that they value most, rewarding their loyalty to CODERE. The content of these programs varies depending on the type of member, the market, the business line and always adjusted to the legal restrictions of each country.

To manage this great asset of the business – the club members –, CODERE continues to invest in the development of its own powerful information system CRM, called SPACE, which enables the full integration of all the activities related to customer management through a single homogeneous tool providing significant benefits to the business.

## ADAPTATION TO A CLIENT WHO GETS MORE AND MORE DIGITIZED

Being aware of the progressive digital development, CODERE advances in client-centric strategies that not only incorporate digital tools such as web pages or social networks to interact with the client, but also progress in building offers customized to the own tastes of each client and that the clients can access when they are inside the gaming halls as well as when they gamble via their mobile phones.

## PERMANENT RESEARCH AS FOR THE CUSTOMER EXPERIENCE AND SERVICE

To gain a thorough understanding, in all its dimensions and characteristics, of the clients' needs, desires and expectations, CODERE has developed a robust measurement model and customer analytics. Through it, aspects such as socio-demographic profile of the clients, their habits and their level of recommendation, loyalty and satisfaction can be known.

CODERE's unique research models delve into the most important levers or drivers that determine the best customer experience. Through these models, one can detect needs and gaps that generate the necessary improvements, becoming an essential raw material of the daily activity management for the operations team. As a result, a greater focus "Client centric" is achieved in a continuous process of operational improvement as for the service.

Through continuous measurement over time, from the exchange of best practices and results of the action plans between countries, a "Client Intelligence" is being developed internationally, allowing better targeting strategies and action plans, as well as a more efficient management of resources.

To track the various touch points of the Customer journey, measurement tools such as Mystery shopper are used, an instrument that, complementing the analysis of customer experience previously mentioned, it helps to daily reinforce the culture of offering CODERE's clients the best service and value proposition.









# Business AREAS



# Business AREAS

---

**CODERE operates in five business areas and in 2015 managed: 53,596 gaming machines, 183 gaming halls (bingo halls with gaming machines, casinos, gaming machines at racetracks and own branded gaming halls), 1,805 betting shops, 2 horse racetracks, and online gaming activity. The management of all operations conforms to the peculiarities of the local markets where the Company operates and the legislation of each country.**



## GAMING MACHINES

---

Gaming machines are the source of CODERE activities in the gaming industry and one of its main business areas. In 2015, the company operated 53,596 gaming machines, nearly 3% more than the previous year, in: Mexico, Spain, Italy, Argentina, Colombia, Panama and Uruguay, markets which are very different from each other and have different stages of maturity.

Each year, the Group's professionals analyse the tastes and preferences of consumers and the needs of establishments to meet their demands and to provide customers and users a comprehensive quality service through analysis, renewal and rotation of machine models, commercial services, collection management, technical service and management services, among other activities undertaken.

---

*NOTE: Due to the consolidation under the equity method motivated by the amendment of IFRS 11, the data on Hípica Rioplatense of Uruguay are not included: 5 gaming halls, 24 betting shops, two racetracks and 1,868 gaming machines.*

## CODERE OPERATES 53,596 GAMING MACHINES

The gaming machines are located in the gaming halls, bars and restaurants, casinos and racetracks, and offer cash prizes based on the bets made by users.

The different types of gaming machines are adapted to suit the characteristics of each market:

- **AWP Machines (Amusement With Prize):** Machines that pay cash prizes as a result of a percentage of total bets on a predetermined cycle of games. In Spain, CODERE operates Type B machines and in Italy operates Comma 6A machines.

- **Casino Slots:** Casino or gaming machines. These machines, in exchange for a particular bet, allow the user playing time and, eventually, a prize that will depend on chance. CODERE operates these terminals in Argentina, Panama, Colombia, Mexico and Uruguay.

- **Electronic Bingo Terminals (EBT):** Machines incorporating games similar to those using bingo cards within licensed bingo halls. CODERE operates EBTs mainly in Spain.

- **VLT (Video Lottery Terminal):** Machines with cash prizes based on a percentage of the total played using a random statistical system; CODERE operates these machines, to date, in Italy.

- **Electronic Bingo:** Network-based bingo game that allows several people to play simultaneously through the Internet via touchscreen. It has a prize structure that combines traditional shared prizes with individual awards as the main attraction. In Spain these machines are located in Sala CANOE.

## SPAIN

Gaming machines represent the origin of the business of the CODERE Group, which currently continues to maintain a leading position in this segment. Despite the stiff competition and the gaming situation in Spain, this segment continues to be a priority for the Group for the development of its business.

In the second half of 2015, this unit obtained positive results, increasing the average daily revenue by 6.5% compared to 2014, resulting from the improvements in management and thanks to the economic recovery of the country.

Throughout the year, CODERE carried out a rationalisation of the least competitive machines, up 5.4%, to 9,845 units, with optimisation measures that have enabled the company to be more dynamic and improve operating efficiency.

Moreover, in 2015 CODERE launched CODERE JUEGOS, a project of branding and decoration in the gaming halls of their property under a youthful image summarised in the concept "Today is your lucky day." These spaces maintain the CODERE Apuestas style, adapted to the gaming machine space. This new image was used for the first time in Valencia and the Balearic Islands.



CODERE JUEGOS gaming hall



## ITALY

CODERE operates a large network of interconnected gaming machines in this country, the CODERE Network, as well as AWP machines and Video lottery terminals (VLT). This type of machine was incorporated into the Italian market thanks to regulatory changes in 2009.

At the end of 2015, CODERE Italy had a fleet of 9,041 machines, 9.3% more than the previous year (7,632 AWP and 1,409 VLT). The country's revenues grew by 7.7%, largely due to improved average daily income per machine, which increased 4.1% and 2.5%, respectively, compared to 2014.

Moreover, the company maintained its policy of growth through the integration of local operators. In July, CODERE Italy signed, through its partner GAP GAMES, an agreement to acquire 100% of PGO SERVICE SRL, a company operating in the field of entertainment machines in the regions of Veneto, Friuli, Tuscany and Lazio, serving 300 gaming halls through the connection of 850 machines. In October, the company announced the acquisition of 51% of the companies GARET SRL and GAME OVER SRL, operating in Tuscany and Umbria, which allow the connection 430 machines in 130 gaming facilities.

## MEXICO

CODERE was established in Mexico in 1998 through business partnerships with CIE and Caliente Group. Since the beginning of its operations in the country, CODERE has pioneered the field of gaming with betting and lotteries. Currently, CODERE is the largest operator of gaming halls in Mexico with 90 halls at the end of 2015. The company also operates 18,750 gaming machines in the country that

are located in gaming halls and the Hipodromo de las Americas racetrack. In 2015 the number of terminals increased 7.7% due to both an increase in existing halls and the six new gaming halls.

## ARGENTINA

CODERE focuses the gaming machine activity in Argentina in the province of Buenos Aires and is one of the industry leaders in this country. The Company operates 6,951 gaming machines in this country, a 5.9% increase over the previous year, recording a 35.2% increase in cumulative year-on-year collections in 2015.

In the halls, CODERE has the latest gaming technologies in gaming machines, progressives, video poker slots and electronic roulette. The slots use the Ticket In-Ticket Out (TITO) payment system for user comfort in all the gaming halls and the company has connected slots that accumulate a common prize that increases play by play.

In 9 of its 14 gaming halls, the company includes Smokers Clubs, which feature an exclusive space with state of the art machines, cafeteria, excellent cuisine and personalized service.



Gaming machines in Bingo La Plata (Argentina).



CrowN Texas  
Hold'em  
tournament.

## COLOMBIA

According to regulations of the Coljuegos regulator, the machines of the casinos must be connected and transmit information online to the regulator in 2016. CODERE initiated the interconnection of the first package of machines (30% of the inventory) on 1 October 2015. In May and November 2016, the company will undertake the 30% and 40% remaining, respectively.

Throughout 2015, the company carried out the technological upgrading of 383 machines with conversion to new games and platforms, as well as the renovation of wallets in 253 machines terminals, mainly in Fantasia Royal casinos and unbranded halls in the traditional business lines.

As for product management, the option to purchase 25 machines operating under the participation model was exercised and the cashless system was implemented in Mundo Fortuna Bocagrande, Country 79 and Vizcaya Halls. Also, a change was made in the percentage of prizes in the CrowN Casinos and reconfiguring the *mysterious prizes*, increasing the chances of prizes for customers.

On the level of infrastructure, a change was made in the configuration of the layout of the gaming halls, distributing some machines among the casinos. The CrowN Palatino terrace was expanded from 9 to 40 machines and the CrowN Cali terrace was adapted with the addition of 40 machines of the general casino floor.

Meanwhile, the CrowN brand incorporated in a new format and with greater intensity, *Texas Hold'em*.

Regarding the management of casino tables, Hold was reconfigured with rule changes in the games of Black Jack and changes in payments on roulette tables.

In relation to bingo, the company carried out the reconfiguration of the games, with more frequent guaranteed and simultaneous games, increasing sales of cartons over the previous year. The company also conducted training for staff of the tables and machines in pursuit of excellence in service and overall customer satisfaction.



## PANAMA

---

Gaming machines are also the main business source in CODERE Panama. In 2015, the number of machines declined by 6.1% to 2,951 machines. The unification of its casinos under the Crown brand favours its position as a leading entertainment provider in full casinos in the country, while allowing an improvement in profitability and competitiveness in the market.

In the past year, thanks to advanced technology and customer-oriented marketing activity, we achieved the customisation of the activity. In addition, technological additions from previous years were consolidated, such as the win systems (transaction processing without error) and the latest innovations in multi-game machines, diversifying the entertainment offer compared to traditional machines.

## URUGUAY

---

CODERE opened in March 2013, through the Carrasco Nobile consortium (of which CODERE is the majority shareholder), the Sofitel Montevideo Casino Carrasco & Spa, a luxury hotel with a high-tech casino of over 3,000 square meters on two levels. The casino has 20 gaming tables and 395 slots of the most internationally recognized brands, in addition to incredible progressive groups attached to different slots with different modalities and progressive *stand alone*. Various tournaments are held every month with great prizes.

In 2015, Casino Carrasco opened two VIP halls called Palace Club (VIP gaming hall room with tables and Palace Point (VIP room for slot players). Both halls have been designed, both in its staffing structure and infrastructure, to receive the finest gaming clients who tend to visit Las Vegas, Europe and the best casinos of Latin America.

In addition, due to consolidation under the equity method, the company does not include among its operational data of the racetrack Hípica Rioplatense of Uruguay, which has 1,860 machines.



Interior of Casino Carrasco, VIP Palace Club (Uruguay).



# Gaming HALLS

---

**CODERE is a leading international gaming operator that manages 183 gaming halls in different countries, representing a 4% increase over the previous year, including: bingo halls with gaming machines, casinos, gaming machines at racetracks and gaming halls with their own brand. In recent years, the Company has made significant investments in this segment of the gaming market and has become the leading operator in Latin America, particularly in Mexico and, in Argentina, in the province of Buenos Aires.**

---

**CODERE OPERATED 183 GAMING HALLS  
IN 2015: 90 in Mexico, 54 in Colombia, 14 in  
Argentina, 11 in Italy, 12 in Panama, 1 in Uru-  
guay (\*) and 1 in Spain**

---

*(\*) NOTE: Due to the consolidation under the equity method, 5 gaming halls operated by HRU in Uruguay are not included.*

## SPAIN

---

CANOE is one of the most emblematic gaming halls of Europe and has led the leisure segment in the capital for more than a third of a century. In 2015, Canoe launched a revitalization plan that involves a redesign of its space and enlarging the entertainment area for the enjoyment of over 400,000 customers annually.

In early 2015, the company launched its *Grand Central Bar*, modernising its facilities. This 28 m2 bar is surrounded by other entertainment and dining spaces on the top floor, visually unifying the various areas and promoting the movements of customers.

In 2015, the company also inaugurated the *Grand CANOE Terrace*, a new space in the lower area where guests can play bingo and enjoy a wide range of gaming activities. Next to the bingo hall, there is a space measuring 400 m<sup>2</sup> where smoking is permitted -the largest in Madrid- which has 168 bingo seats and more than 40 gaming machine posts (roulette, B3 terminals, multi-game machines) and sports betting.

The inauguration took place the first weekend of October with the start of the fall season through a theme party set in the Roaring 20s', which featured numerous events and awards for partygoers.

Alongside these developments, we would also highlight the success of sports betting. CANOE holds a betting corner of *CODERE Apuestas* that is the largest of its type in Spain, with more than 21 betting machines and offers simultaneous gaming with online activity. The betting corner, a pioneer in live sports betting in Spain in 2008, has become a focal point for sports and betting fans where one can also enjoy live sports through the large screens of the main floor.

Inside the Bingo CANOE, customers can also enjoy a multiproduct area with 30 gaming and multi-user machines, 62 bingo gaming terminals and 3 electronic roulette terminals. In short, the prizes are one of the main attractions of CANOE. In 2015 alone, we gave away about 45 million euro among the different games.

Throughout the year, the establishment promotes an intense sweepstakes activity and offers very interesting prizes, which become one of the biggest claims of the clients. In 2015, moreover, around 45,000 euro in prizes were distributed through the various promotional activities, additional to the gaming awards.



Poster of the inauguration of the CANOE terrace

CANOE also launched numerous campaigns to boost the activity of bingo, gambling or attract traffic to the hall, building on the sporting events like Real Madrid-Valencia (May, 9) with *Bingoool*, or the celebration of the Classic Madrid-Barça, specific campaigns such as the "Triple winner" or the "Winner Strike" and "#ApuestoaBasket"... and "BingoBang", sweepstakes on the occasion of the April Fair, Mother's Day, and the Grand Prix.

At the end of the year, the gaming hall celebrated the 37th anniversary of CANOE which featured animations, sweepstakes and a birthday cake.

## ITALY

---

CODERE is the leading gaming halls operator in Italy with 11 gaming halls and 9,041 gaming machines, including video lottery terminals (VLT). Three of these halls are among the five largest in the country and one, Bingo Re, is one of the largest in continental Europe. The company completes its entertainment offer in the halls with catering and entertainment services.

In 2015, they have undertaken numerous initiatives, campaigns and promotions in the gaming halls, as well as contests and events. These included the launch of a photo contest: *"I trust you"*, in support of pets, which mobilised customers from August to October with excellent participation. Throughout the year, activities have been held such as anniversaries, culinary events or themed events on the occasion of Valentine's Day, Mother's Day and comedy shows and music festivals, among others.

Moreover, during the ENADA gaming fair, on October 14th, CODERE organized the *James Bond Party*, an important event for customers and partners at the Montemartini Palace.

## MEXICO

---

During 2015, we developed more than 1,300 events in the various gaming halls, such as anniversaries, Yak, Mega Bonus, themed parties, Valentine's Day, Mother's Day, Father's Day, Independence Day, Halloween, Christmas and New Year. Throughout the year, CODERE Mexico held about 980 communication campaigns and promotions, plus 2 campaigns by the YAK and Royal YAK brands with great impact among clients.

In 2015, CODERE Mexico also signed agreements with sponsors to include the YAK brand in the Box events, providing great visibility at major sporting events and theme events, developing an intense communication to clients in the gaming halls and developing numerous events in their gaming tables, bingo halls, etc.

## COLOMBIA

---

CODERE manages 53 gaming halls in Colombia, located primarily in Bogotá, Medellín and Cali, as the leading operator of gaming halls in the country.

As for clients management, adjustments were made to optimise the resources allocated aimed at promoting the new strategy on benefits for clients of EL CLUB, such as promotional bonuses for the machine unit and casino tables -under a new CRM system on the SIEBEL platform that communicates with the application of the gaming machines and tables (SMAC) - in addition to the strengthening of promotional activities and new customer relationship management processes.



---

Codere Italy team at the James Bond Party.



In 2015, El Club also implemented a loyalty system on gaming tables with the development of a new “*player tracking*” application on real gaming, with reformulation of benefits and changes in promotional bonuses management policy.

Focused strategies were also promoted in attracting new customers, strengthening the leadership position in fun and entertainment in the country.

As for the management of food and beverage (F&B) the menu was simplified with reduced selling prices for the public and the definition of the benefits and special discounts for customers of EL CLUB. Also, business processes and suppliers were reviewed in order to reduce sales costs.

The MICROS system was implemented in CrowN Cali and CrowN Palatino, providing the 5 CrowN halls with F&B management software, optimizing information consolidation processes and the management and control of this area.

Lastly, Mundo Fortuna Vizcaya completed the conversion to the CrowN Casinos brand with a projected \$1,400 million investment, making a change in the distribution of the gaming machine and bingo business units and incorporating the gaming table business unit with 4 casino gaming tables and the food and beverage unit (F&B). Also, a terrace was adapted to locate 16 additional slot machines, reconfiguring the service areas.

Customer relationship management was also strengthened in other brands of the Company (Fantasia Royal and Mundo Fortuna) through different strategies linked to the Loyalty Club, replicating the management models implemented in CrowN, allowing the companies to analyse and guide customer’s strategies around a transversal axis for all halls that feature the online loyalty scheme.

As for business management, we maintained the centralized brand promotion management model encompassing all Fantasia Royal Halls (23) and 40 Unbranded Halls, and the strategy was strengthened by generating additional content such as Mega Royal, Megalotto and Bingo promotions generated from headquarters with multi-site coverage (Fantasia Royal, Mundo Fortuna and Unbranded Halls) with interchangeable Loyalty Club cards.

As for operational management, we continued with the traditional manager model for the migration to free lance with greater manageability and greater income participation for CODERE, completing, at year end, 18 Halls. Also, we launched the migration strategy for participating operation halls to free lance operation, managing the migration of Fantasia Royal Ferias and Fantasia Royal Cabecera at year end.

In terms of service strategy, the model called “*You are Attitude*”, a program that seeks to raise interest of employees through activities that promote motivation, integration and generation of commitments and this is reflected in personalised handling and customer service.

Simultaneously, in service management, we continued with the “*HABITS*” programme and service Protocol with semi-annual training (classroom/e-learning) for all dependent personnel of the Halls as a requirement for the “*You are Attitude*” model.

## ARGENTINA

CODERE Argentina is the largest bingo hall operator in the province of Buenos Aires, with 14 gaming halls in operation, managing 28.8% of the machine posts. Under the expansion plan defined for 2015, several Halls have increased their capacity, among which we would highlight: Lomas de Zamora, with an increase

of 74 posts, the San Miguel Hall, an increase of 50 posts and the Moron Hall, with 105 slots installed.

Also in 2015, the company developed an intense activity in all gaming halls including a diverse number of events such as anniversaries, special and gastronomic events, music shows with local figures and retention activities, which positioned CODERE Argentina as the company with the higher quality offer for fun and entertainment.

Through anniversary parties, CODERE halls show all their splendour with fine settings, the best cuisine and shows designed to surprise customers. In 2015, numerous events like anniversaries and shows were held on special occasions like Women's Day, Father's Day, Valentine's Day, etc.

EL CLUB, the Loyalty Program of the gaming halls continued providing benefits to its members through special promotions, exclusive giveaways and personalised attention. At present, and in line with the commercial strategy, the proposals are customised according to the member profile, promoting their attraction, retention or recovery.

Throughout the year we also continued with the actions taken within the CLUB program: Online Sweepstakes, Monthly Sweepstakes, exclusive campaigns such as *"Member Referrals"* and promotions for *"Swaps for cash"*.

Among the special actions, we would highlight the literary sweepstakes *"My best day on Bingo"*, where members were invited to write a story about the best stories in the bingo hall, highlighting the importance of the gaming hall as a meeting and entertainment point.

## PANAMA

---

CODERE Panama manages 12 casinos that are integrated under the Crown brand. In 2015, this integration process was closed in the rest of the five halls at national level, reaffirming the company's position in the country in the sector of betting and entertainment.

The consolidation of the brand throughout Panamanian territory has not only allowed the approval of all operating systems, simplifying many aspects, but also improved customer service and gave greater visibility to the brand internationally. Throughout the year, CODERE Panama launched numerous initiatives in the casinos on the occasion of anniversaries, events, launches, and inaugurations with great participation and hospitality.

Since the end of 2014 the first guidelines changing to the new Crown CLUB brand were given in the area, with marketing campaigns, events and even the façades of the casinos. In April 2015, we developed a major campaign to relaunch El CLUB with the creation of the new premier category, *"Diamond"*, improving benefits for super VIP customers over the competition.



Anniversary of a CODERE Argentina Gaming Hall

In the beginning of the year, CODERE Panama launched the Retro Night 2015 project, an event that reminded its clients of the best music of their youth through salsa shows with Celia Cruz or representations of typical Panamanian music like Ulpiano Vergara, among others. The company also launched the show “Anything for the Women”, the only show in Panama in the style of Chippendales in Las Vegas. On 7 December 2015, the loyalty area was strengthened with the launch of the pilot “Mico system” that will represent a complete change in gaming in the country.

## URUGUAY

In 2015, Codere operated a single casino in Uruguay: Sofitel Montevideo Casino Carrasco & Spa.

Carrasco Nobile, a consortium led by the CODERE Group, won the tender in 2009 for this landmark building, an entertainment and gaming icon in Latin America that, after a process of restoration, was reopened in March 2013.

This historic 1912 building, a National Heritage Site of Uruguay, was designed by architect Louis Mallet and is located in Carrasco, an exclusive neighbourhood of the city opposite Rio de la Plata, just 5 minutes from Carrasco International Airport and 25 minutes from the centre of the city.

The Casino has 3,000 m<sup>2</sup>, divided into the two lower levels of the building, and is open to both guests and the public in general.

The gaming area has 20 tables and 395 slots of the most internationally recognized brands, 20 Roulette, Black Jack, Baccarat, Mini Baccarat and Midi tables (both in dollars and in Uruguayan pesos). The casino also has the Arocena Premium Room, a poker room.

The casino has a special loyalty and customer card program. In addition, clients can enjoy a full schedule of shows with national and international artists (tango, jazz, electro pop, indie and rock).

In addition, clients enjoy a special loyalty program: *Unique Club*, which allows collecting crowns to redeem for prizes. The loyalty card carries exclusive privileges and surprise gifts, in addition to access to the catalogue for the exchange of drinks for the crowns collected at all restaurant outlets of the complex, spa visits, hotel stays or tickets to the best shows in Montevideo.

In addition, clients can enjoy a full schedule of shows with tango, jazz, electro pop, indie and rock shows in El Bar.

In 2015 major poker tournaments were held with the aim of generating a new attraction for the VIP segment players through the VIP Casino Carrasco Poker Tournament, with prizes of USD 100,000, established since May 2015, and the *CODERE World Tour*, a poker tournament that begins in October 2015 with a prize of USD 200,000.

As part of the acquisition of VIP customers, throughout 2015, various artistic and musical events like Playboy Party, Nostalgia, Halloween, stand-up shows and music with artists from the region were developed.

Interior of Casino Carrasco; Tournament CODERE World Tour (Uruguay)





# BETTING

---

**CODERE has a great experience as an international sports betting operator, developing this activity in five countries: Spain, Mexico, Panama, Uruguay and Brazil. In 2015, the total number of betting shops operated by the Group reached 1,805, 5.6% more than the previous year.**

The Company started its operation in this activity with its arrival in **Mexico** in 1998, in participation with local partners. Most of these betting shops are linked to gaming halls, which offers users a wide variety of entertainment options in gaming.

The gaming halls in **Panama** and **Uruguay** are linked to the management of the racetracks Presidente Remon (Panama), the Maroñas National Racetrack and Las Piedras Racetrack, both in Uruguay. Since 2006, CODERE also operates in **Brazil**, managing betting shops along with the main equestrian clubs in the country, offering clients betting on horse races nationally and internationally.

In **Spain**, CODERE is the first company licensed to operate sports betting in the country and opened the first betting shop on 16 April 2008 in Madrid, inside Bingo CANOE. At the end of 2015, CODERE Spain accounts for more than 91% of the Group's betting shops.

## Types of bets

Betting is a gaming mode that can be offered in multiple locations, either specific establishments or associated with other forms of gambling such as gaming halls, sports venues, racetracks, bars, hotels, etc.

The types of bets that CODERE operates include:

#### Depending on when:

- **Ante Post:** Available until a few minutes before or at the time the event starts.
- **Live betting:** Remain open after the event has already begun.

#### Depending on the number of bets and conditions:

- **Simple bet:** A single bet on an event.
- **Accumulator** Two or more bets on multiple events. The bettor must win all of them. Can be double, triple or multiple.
- **Multiple:** Three or more bets or on various events. The bettor does not have win all of them.

## SPAIN

Las apuestas deportivas presenciales Sports betting have experienced significant growth in Spain in the last year due to the geographical expansion of operations, the consolidation of the activity in the regions already regulated and the reactivation of leisure consumption among Spaniards. In amounts played, the bets increased 30% in 2015 over the previous year, to 1,088 million euro.

### Major local deployment

Throughout the year, CODERE undertook significant deployment of its betting network with the opening of about 200 new betting shops. More than 100 in the in the new regulated regions such as La Rioja, Extremadura and Castilla y Leon and up to 70 additional betting shops in the regions already operating, consolidating its position every day as a global operator.

Since the end of 2014, the company began deploying in Rioja where it will open about 60 betting shops through a model of mixed operation, combining growth through local operators and the hospitality channel, which had already been applied successfully in Valencia, Galicia and the Basque Country. Also, in June, CODERE began operations in Extremadura through well-established partners in the region.

After the excellent results obtained in these communities, the expansion plan continued and in July CODERE Apuestas became the first operator to open a local betting shop in Castilla y Leon, initially operating through 30 gaming establishments (gaming halls, bingos, casinos and betting shops), covering all provinces of this region and its main towns.



Façade of LBO General Ricardos of CODERE Apuestas (Madrid).

## Strengthening its position within the gaming industry

In 2015, CODERE reinforced its Spain business unit, reinforcing Operations and Business Development departments. The company also maintains a strong presence in major trade events and industry forums, including the 35th edition of the *FER-INTERAZAR 2015* (IFEMA, Madrid), a meeting point to bring its commercial proposal to distributors.

In September, the company also participated in the *Third Edition of EXPOJOC* (Valencia), in its dual role as an operator of AWP machines and a sports betting company. In October, the company participated in the *IV Expo Andalusian Congress on Gaming*, sponsored by the Andalusian associations ANMARE, ACODISA and ANDESA in Torremolinos (Malaga), a strategic region for CODERE that will allow it to complete its network once this activity is regulated in this community.

## A quality product with a wide range of content and promotions

The prominent positioning of CODERE in the sector is joined by the success of the CODERE Apuestas formula: A quality product, a wide range of sports content that is constantly growing (with more American sports: Basketball (NBA), baseball (MLB), Football (NFL) and ice hockey (NHL), plus ante post and live betting markets). All under the umbrella of a brand with high recognition in the market, with a history of more than 7 years of experience and an established professional betting management model, offering the highest margin to distributors over the competition and ensuring professional support in developing the business.

In 2015, the company completed the implementation of its latest gaming platform in all regions operated and, in August, consolidated its betting system with new all flash technology by NetApp, enhancing user experience thanks to a greater responsiveness of applications, reducing energy consumption and costs associated with the servers.

In addition to the new features of its new platform, CODERE has launched a new "SELFIE" terminal which allows quick cashless wagering. This new terminal, which was officially launched in 2016 (as a pilot in CANOE), has a wide screen and eliminates peripherals and electronic banking, facilitating their use exclusively through the CODERE customer card.

Throughout the year, CODERE Apuestas undertook an intense promotional activity, ranging from actions created ad hoc for each of the betting shops, campaigns with a very cool line that connects directly with the younger audience: "Apuesto al basket" (mobilising the community of sport followers), to other on/off line customer attraction and retention: "En tu casa



Betting terminal



o en la mía”, (Your place or mine) “Por la cara” (Free), with great visual impact.

The company also launched special actions on the occasion of the most important sporting events of the season, such as the classic (Madrid/Barcelona) and campaigns aimed at informing on the most striking bets made: “The strike winner” and “triple winner”, among others with many attractive prizes.

In addition, the image of CODERE Apuestas has been present at major sporting events such as the BBVA League and the Copa del Rey, at Rayo Vallecano and Vicente Calderon stadiums, with great visibility across the field.

## MEXICO

---

CODERE manages 84 betting shops in Mexico on sporting events of all kinds, a 15% increase over the previous year. Most of these shops are linked to gaming halls, which offers users a wide variety of entertainment options in gaming.

Through the *Sports Book*, customers can bet on all sorts of national and international sporting events (greyhounds, soccer, football, baseball, hockey) and horse racing at major racetracks in the United States (Santa Anita, Hollywood Park, Lone Star Park, Los Alamitos, Sam Houston).

## PANAMA

---

CODERE operates 63 betting shops in Panama through the brand *Turff Bet & Sport Bar*, which include the Monte Carlos y Presidencial establishment of the President Remon Racetrack, Turff in the Radisson, Sheraton Plaza Mirage, El Panama casinos and the Crown gaming hall, where you can bet on local and international horse races, among other sports.

## URUGUAY

---

CODERE manages various betting points in Uruguay that offer simulcasting. In Montevideo, the betting shops are located in 18 de Julio, Montevideo Shopping Center and Maroñas National Racetrack (horse racing days). In 2015, the company continued to directly manage the Maroñas National Racetrack and Las Piedras Racetrack, in addition to providing significant support for 3 racetracks inside Uruguay (Paysandu, Colonia and Melo). All make up the so-called SINT (National Integrated Turf System), a major commitment of the Government to continue revitalizing the horse racing industry.



Façade of the  
Turff Bet &  
Sports Bar



Recent inauguration of the Suaposta Niterói betting shop

## BRAZIL

CODERE operates sports betting in the country since 2006 and, at the end of 2015, had seven shops registered under *Turff Bet & Sports Bar* brand, which offers customers betting on national and international horses races.

In 2014, this activity received a boost thanks to the agreement with Jockey Club do Rio Grande do Sul (JCRGS), allowing the provision of totalisation and processing services on betting on horse races and international simulcasting. Also, another agreement with Hípica Rioplatense del Uruguay (HRU) achieved the international integration of betting totalizer for the Maroñas and Las Piedras Racetracks (in Uruguay), with Cristal Racetrack in Porto Alegre (Brazil) allowing betting on these racetracks.

At the end of 2015, CODERE and the Jockey Club of Rio Grande do Sul, implemented the internet and telephone betting platform, *Suaposta*, [www.suaposta.com.br](http://www.suaposta.com.br). This platform enables customers to bet on a wide range of race events, either through PCs, tablets or smart phones, 16 hours a day, starting with the Maroñas, Las Piedras and Cristal racetracks, and including the major horse racing events, such as Royal Ascot, Kentucky Derby, Dubai World Cup, Melbourne Cup, among others.

In early 2016, after a complex process of technological integration, Suaposta will open its first pilot shop in Rio de Janeiro, Suaposta Niterói.

Suaposta allows betting on the following racetracks: HRU, Hípica Rioplatense de Uruguay (Maroñas and Las Piedras), Presidente Remón (Panama), GBI (UK), Sky World (Australia, New Zealand, South Africa and Argentina - Palermo), Stronach and Churchill Downs (USA).

# RACETRACKS

---

**CODERE operates Las Américas Racetrack (Mexico), Presidente Remón Racetrack (Panama) and Maroñas National Racetrack (Uruguay).**

**Horse racing has evolved over time. Today, with horse racing and betting, the company also operates under the racino model, which allows the installation of gaming terminals in the equestrian venues or facilities associated with the racecourse in order to help finance this activity.**

The company, thanks to its industry expertise and excellent management procedures, is bringing success formulas for the revitalization of this activity, which, at the end of the 1990s, was in recession in Latin America.

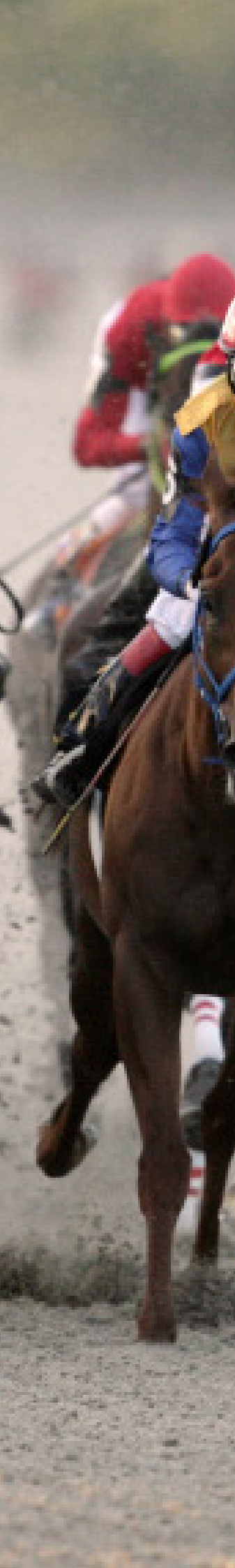
Las Américas racetrack (Mexico), Presidente Remón racetrack (Panama) and Maroñas National racetrack (Uruguay) belong to the International Federation of Horseracing Authorities (IFHA), a prestigious international body that promotes good regulation and best practices in international horse-racing matters.

---

*(\*) NOTE: Due to the new consolidation system under the equity method in Uruguay operational data for Hípica Rioplatense de Uruguay, which includes 2 race-tracks, is not included.*







## MEXICO

---

In March 1943, President Manuel Avila Camacho inaugurated Las Americas racetrack, in northern Mexico City, covering an area of nearly 60 hectares of federal property. In 1997, CIE Group was awarded the concession to operate the property, and after a 3-year renovation, reopened its doors to offer horse racing.

In 1943, he planned to organize a great race annually: the big *Handicap of the Americas*, the most important of the year, with the participation of horses from across the continent, despite the many difficulties such as transport distances, time acclimatization of the horses or the height of Mexico City (2,240 meters above sea level). This event came to position itself as "the great race of Mexico", which everyone - owners, jockeys, trainers - want to win once in their lives.

On 30 May 2015 the *LXX Longines Handicap de Las Americas* was held. The event attracted numerous celebrities, special guests and more than 10,000 attendees. In 13 races, there was a great atmosphere and in the 12th race, Diamond Black, representing the Mapa team and the jockey Moises Gonzalez Garcia, were victorious for the second consecutive year.

## PANAMA

---

CODERE Panama operates the only active racetrack in Central America, the *Presidente Remon Racetrack*, with capacity to accommodate over 20,000 people. The facility houses about 1,000 horses and has about 300 employees. Next to the race track there are horse racing agencies through which, using simulcasting, the clients can follow and bet on live races conducted both nationally and abroad, in a friendly atmosphere with high quality service. In

Panama these agencies operate commercially under the brand *Turff Bet & Sports Bar*.

Panama was chosen to host the XLVIII *Caribbean Equestrian Series: The Regional Equestrian Olympics*, won by a local horse. The event recreated a different atmosphere for each of the 4 days of celebration based on customs and traditions alluding to the Panamanian carnival atmosphere.

In 2015, the graduation of the class of 2016 of the *Academia Técnica de Jinetes Laffit Pincay Jr.*, took place, a school opened within the Presidente Remon Racetrack as a tribute to the great Panamanian jockey, which aims to improve the level of education and learning of future graduates and professionals and to discover new stars following the maxim that identifies Panama as "the cradle of the best jockeys in the world". The official graduation ceremony of the 13 members of the Academy was held on 2 December at the Presidential Hall of the Racetrack.

## URUGUAY

---

*Maroñas National* racetrack is one of the most important tourist attractions in the region. In 2003, Hípica Rioplatense Uruguay (HRU), a company born of a strategic partnership between Sociedad Latinoamericana de Inversiones and CODERE, won the bid for the management of the racetrack. Following the Racino model, the activity of HRU in Uruguay is currently concentrated in the capital, where in addition to operating the racetrack; the company operates a betting system and manages gaming halls.

The most important activities of the year include:



On January, 6th, 2015, the 117th edition of the *Gran Prix Jose Pedro Ramirez* was held, recognised locally and internationally for the participation of leading horses and the presence of prominent personalities from horse racing, politics and show business. (Especially

significant this year due to its relevance within the World Turf recovering its position in the Volume 1 of the IFHA). *Las Piedras racetrack*, after reopening in 2013, continues to consolidate its position as the second equestrian centre in the country.





# Online GAMING

---

**With previous international experience, CODERE develops its online activities in Spain with the arrival of Law 13/2011 of 27 May on Gaming Regulation. Prior to this, many companies had been operating in the country outside the law and without paying taxes to the state, causing serious damage to the legal gaming operators.**

At the end of 2014, CODERE Apuestas launched the Web App [codere.es](http://codere.es) in Madrid with great success, on which we would highlight the activity on mobile devices. The company has since then followed an *Omnichannel strategy*, allowing the user to initiate a bet on an environment, for example, online and complete it in a physical gaming hall, taking advantage of the wide network of company establishments in Spain.

## **The entertainment offer keeps growing**

In September, CODERE began operating online sports betting under a national license. Until then, CODERE had operating licenses in the Community of Madrid and the Basque Country.

In March 2015, CODERE signed an agreement with NetEnt, gaming solu-

tions provider with the aim of developing new products and services in the Spanish market. At year end, the company began operating slots online.

The various commercial actions and campaigns carried out after its launch facilitated the growth of this business line, especially in the last quarter.

Looking ahead to 2016, Codere Apuestas continues to drive *Omnichannel* entertainment with its focus on the client, continuing to work on developing new, more accessible formats and in promoting the customer card.

In other countries, CODERE will continue to monitor legal regulations for this activity. Currently, CODERE already holds licenses in Mexico and in Brazil, where, at the end of 2015, the company prepares to launch Internet gaming through *Sua-posta*, [www.suaposta.com.br](http://www.suaposta.com.br).



# Corporate GOVERNANCE

---



# CODERE

## shareholders

---

**CODERE meets the Standards of Good Corporate Governance to protect the interests of the Company and its shareholders and monitors value creation and the efficient use of resources.**

### CODERE SHAREHOLDERS as per May, 2016

---

The IPO in October 2007 allowed CODERE to expand its shareholders base and access greater equity financing. At 31 December 2015, 68.49% of the share capital was owned by the Martínez Sampedro family, both through their direct participation and indirectly through Masampe Holding B.V. and other companies. Other directors hold 0.54% of the Company's equity and the free float stood around 31%.

Masampe Holding B.V. was the company through which the Martínez Sampedro family participated indirectly in the share capital of CODERE. At the end of 2015, the chairman of CODERE, Mr. José Antonio Martínez Sampedro, directly and indirectly controlled 63.77 % of the entire Group.

After the completion of the restructuring process in April 2016, CODERE's Shareholders structure looks as follows:

63,93%

SHAREHOLDERS WITH SIGNIFICANT HOLDINGS  
REPORTED TO THE CNMV



16,07%

OTHER INVESTORS AND  
SHAREHOLDERS

20,0%

EXECUTIVE DIRECTORS

(Mr. José Antonio Martínez Sampedro y  
Mr. Luis Javier Martínez Sampedro)



# GOVERNING bodies

---

**The General Meeting of Shareholders and the Board of Directors, with executive and external directors, represent the Group's highest governing bodies.**

The year 2015 reflected an intense activity in the field of Corporate Governance. Thus, the company held three General Meetings of Shareholders in April, June and December 2015.

The Extraordinary General Meeting of Shareholders held on April, 27th 2015 resolved to amend the Articles of Association, the Shareholders Meeting Regulations and the maximum amount of the annual remuneration of all directors, all in order to comply with the new rules on Corporate Governance, imposed by the Law 31/2014 amending the Spanish Corporation Law. Attendance at this General Meeting reached 74.6% of the share capital between shareholders or their representatives.

As for the Ordinary General Meeting held on June 25th, 2015, in addition to ordinary matters related to the approval of 2014 annual accounts, the implementation of the outcome and management of the Board of Directors, all

during the year 2014, a number of additional issues such as the re-election of some of the Board members, and the extension of the auditor of CODE-RE SA and its consolidated Group were discussed. In addition, the 2014 Annual Report on Compensation of Board Directors was voted, being approved by 99% of the share capital. Attendance at this General Meeting reached 69.6% of the share capital between shareholders or their representatives.

Finally, in connection with the Extraordinary General Meeting of Shareholders held on December 4th, 2015, all necessary arrangements had been taken to advance in the restructuring process initiated with the signing of the Lock-Up Agreement in September 2014, although the effectiveness of those agreements were subject to a number of special conditions to be met. Attendance at the last meeting of the year reached 75.5% of the share capital.

The Company's Board of Directors consisted of 10 members during 2015: Mr. José Antonio Martínez Sampedro, Mr. Luis Javier Martínez Sampedro and Mrs. Encarnación Martínez Sampedro as executive directors; the remaining seven are external directors (two independent directors, three nominee ones and the other two directors belong to the category of "other external directors" under the Law 31/2014 amending the Spanish Companies Act) and have been appointed based on their high professional qualifications.

Among the functions and duties of the Board of Directors, without prejudice to the powers of management and representation attributed thereto, the Board has the core mission of approving the Company's strategy and organisation as required to put it into practice and to monitor and ensure that executive management meets the established objectives and respects the Company's best interests.

The Board meets as often as the Company's interests require so or as stipulated by the Bylaws. During 2015, given the Company's particular situation, CODERE's Board of Directors met twelve times, additionally taken written agreements without meeting once, during the month of May.

Under current legislation, and in particular following the recommendations on good corporate governance contained in the Unified Code of Corporate Governance approved by the National Securities Market Commission (CNMV), the Board of Directors created three committees with specific functions: Audit Committee, Corporate Governance Committee and Compliance Committee.

- **The Audit Committee:** its main task consists in providing support to the Board of Directors in its financial oversight and, inter alia, to oversee the functioning of the Audit Department of the company, establishing standards for the

financial control processes of CODERE and reporting on the annual accounts and other financial statements of the Group. Additionally, in 2015, it also reviewed the internal control systems and the management of fiscal risks.

During 2015, the Audit Committee was composed of five directors (two independent directors, one nominee and two external directors).

- **The Corporate Governance Committee** incorporates the character and functions that the Unified Code of Corporate Governance of Listed Companies recommends for the Appointments and Remuneration Committees. This committee assesses the skills, knowledge and experience of directors and reports on the appointment and dismissal of directors and senior company executives. It also proposes and oversees the Company's remuneration policy and monitors compliance with the Internal Code of Conduct in relation to the Securities Markets, making proposals for improvement and monitoring compliance with corporate governance rules applicable in this regard.

In 2015, the composition of this Committee formed by five members, included two nominee directors and three independent directors, although, as previously mentioned, the entry into force of the Law 31/ 2014 had as a result the loss of the independent directors status for two of its members (Mr. Eugenio Vela Sastre and Mr. Juan José Zornoza Pérez).

- **The Compliance Committee** was made up of five directors (two independent directors and three nominee ones) in 2015. The main functions of this Committee include the monitoring of the Group's compliance with domestic and foreign law relating to gaming, and the evaluation of the internal control systems of the Company in relation to the gambling and money laundering requirements.

After the completion of the restructuring process in April 2016, CODERE's Shareholders structure and the composition of its Committees looks as follows:

## BOARD OF DIRECTORS

DIRECTOR	POST	TYPE OF DIRECTOR	PROFILE	DATE OF FIRST AND LAST APPOINTMENT
Mr. José Antonio Martínez Sampedro	Chairman	Executive	Chairman and executive Director at Group Codere.	7/5/1999 25/6/2015
Mr. Luis Javier Martínez Sampedro	ViceChairman	Executive	Executive Director at Group Codere.	17/6/1999 25/6/2015
Masampe S.L. (representado por Mr. Pío Cabanillas Alonso)	Director	Proprietary	Chief Global Brand and Marketing Officer at Acciona S.A. Cabinet Minister and Government Spokesman from 2000 to 2002.	28/7/1998 25/6/2014
Mr. Manuel Martínez-Fidalgo Vázquez <sup>1</sup>	Director	Proprietary	Managing Director in Houlihan Lokey. Before joining Houlihan Lokey he worked in Merrill Lynch and Cajastur (now Liberbank).	28/4/2016
Mr. David Reganato <sup>2</sup>	Director	Proprietary	Senior Investment Analyst with Silver Point Capital L.P. He previously worked in the investment banking division at Morgan Stanley.	28/4/2016
Mr. Timothy Lavelle <sup>3</sup>	Director	Proprietary	Senior Investment Analyst with Silver Point Capital L.P. He previously worked in Credit Suisse Securities.	28/4/2016
Mr. Joseph Zappala	Director	Independent	U.S. Ambassador to Spain from 1989 to 1992, he has been the President and Chairman of Joseph Zappala Investments, a holding company investing in the real estate development, healthcare, gaming and entertainment industries.	20/11/2002 25/6/2015
Mr. Norman Sorensen Valdez	Director	Independent	Director of Insperity INC. and Encore Capital Group Inc. He has held key positions in Principal International, AIG and Citigroup.	28/4/2016
Mr. Matthew Turner	Director	Independent	Director of Arcapita. In the past he was the CEO of Kaupthing Bank, and has worked as International Head of Global Private Equity for Bank of America Merrill Lynch.	28/4/2016

\* Mr. Luis Argüello Álvarez Secretary of the Board (non director).

Represents or is linked to the shareholders Abrams Capital Management, LP. and Contrarian Capital Management L.L.C.  
Represents the shareholder Silver Point Luxembourg SARL.  
Represents the shareholder Silver Point Luxembourg SARL.



## COMMITTEES

COMMISSIONS	MEMBERS	POSITIONS
Audit Committee	Mr. Matthew Turner	Chairman
	Mr. Norman Raúl Sorensen Valdez	Member
	Mr. Timothy Lavelle	Member
Corporate Governance Committee	Mr. Norman Raúl Sorensen Valdez	Chairman
	Mr. Matthew Turner	Member
	Masampe S.L.	Member
	Mr. David Anthony Reganato	Member
Compliance Committee	Mr. Joseph Zappala	Chairman
	Masampe S.L.	Member
	Mr. Manuel Martínez-Fidalgo Vázquez	Member



General Meeting of Shareholders  
held on June, 25th , 2015.

# Standards of GOOD GOVERNANCE

---

**The Standards of Good Corporate Governance are essential for the growth and development of the Group. CODERE focuses its Good Corporate Governance activities on three basic practices: Control System & Procedures, Standards of Compliance and Good Governance Code for listed companies.**

CODERE believes that the establishment of standards of Good Corporate Governance, undertaken by the Company, is essential for the development and growth of the Group. CODERE focuses its Good Corporate Governance activities on three basic practices:

- **Control System and Procedures.** The aim is to provide the Group with a fixed organisational structure and corporate culture, applicable to all entities regardless of their area of influence, establishing formal mechanisms of action, not bureaucratisation but aimed at establishing a pattern of controlled delegation to strengthen a culture of effective ma-

nagement and achieve the strategic coherence of the Group.

The Critical Operations Committee was the first tool developed within the system to ensure the flow of information from the peripheral business centres to senior management for coordinated and coherent decision making. The Committee is formed by the executive directors of the company and reviews and approves the operations considered as critical and thus provides effective financial and legal control over the management of company's assets. Since its creation, the Committee has audited and verified more than 1,600 relevant operations.

The Procurement Office is the second tool implemented in order to provide a concrete structure for purchasing and contracting processes, establishing an action mechanism that promotes transparency, ensures the concurrence of suppliers and results in a reduction of acquisition costs for the company while promoting good corporate governance. Since its creation in mid-2009, the Procurement Office has managed over 650 significant procurement transactions at the corporate level, with a reduction in purchasing costs over 14% of the established budgets. In 2011 they completed its implementation in the different geographical areas where the company operates and for 2017 an International Procurement Office is to be created.

- **Standards of Compliance.** These Standards are an essential piece that shows the special commitment of the Group to good business practices in the gaming sector, a highly regulated and sensitive industry. The Group's strategy is to go beyond what is required by regulations and specific legislation and operate with a true spirit of fair play and responsible gaming. Specifically, the Group is particularly involved in strict compliance with all legislation concerning laundering and financing of terrorism, as well as the applicable gaming regulations in force for gaming. To monitor these aspects, the Company has a Corporate Security and Compliance department in order to monitor and control the implementation of the Ethics and Conduct Codes of CODE-RE Group, managing and monitoring the complaints channel of the company and its Group, a mechanism created to communicate irregularities or acts contrary to the law or the rules stipulated in the Code of Ethics. During 2015 in the complaints channel they have been registered 106 complaints, having been processed and resolved a total of 100, 6 being still pending. The Corporate Security and Compliance department reports regularly to the Compliance

Committee of Codere SA the main risks identified regarding compliance in each country and then forwarding that information to the Board.

- **Standards of Good Governance:**

In December 2014, the Law 31/2014 amending the Spanish Corporations Law for improving corporate governance was published. During 2015 the Company has undertaken several works to adapt its standards and procedures to the new requirements. Thus, at the meeting of the Board held in January 2015, it was agreed to appoint Mr. Juan Junquera as Coordinating Director and to modify certain articles of the Board Regulations and propose to the General Meeting of Shareholders the amending of the Standards of the General Meeting of Shareholders and the company's Bylaws. Similarly, in October 2015, and motivated by the restructuring process, the Board of Directors approved a new amendment to the Board Regulations, its effectiveness being conditioned to the fulfillment of certain conditions. Also during the year 2015, the Board of Directors approved the Corporate Tax Policy, adopting specific measures of tax risk management and implementing the appropriate internal control systems.

Additionally, during 2015, the Spanish Securities Market Commission approved the new Corporate Governance Code of listed companies that incorporated several novelties in terms of good governance recommendations and included, for the first time, some new recommendations in terms of corporate social responsibility. In this regard, the Corporate Governance Committee agreed in 2015 to systematize the activities in corporate social responsibility carried out by the company, in order to begin drafting on a Corporate Social Responsibility Policy.





# Responsible GAMING



# CODERE

## and Its personnel

---

CODERE's Responsible Bet is based on the strict compliance with the regulatory framework in which it operates its business activity and the development of the communities in which the Company operates.

---

*"The success of a company is the reflection of the attitude, degree of motivation and commitment of the people who are part of it"*

---

The Company integrates its commitment to **Corporate Social Responsibility** in the Group's strategy and the development of its business, taking into account its relationship with various interest groups-regulators, customers, partners and employees - that allow the Company to grow and be valued properly within the environment in which it operates its business activity, and with whom it develops its Social Responsibility Policy.

CODERE launches strategies that go beyond what is required for an efficient business management and that provide intangibles of reputation that allow it to get a distinctive competitive advantage. Also, since the activity of CODERE can have a strong social impact, it requires its managers, employees and partners, to proof a sense of cooperation with regulators and users to provide professional response to their concerns.

## INTEGRATED SYSTEM OF HUMAN RESOURCES POLICIES, PROCEDURES AND METHODOLOGIES: CONSOLIDATION

### Consolidation of methodologies and tools of human resources

During 2015, the Corporate Human Resources Department (CHRD) focused on consolidating and implementing the tools and methodologies developed in previous years in all business units.

One defined a general unified outline of efficient processes and procedures developed on a daily basis, to ensure that CODERE achieves its goals optimally and efficiently. From the previous analysis, one identified the main processes and/or threads in the area of human resources, as well as the problems or critical factors affecting directly the company's organization, and then reviewed the definition and description of each of them.

In turn, one also evaluated the effectiveness thereof when achieving the expected results and the necessary resources. As a result, an indicator panel was developed, enabling the monitoring of defined processes and procedures, as well as the incorporation of the improvements resulting from the review. Finally, one carried out the implementation of the new processes and procedures developed in each of the business units.

### Adequacy of structures and job positions

The job positions are the link between employees and the company, and are the basis to ensure that operational and management needs are aligned with the business strategy in each country.

During 2015, one revised structures and job positions of the different business units, defining, standardizing and homogenizing many of the positions at the Group level, equating similar positions inter-country, unifying nomenclatures, reducing levels of hierarchy and reviewing contents in order to be more efficient.

For this reason, the Corporate Human Resources Department (CHRD) has internally developed a web application enabling to the business units and the corporate headquarters to gather the information in a homogenous way.

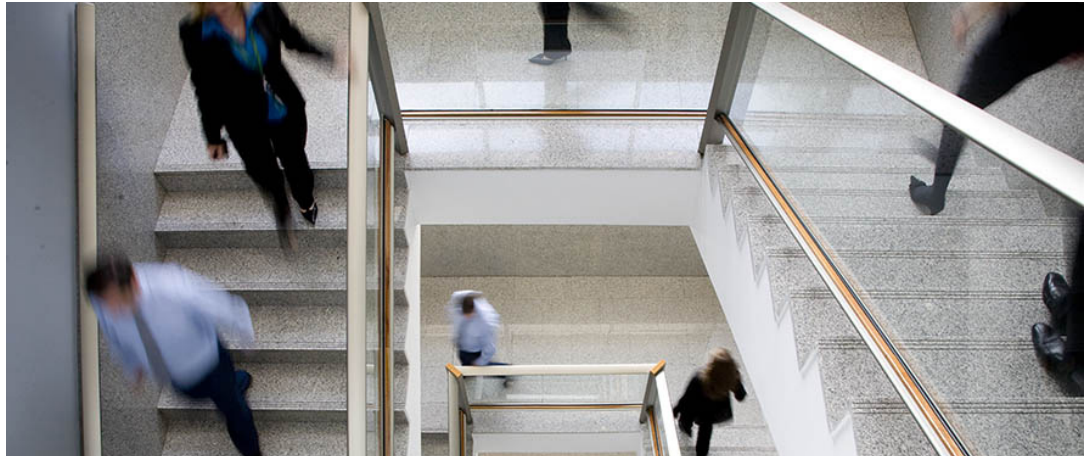
### Identification, validation and monitoring of potential profiles: talent management

Knowing that employees are the real engine that drives the business, in 2015 the CHRD continued implementing the Program of Identification and Validation of key Pre-management potential initiated years ago. Its objective is to identify and develop internal talent.

In 2015, one applied the methodology of "Situational Assessment Center" (SAC) at the corporate headquarters to identify employees with an optimum professional profile to take responsibilities of middle and senior management if their potential develops itself satisfactorily. Once these potentials identified, one defined individually with each of them and their hierarchical superiors, an individual development plan (IDP) to help them strengthen necessary skills to be able to assume greater responsibility.

Talent management of employees is based on discovering and boosting the potential the employees can develop and, at the same time, direct their training and development objectively, from the moment of their incorporation to the company and throughout all their professional career so that they could be the main actors when directing their career.





## Attracting talent

In order to attract and retain the best professional team, besides betting for and managing the internal talent, CODERE implements the selection techniques based on Critical Success Factors. The incorporation of the best professionals and the creation of a work environment promoting the existence of multipurpose and multifunctional teams integrated and motivated towards achieving the established strategic objectives, they ensure guaranteed success in any organization. Therefore, CODERE continues investing and creating programs and measures to ensure growth, welfare and safety for the company and its employees.

## Implementation of tools in the business units (BU)

In 2015, the Corporate Human Resources Department worked in the establishment, implementation, and proper treatment of all methodologies and policies through supervision, training in the various business units and countries, to ensure that local professionals are duly trained to carry out human resource actions under the integrated system of policies, processes and methodologies.

Throughout the year, the CRHD supported and trained the HR executives (business partners) of Mexico enhancing the

selection process in order to improve access of new employees and reduce employees turnover in gaming halls, emphasizing the interview conducted through the Critical Success Factors defined for CODERE.

One also supported the launch of the Skills Assessment System (SAS) in Spain, Italy and Mexico, through the training of executives, middle managers and HR teams, and at the same time the creation of a web tool supporting the whole process.

## HR website

In order to offer new features to the BUs, expand and improve the existing ones and unify the HR processes, one expanded the scope of the tool Job Description Online to the following business units: Argentina, Colombia, Uruguay and Italy, there has been a restyling of the application for skills assessment (SAS) with which Mexico has conducted the skills assessment 2014-2015.

Moreover, in 2015 one developed a new Who's Who as a tool for identifying and locating employees in Spain. On the other hand, and given that since 2016 the CODERE's Spanish companies should begin paying the social security contributions on Direct Clearance (DC), in 2015 one proceeded to implement this new system, which is already in the testing phase.

In order to give a qualitative leap in our knowledge management system, in addition to the HR website as common library that integrates all the established policies, processes and methodologies, in 2015 we conducted a study through which we identified the technology needs in each HR departments of each BUs, valuing Cloud products, based on the use ("software as a service"), which enable process improvement, cost optimization and increased productivity.

## Monitoring and Control

Human Resources is responsible for ensuring optimal alignment between personnel and operational needs and other areas, through suitable, adequate staff, and thus, it keeps improving the HR KPIs Report to draw relevant conclusions, capture a radiography of the overall structure of the company and help define and measure progress toward the goals of the organization, incorporating technological features that allow a proper adaptation to the needs of each moment.

The responsibility of the area consists also of aligning the budget of the local Human Resources departments with the strategic organizational goals within the company's guidelines and procedures. This is particularly important to ensure that HR are perceived as a strategic partner able to justify costs and link HR activities with the overall work of the company. At this purpose, one continued to issue the HR Budget Report, systematically collecting information and data in order to project the necessary financial resources to support the goals of the company.

## Training figures 2015

- 111,178 hours of training for a group of 14,291 employees.

- 7% of the total HR budget was allocated for training activities.

- The actual average investment in training per employee during 2015 amounted to 938.22 €.

## Remuneration optimization

In 2015 they have been carried out fully consolidated programs that increase employees' satisfaction and contribute to improving the external/internal image of the company.

- **Flexible Compensation Program - tax** optimization in customizing the salary according to the tax treatment of some products in the LIRPF.

- **Sum + tax** optimization program for trips abroad in accordance with Regulation in force 7.p of LIRPF:

## THE NEW ROLE OF PEOPLE MANAGEMENT AND TRANSFORMATION OF HUMAN RESOURCES FUNCTION

In 2015 we consolidated the tools implemented last year, and we faced new challenges to convert the traditional role of HR in a new role of managing people, more strategic, close to the business and aligned with the its needs.

Support the business, be a partner in achieving goals and align the knowledge and skills of people to the strategy are some of the responsibilities assumed by the HR Management departments. To achieve all this, one is working on transforming the HR function into a role of value creation

which, together with technological innovation and multifunction devices, driving operational efficiency.

In short, flexibility in the structures and management, and the articulation of processes that increase innovation and competitiveness of the company, are part of the human resources function, constantly consolidating and improving its management tools.

## INTERNAL COMMUNICATION: PROXIMITY AND TRANSPARENCY WITH THE EMPLOYEES

During 2015 the Internal Communication area reinforced its commitment to transparency while maintaining the distribution of corporate newsletter **CODERE Actualidad** to all Group employees with corporate email. In addition, a campaign was initiated - along with Human Resources and Legal departments- to collect the personal email account of those who do not have corporate email, including the distribution of the newsletter to 2,500 personal accounts of employees of Argentina, Brazil, Colombia, Italy, Mexico and Panama. CODERE Actualidad reaches more than 5,200 people in the company.

Throughout the year, 20 editions in which the President of the company provided information of the most important events of the year were published. In addition, the newsletter has served as a speaker to broadcast corporate and local projects, as best practice in each of the Group's countries.

In 2015, CODERE Actualidad exceeded 50 publications and renewed its image and content, closer to employees, with the addition of more audio and video content.

Jornadas de Formación en Prevención de Riesgos Laborales para delegados, en las que participaron todos los responsables del área de Operaciones España. En una de las jornadas de trabajo celebradas por la dirección de Operaciones España, se incorporó una sesión divulgativa sobre las políticas, procedimientos y gestión de prevención de riesgos laborales, enfatizando la necesidad de seguir avanzando en la aplicación de los Planes de Prevención, por parte de los responsables y la línea de mando, para garantizar las mejores condiciones de seguridad y salud a los empleados, cumpliendo con el exigente y amplio marco legal.

Sample of the corporate Newsletter **CODERE Actualidad**



### DESDE PRESIDENCIA

#### Editorial 10 diciembre

El pasado 4 de diciembre tuvo lugar en Madrid una Junta General Extraordinaria de Accionistas, en la que se aprobaron una serie de acuerdos, necesarios para el cumplimiento de las condiciones establecidas en el lock up agreement.



### PREGUNTA A PRESIDENCIA

Plantea tus dudas o sugerencias enviando un correo electrónico a [presidencia@codere.com](mailto:presidencia@codere.com).

Leer más

### GESTIÓN CON VALORES

#### Actitud eres tú

Conocemos este programa de servicio mexicano que ahora se despliega también en Panamá y Colombia.





## SPAIN

### Occupational Risks

One of the most important milestones for the year 2015 promoted from the area of Occupational Health and Safety, was the celebration on April 29th of the first conference of Training in Occupational Health and Safety for delegates, attended by all those representatives of the Spain Operations area.

In one of the working sessions held by the Spain Operations department, an informative session on policies, procedures and management of occupational risk prevention was incorporated, emphasizing the need for further progress in the implementation of the Prevention Plans to ensure the best conditions of safety and health to employees, meeting the demanding and comprehensive legal framework.

In November 2015, a basic and regulated course of Occupational Risk Prevention Online was conducted for all the managers within the operations area at national level, including both the gaming machines and the sports betting business lines. This training action is part of the policy of compliance with the legal rules governing the activity of the company, in addition to result in the safety of employees.

During 2015 there has been a significant boost to the development and adaptation of procedures for the prevention of occupational risks contained in the prevention Plans of the Company's subsidiaries, such as the procedures implemented at the level of delegations, the coordination of business activities, management of personal protective equipment, integration of preventive activity, etc. Specifically, the coordination of business activities regulates the preventive actions to be carried out when workers from different companies coincide in the same workplaces or in third party workplaces.

In this field of action, in Central Services it was established additionally a committee composed of various corporate divisions and the HR Spain department, in order to develop and implement a "Contractors Protocol" in which one should integrate the Policy and business activities coordination procedure developed from the area of prevention. This document reflects the principles that should govern the procurement of works or services in Codere, from the point of view of the applicable legislation on coordination of business activities as well as all the scenarios of concurrency of possible activities as for the company's activity.

In order to develop legally binding actions related to emergencies, we have carried out various training activities (emergency and first aid courses) and evacuation drills, aimed at various emergency brigades in various workplaces (Valencia, CANOE, central services, sports betting shops, etc.). In this same field of action, the emergency brigade in the central services of Alcobendas was recomposed, appointing new members (up to a total of about 50 people), updating all emergency and evacuation protocols, and creating a new brigade to give emergency responses for situations that may arise late in the evening/night and during weekends.

Training in occupational risk Prevention is an ongoing objective for the area of prevention, courses having been conducted for different groups, in order to meet the training needs in positions of various areas nationwide.

Throughout 2015, we completed the review and update of all prevention plans, risk assessments and emergency measures of all contracts with external prevention services following the structural and operational changes initiated in 2014. Similarly, one activated all preventive actions for new companies and work centers and reviewed

the implementation of preventive measures in such planning. Particularly noteworthy are the actions carried out at Bingo CANOE on the occasion of the opening of its new conditioned room and sports betting bar.

## Training and Recruitment

379 employees received training, a total of 10,137 hours - 84% of which in-house training and the rest of 16% external training. As for the training mode: about 3,000 hours were in-person classes (2,930), distance learning (7,034 hours) and online (173).

## ARGENTINA — Initial Training Program

This program consists of introducing the processes and operating methodologies, entailing different courses:

- **Fire & Evacuation:** The goal of this exercise was the instruction in how the fire originated, preventive measures to avoid fire generation, use of fire extinguishers, fire types and existing extinguishers and considerations to take into account in case of fire. One also explained the Plan and Evacuation Drill of each establishment, its activation, the roles involved in its implementation and the function of each member of the fire brigade. This activity lasted an hour and a half and was aimed at all the Company's staff.

- **First Aid & CPR:** The aim was to educate members of the brigades in basic knowledge of First Aid and CPR techniques to meet primary care. This activity lasted 3 hours a day and was aimed at Managers, Heads of Gaming Halls, Gastronomy Managers, staff Admission and Control, Maintenance, Refrigeration Technicians, Electronics Technicians, Public Relations and Administrative staff.

- **Prevention of "struck by" or "struck against" injuries:** This activity lasted 15 minutes and was addressed to all the Company's staff.

- **Occupational Risk – Kitchen:** Its objective was the training in the prevention of thermal burns and sharp cutting, preventing blows and falls injuries; storage; handling chemicals or lifting and manual transport of loads, among others. The activity lasted an hour and was aimed at all the Company's staff.

- **Occupational Risk – Maintenance:** Training in the proper use of manual tools, accident prevention and needle stick injuries; shock prevention tools; work with welding, electrical hazards; order and storage; work at Height, etc. This activity lasted an hour a day and was aimed at Maintenance staff, Electronics Technicians, Refrigeration Technicians, etc.

- **Ergonomics:** Specific training as for the work of servants and employees of the gaming halls and employees doing needlework.

## MEXICO —

Interested in promoting organizational health and empowering the Company's human capital, in 2015 we implemented innovative strategies to attract, develop and retain the talent:

## Organizational Health Programs

- **2015 Organizational Climate Survey:** In November a survey to measure satisfaction levels within the organization was held. 3,032 employees participated voluntarily, expressing their opinions on: Workplace, professional environment, development opportunities, leadership, values, remuneration,

new business model, recognition, pride and sense of belonging. The results of the survey enabled the implementation of improvement actions for each business unit in 2016.

- **BienStar:** This program aims to strengthen the organizational climate, further strengthening corporate identity and stimulating employee participation and development based on four pillars: Communication, Recognition, Integration and Development.

- Communication: Promoting communication channels to transmit clear and timely information among employees, allowing aligning the goals and knowing the business development.

- Recognition: Fostering a culture of recognition of the dedication and effort to achieve professional self-development.

- Integration: Enhancing a cozy working environment among employees in order to contribute to its adaptability, persistence and quality of life.

- Development: Increasing the skills and knowledge in pursuit of excellence.

- **Moments of Truth Factory:** Since April, 51 managers and 678 middle managers attending the Moments of Truth factory, advanced in the contents of the program: *"Management Skills and Attitude Is You"*. 13,000 moments that drive loyalty were generated, a selection of them would be integrated into a special encyclopedia for future generations.

- **Golden Clover:** Employees of the gaming halls in Mexico City, metropolitan area and nearby cities that met its operational objectives were invited to Six Flags Mexico with their families and had the opportunity to know the perspective and objectives of business directly from managers of the group.

- **What is to be Mexican?:** The event aims to show employees the achievements of the organization, the corporate goals and to align business processes. Its implementation at the national level counted with the participation of 3,700 employees and showed how the Mexican operating model is being used in other countries within the Group.

- **Avanza:** In 2015 the Avanza 1.0 program was launched, known for being a digital process of Performance Evaluation that, by aligning individual goals to organizational goals, promotes employees' development through constant feedback, generating benefits for them and the business. Throughout the year, the closing stages 2014 had been conducted and also the establishment and calibration of 2015 targets and the program was attended by 222 employees (subdirections, management offices, headquarters and coordination).

- **Entertainment University:** CODERE, through its agreement with the Commercial Banking School (EBC), promotes the development of employees to a higher Level. During 2015, 10 employees of the Second Generation graduating from the Entertainment University obtained a degree in Entertainment Business Administration. Through in-house and virtual classes (Webex) they conducted their studies focused on business issues, getting a title with official validity to the SEP (Ministry of Education). Currently 40 employees are completing their studies as the third and fourth generation of the Entertainment University.

- **Leaders-to-be:** In agreement with the Commercial Banking School (EBC), the Leaders-to-be Program is aimed to train the leaders of positive action, strengthening their skills such as planning, organization, teamwork and communication as well as ethics and values. A total of 103 employees from 4 generations have completed their studies on Talent Management (HR), Strategic Vision (Operations), Sales and Customer Service (Marketing) and Finances for non-financial students (Financial studies).





Entertainment  
Business  
Administration  
Graduates  
(Mexico)

- **“Aplicate” (Apply Yourself):** CODERE, thanks to a strategic alliance with the EBC, encourages its employees to complete their high school studies through the unique examination of Ceneval (National Evaluation Center for Higher Education) attending a course of 3 months. Through this initiative, in 2015, 4 generations of 73 employees were able to acquire their high school studies completion certificates.

- **INEA:** CODERE, through its agreement with the National Institute for Adult Education (INEA), encourages the employees of Granja Las Americas and Las Americas Racetrack to complete their basic studies of primary and secondary schools at no cost, increasing their studies level and development within the company.

- **Hotbed of Talent:** This training plan is based on the needs of employees expressed in the targets performance evaluation

(Avanza). 6 new programs were developed to cover most of the needs identified: Communication, customer service, Excel, project management, teamwork and leadership. The first cycle of courses involving 100 employees was completed in 2015.

- **H.A.B.I.T.O.S.:** Course designed to provide concepts and tools of excellence and is based upon seven basic principles: Hospitality, action and fun, benefits and incentives, initiative, personalized service, opportunities to win and satisfaction, habits that can offer the best service to internal and external customers. During 2015, 1,051 employees from all business units attended the program.

- **Induction Program 777:** In order to standardize induction processes carried out in the gaming halls, a mentoring program for new employees was developed, creating a link between the operation and Human Resources staff.

In 2015, 773 employees could benefit from this initiative.

- **Learning from the Business:** This program allows employees to know the operation process of the business units Racetrack, Farm and Gaming, from an experiential and practical perspective. In 2015, 62 employees participated in this experience.

- **Week D:** This program acknowledges the work and efforts that each business area takes in their daily tasks. In 2015, the work of 165 employees in marketing, continuous improvement, legal, finance and compliance was acknowledged.

- **CodeRed Informative:** Replacing the internal magazine, in 2015, CodeRed Informative uses digital media and promotes the dissemination of news and videos about the most important events of the business.

- **Children's photography contest "Someone like you":** On the occasion of Children's Day the children of the Company's employees sent photographs of their parents performing a work linked to organizational values of the company.

- **Special Days:** In order to maintain the traditions, the Company celebrated the Epiphany, San Valentine on February 14th, Women's Day, Children's Day, Mother's Day, Secretary Day, Father's Day, National Day, Halloween and Christmas.

- **Sales for employees:** In June and December, a special sale for employees with exclusive discounts and promotions (home, clothing, accessories, discounts on cars, travel, education, etc.) was organized at the Las Américas Complex. The event was attended by around 2,500 employees.

## Social Responsibility Programs

- **Donate a toy:** In order to support the



Foundation "Con ganas de vivir" supporting children with cancer, the areas of Marketing, Operations and Human Resources organized a national collection of toys in the gaming halls. Clients were invited to donate new toys in exchange for points they could use in their loyalty card, reaching 1,800 toys that were delivered on Epiphany to children of different institutions and hospitals.

- **Donation of uniforms:** Taking advantage of the change of the staff uniforms in the gaming halls, clothing that is no longer used and in good condition was delivered to the "Sin Fronteras" Foundation for sale to third parties and the funds were donated to help children with Down syndrome or psychomotor problems.

Women's Day celebration billboard (Mexico)

- **Healthy Life Program:** This program performed within the Las Américas Complex is focused on health care of the employees. During 2015 visual health checks, dental health, vaccinations and medical examinations were performed. Employees received services at affordable prices and discounts on health products.

## Processes Improvement Programs

- **Academies:** Middle managers and operational managers strengthen their knowledge and skills in the basic processes of each business line, reducing incidents and increasing service quality. Good experiences in other units make possible the opening of academies of Customer Management, Book and Bingo, thus covering all the business lines.

- **Training Plan, Granja las Américas:** The Training Plan for operational staff in Granja las Américas consists of an introduction to business, technical and skills training. As of July, all processes and strategies of Granja las Américas were aligned. 126 employees acquired the knowledge and tools to effectively manage a process of animation.

- **Certification HR Operations:** 60 employees from the Human Resources Operations have gone through a process of certification of 96 hours enabling them to enhance their knowledge and skills through different modules (targeted Interview FCE, Personnel Management, Labor Relations, Assessment Center and Individual Development plan).

- **Regulations Program:** In 2015 a plan consisting of 5 modules to strengthen the management of the operational key processes, while the authorities visits at the gaming halls, thus reducing the number of incidents in regulatory issues. Through e-learning, only 67 managing directors and 633 managers stu-

died the requirements that PROFECO, Segob, Cofepris, Invea and STPS Institutions established for the daily operation routine in the gaming halls.

- **Time Block:** It's a biometric registration system which ensures timely payments and reduces incidents in recording arrivals and departures to/from the gaming halls. In 2015, the HR functional equipment and systems of the 39 Caliente and Granja Las Américas gaming halls installed the system, integrating it into their processes.

- **Professionalization of the Human Resources Processes:** In order to standardize processes and professionalizing the HR staff in the gaming halls, a specialization in processes took place, including: Administrative Proceedings, hiring, exit interview, file records, incidents, induction, recruitment and selection, etc. 64 managers received this specialized training.

## ITALY — Codere Academy

- **Talent Program:** In July 2015, the second edition of the "Talent Program" got started, an itinerary management training, sponsored by the CODERE Academy for the evaluation and career development of its employees. The attendees, operational gaming halls staff and staff from the Company's headquarters in Rome, were chosen through an assessment center coordinated by the Corporate headquarters in Spain. Each participant had the opportunity to carry out its assessment with a mentor throughout the program until its completion in January 2016.

- **People Management:** In May 2015, we started the "People Management Project (People Management)", an important initiative for the managers of the gaming halls, linked to the dissemination



and implementation of the Management Model. The model defines the guidelines for the implementation of the processes oriented to customer satisfaction.

## Gaming Cup

CODERE Italia participated in the fourth edition of the Gaming Cup Armellini, a tournament organized in memory of Massimo Armellini, Managing Director of Lottomatica, which has contributed to the development of the gaming sector in Italy. Several gaming companies participated in this tournament: Eurobet, Paddy Power, CODERE, Microgame, Betplus, Gamenet, BetterSlot Lottomatica, Sisal Matchpoint, Intralot and the team of Friends of Massimo Armellini. The victory in the 2015 edition was for Lottomatica BetterSlot.

## Safety First

On the occasion of the International Day for Safety and Health at Work, held on April, 28th 2015 and promoted in Italy by the Ministry of Labor and Social Policy by the slogan *"All together to build a culture of prevention for health and safety at work"*, CODERE organized an internal contest called *"Safety first"*. All the gaming halls and corporate departments participated in this contest incorporating slogans and images on this subject, which served to underline the importance of prevention. The winning idea became internal communication material with visibility in all offices belonging to CODERE Italy.

## COLOMBIA — Rehabilitation Programs

On July 26th, through the Foundation *"United for Colombia"* (for the rehabilitation of victims of armed conflict) the company financially contributed with the funds resulting out of the en-

rollment of 110 athletes in the latest edition of the half marathon in Bogota, promoting health, wellness and healthy lifestyles among employees.

## PANAMA —

- **"We are One, we are All" Program:** In 2015 this program promoted outdoor activities, with challenges, fun and games that allowed employees to leave their usual work routine through teamwork.

- **Boosting your talent to the maximum:** This project starts in Panama through a campaign of teasers headed to middle managers and heads of areas, commenting on the possibility of traveling to Mexico in a cultural exchange to get to know the Mexican operational process and learn a new way of operating. The campaign was highly appreciated and 125 applications were received. The training process had as its main attraction the cultural exchange, (Colombians, Mexicans and Panamanians), which enriched and widely enhanced the training process. Among the contents of the program, one highlighted: The multifunctionality as a way to bring operations; the strategy to build customer loyalty; F&B strategy (suppliers, letters exchange, food handling, etc.), courtesy and dealing treatment with suppliers, among others.

## URUGUAY —

In Uruguay, HRU employs over a thousand people in jobs, trades and various professions. Its human resources policy is based on the respect of the rights of all employees and on their constant concern in the pursuit of comprehensive personal development, starting with an effective job performance.

In 2015, the company took a qualitative leap implementing the Performance Evaluation among all its employees, with the aim of contributing to the improvement of skills of people who carry out different activities. In 2015, we dedicated special attention to training in different areas and levels, including a School of Leadership, in which 100 people participated through a training program that lasts two years.

The Company has continued to work on improving the working environment, generating a schedule of milestones and integration activities, improving its communication channels and promoting sustainable growth of its surrounding communities, in line with an environmental awareness and the efficient use of the resources. In 2015, we continued working on its 5 action priorities: Local development, education, healthy and responsible gambling, youth employment and the environment. All of them were integrated into the management model, Human Resources policy and community liaison.



Attendees of the Program “We are One, we are All” (Panama)

# COMPLIANCE

---

**CODERE's Compliance Policy evidences our special commitment to the laws against fraud and money laundering, as well as to the values of honesty and integrity in corporate business practices and compliance with the established Internal Code of Conduct.**

CODERE always keeps in mind that it operates in a particularly sensitive industry, such as the gaming sector. This is a sector that has undergone different degrees of public perception throughout its history, shifting from the absolute prohibition, with negative consequences, to the highest standards of regulation and management, through intermediate periods of existence in a legal vacuum.

With the implementation of its Compliance Policy which integrates the highest international standards on prevention of money laundering and requirements of ethical conduct, CODERE Group shows the media, investors, competitors, suppliers, authorities and their partners that Compliance is an integral part of the company culture. We renounce to those businesses that would only be possible breaking the laws or our own corporate values.

## CODERE'S COMPLIANCE POLICIES 2015

---



## CODERE'S COMPLIANCE POLICY

---

Codere applies the 2004 Basel II Framework as the basis for its Compliance policies as well as all FATF Recommendations and the international models of Best Practices and Ethical Conduct. This way Codere has entirely assumed the full scope of the Compliance Function as an independent function that identifies, advises, warns, monitors and reports on compliance risks in organizations, such as the risk of receiving sanctions for legal or regulatory violations, the risk of financial or reputation loss due to the failure to comply with applicable laws, regulations, codes of conduct or standards of good practice (together *"laws, regulations and standards"*).

Codere requires itself and its partners and suppliers complete adaptation to the regulations of the gaming sector in each country in which it operates, and scrupulous respect for all financial, fiscal and labor laws, regulations and standards in force in each area where the Group operates.

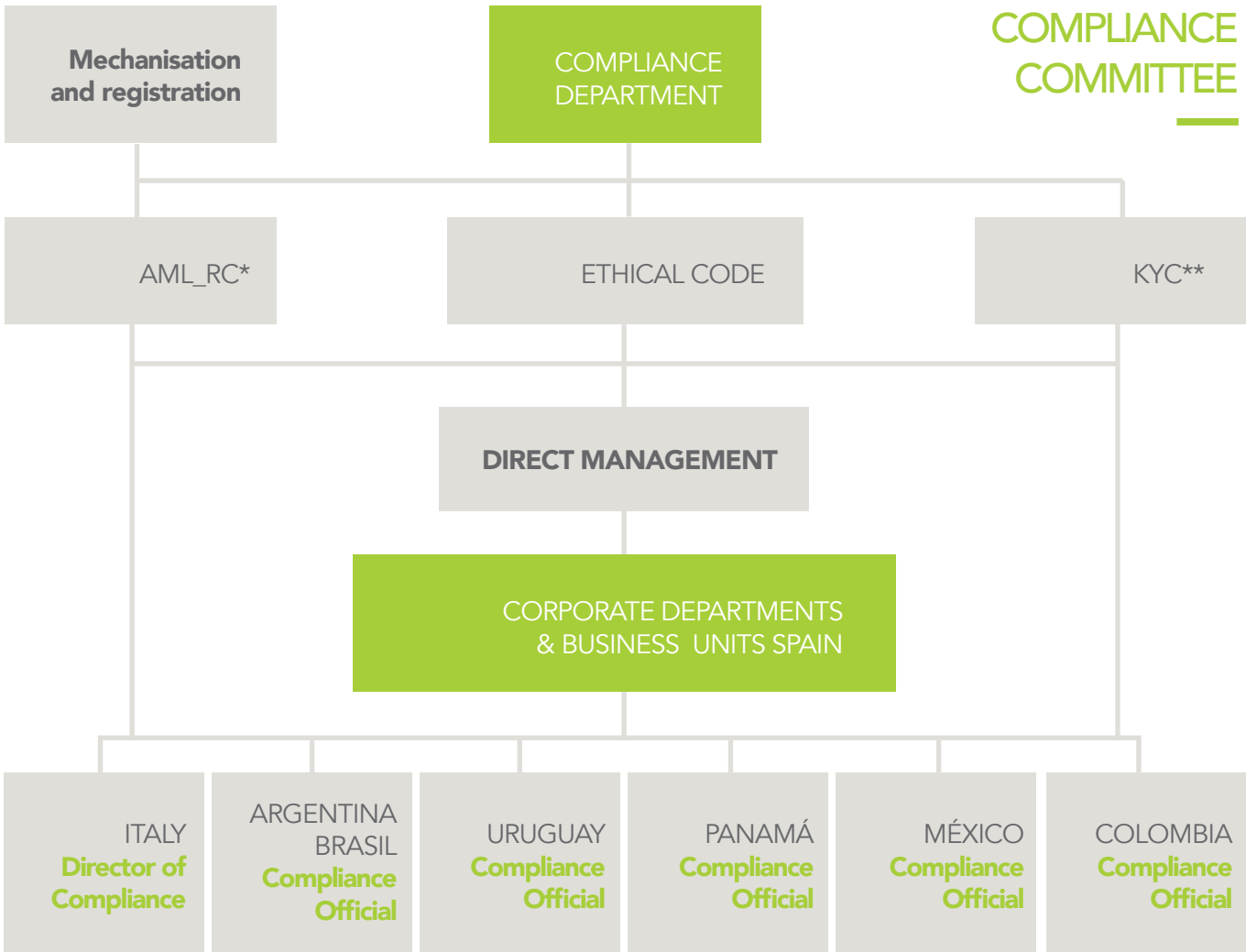
The Compliance Policy evidences the special commitment of Codere to the laws against fraud and money laundering, as well as to the values of honesty and integrity in corporate business practices and compliance with the internal

code of conduct, all of which takes shape in the following strategic objectives:

- Establish the activities and mechanisms needed to implement a conscious culture of compliance throughout the company as an indispensable tool to help reach and maintain the level of excellence that Codere aspires to.
- Cooperate in identifying and establishing the highest standards of ethical conduct and compliance with applicable laws in the development of Codere's business activities.
- Achieve the proactive participation of all executives and employees in Codere's Compliance policies in the various activities and geographical areas in which the company operates, setting minimum coordination mechanisms and requirements among the various agents.
- Identify, evaluate and control the main Compliance risks, defined as those which can result in legal sanctions, material financial loss or loss of reputation as a result of possible violations of the laws, regulations and self-regulatory standards of the company or of the codes of conduct applicable to Codere's business activities.

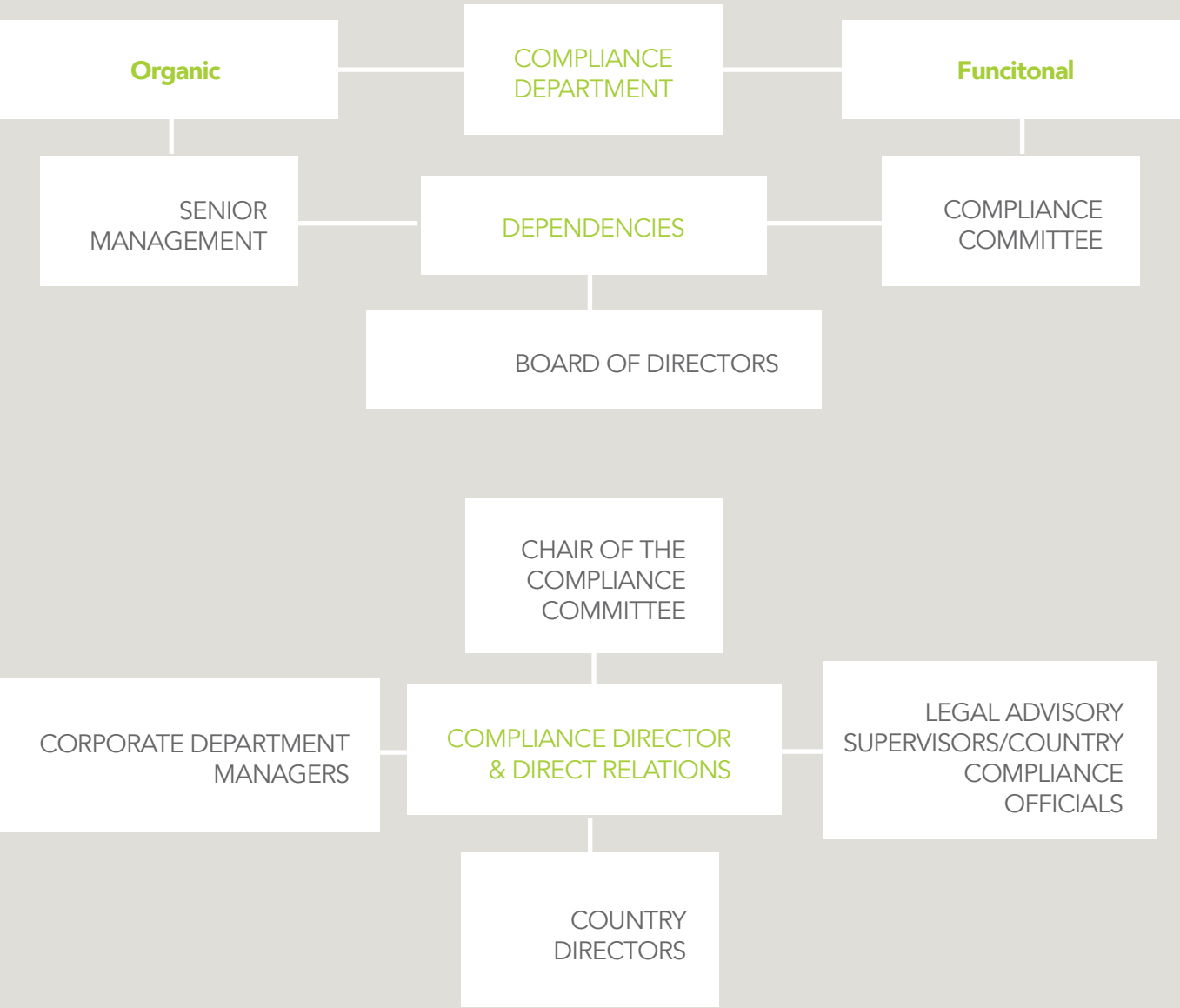
# SPECIFIC RISKS COVERED BY THE CORPORATE COMPLIANCE DIVISION

- Reputational Risk:** Possibility of losses due to negative publicity regarding the company and its business practices, whether true or not, intentional or not, resulting in a potential loss of customers or revenue or subjecting the company to prosecution.
- Operational risk:** The possibility of losses due to the inappropriateness or failure of business processes, personnel, internal systems (fraud or internal actions), or because of external events.
- Legal risk:** Possibility of losses due to sanctions, fines or being forced to pay damages resulting from breach of rules or regulations.
- Strategic risk:** Possibility of losses due to the company being disqualified by the controlling authority to develop the relevant products or services or the failure to adapt to changing business conditions or requirements in the gaming sector.



\* AML-RC: Anti-Money Laundering and Regulatory Compliance  
 \*\* KYC: Know Your Customer and Third-Party Transactions

# MANAGEMENT OF THE COMPLIANCE POLICY



## COMPLIANCE DEPARTMENT AREAS OF RESPONSIBILITY

Compliance with gambling regulations in all geographic areas in which the Group operates.

Compliance with anti-money laundering polices.

Internal control requirements of due diligence on executive personnel and key managers.

External control requirements of due diligence on natural or legal persons related to CODERE.

Institutional relations with anti-money laundering regulators and agencies.

Management of Ethical codes and complaints channel.



## IMPLEMENTATION OF CODERE'S COMPLIANCE POLICY

CODERE Group issues its General Compliance Plan approved by the Board of Directors on September 22th, 2005 and its Code of Ethics and Conduct, adopted on January 27th, 2011.

The CODERE's Corporate Compliance Department develops the General Compliance Plan and the Group's Code of Ethics and Conduct, both being the guide for all the company's staff in the development of their work in compliance with all corporate applicable laws and guidelines.

During 2015, the Compliance Department continued to strengthen the processes in the following areas of action, which coincide with what the new Spanish law on the Prevention of Money Laundering and the Financing of Terrorism (Law 10/2010), the Royal Decree 304/2014 and the New Recommendations issued in 2012 stipulate:

### **A. Implement and manage the International Policies on the Prevention of Money Laundering in Codere, S.A.**

1. Identification of recipients of awards and monitoring of suspicious transactions (STRs).
2. Reconciliation of reports to control and/or gaming authorities. Contribution on evidence on fraudulent payments or transactions.
3. Execution of Mandatory Education and Training Plans on the Prevention of Money Laundering for Codere Group employees.
4. Represent Codere with the money laundering prevention and gambling authorities.
5. Update and implement the company regulations on the Prevention of Money Laundering in each country as well as any as are required for the parent com-

pany of the Codere Group (Spanish, European and FATF).

### **B. Implement and manage the Code of Ethics and Conduct, evidencing the use of best business and CSR practices in Codere, S.A.**

1. Entry into force in 2011 of the Code of Ethics and Corporate Conduct, which led in 2012 to removal of the specific local policies.
2. Design of a complaint channel for use by employees, customers and suppliers to avoid reputation damage, internal fraud or other damage to Codere, beginning in 2011, and implementing the corporate standards across all geographic areas in 2012.
3. Verification of ethical conduct or conflicts of interest arising or not from the previous channel, elevating reports and/or proposals to the Compliance Committee.

### **C. Implement and manage the Compliance Information System required by the Codere Compliance Plan**

1. Internal control policy and control requirements of due diligence on executive personnel and key managers.
2. External Third Parties Investigation (TPI) Control Policy through prior due diligence and control of natural and legal persons related to Codere, particularly providers of gaming machines, and the movements and operation thereof.
3. Provide management tools to other departments or units and/or provide specific support for monitoring and verifying companies and individuals.

4. Prepare the required reports and accurate information on reputational risks and/or property damage to Codere, reporting, where appropriate, to the Compliance Committee and/or Senior Management of Codere.

Moreover, the structures supervised by the Compliance Committee have been enhanced regarding the operation of local compliance officers. This was the case in Mexico, Colombia and Argentina, which have joined the existing structures in Panama and Italy in transcendently enhancing the capabilities of the Corporate Compliance Department in its role of efficiently carrying out the Compliance policies.

The implementation of the new Mexican Law on Money Laundering Prevention's requirements in regard to the gaming sector has been of great relevance for Codere. The Company's dimension in the previously mentioned country and the demanding legal thresholds on the identification and reporting of clients have required a huge technological and human endeavor which has been successfully accomplished since September 2013 as its starting date.

Below we have included a summary of the activities in the Prevention of Money Laundering (AML) and Third Parties Investigation (KYC) and AML training of employees and executives and control of customers and suspicious transactions carried out in 2015, both on the corporate level and in all business units and subsidiaries:

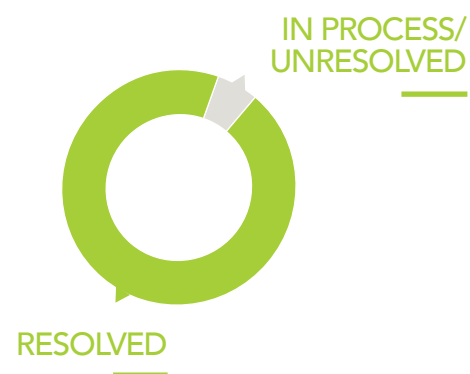
- Among the corporate and business units of the various countries where the Codere Group operates, we have performed 4,706 Due Diligence inquiries of various types on third parties with whom the group has business or contractual relations, both individuals and legal entities.
- We have performed 806 Due Diligence inquiries on Codere personnel. In parallel, we have processed 1,408 direct express

acceptances of the Global Code of Ethics of Codere in different business units.

- Mandatory AML training has been provided to 4,161 employees. The courses were given internally by various Compliance Officers in Spain, Argentina, Italy, Panama, Colombia, Uruguay and Mexico; and also online in Argentina, Mexico and Colombia.
- The control and reporting of awards and transactions to competent authorities, with the identification and registration processes required in each case, totalled 45,519 cases, in addition to 125 reports of suspicious transactions. This process has been carried out in full in all business units.
- 106 complaints/communications have been addressed through the different Ethical Channels managed by the local Compliance Officers as well as through the Corporate Complaints Channel, the corresponding confidential verifications and internal investigations in the company's business units being performed with the following tipology and result:

## CHANNELS, LINES AND COMPLAINTS MANAGEMENT

	SPAIN + HEADQUARTERS	ARGENTINA	COLOMBIA	ITALY	MEXICO	PANAMA	URUGUAY	TOTAL
Anonymous	0	4	0	0	7	2	0	13
Identified	4	8	9	0	56	13	3	93
Internal	4	4	5	0	17	6	1	37
External (third parties)	0	8	4	0	46	9	2	69
Resolved	3	10	6	0	63	15	3	100
In process	1	2	2	0	0	0	0	5
Unresolved	0	0	1	0	0	0	0	1



# CODERE

## Foundation

---

**CODERE Foundation is a non-profit organization founded in 2007, recognized and registered in the Foundations Protectorate of the Spanish Ministry of Education being a member of the Spanish Association of Foundations.**

The mission of the Foundation is the promotion of and collaboration in initiatives, both national and international, to enable the enhancement and development of public policy on gambling and the structures upon which this industry is based, and to promote the development of the local communities in which CODERE operates its business.

CODERE Foundation has agreements with public and private entities, encouraging collaboration among them. It also acts as a partner with all relevant institutions to convey a faithful image of gaming to society and aims to transmit the views, interests and needs of the gaming industry with the general public, the media and public authorities.

## CODERE FOUNDATION BOARD

---

---

Mr. José Antonio Martínez Sampedro,  
President

---

Mr. José Ignacio Cases Méndez,  
Vice President

---

Mr. Pío Cabanillas Alonso,  
Member

---

Ms. Beatrice Rangel,  
Member

---

Mr. Juan José Zornoza Pérez,  
Member

---

Mr. Germán Gusano Serrano,  
Executive Director and Secretary to the Board

---



## APPRAISAL OF ITS COMMITMENT TO THE GAMING INDUSTRY

The work of the CODERE Foundation, promoting encounters for reflection on the gaming industry and supporting the approach of the sector to society, it has been recognized with several awards: on March, 1st, 2016, the award acknowledging the Foundation as the best *"Institution within the gaming industry in 2015"* at the fifteenth edition of the Magazine AZAR Awards . The prize, awarded unanimously by the jury, praised the Foundation intense career in normalizing the gaming and supporting the gaming industry.

In Barcelona, in June 2015, the CODERE Foundation was granted the award to the institution *"more committed"* to the industry, within the seventh edition of the Awards *"Premios del Recreativo"* granted by EUROPER (the Association of Independent Operating Companies of Gaming Machines).

## WORKSHOPS/SEMINARS

Moreover, the CODERE Foundation promotes and collaborates each year in various initiatives designed to bring the industry closer to society. In May, it sponsored a workshop on Internet matters titled: *"X1RedMasSegura"* (X1 Safer Internet) which took place at the School of Telecommunications Engineering (Madrid), during events celebrating the International Day of Internet. In its third edition, the event aimed to promote the proper and responsible use of resources available on the Web, to avoid being victims of any type of fraudulent abuse, fraud or harassment. At this meeting, Codere participated with the speech *"The online gambling: make your bets"*, which addressed the development of online gambling in Spain, since the adoption of the 13/2011 Law on Gambling Regulation, until nowadays, stressing the importance of the activity's scrupulous regulatory compliance, enabling the evolution of the gaming industry within the legal framework.



The 7th Edition of the "Recreativo Awards" by EUROPER

The CODERE Foundation also supported the development of the twelfth Spanish Congress of Political Science and Administration, held at the University of the Basque Country in San Sebastian from 13 to 15 July, by sponsoring a working group within the area of public policies entitled *"From Internet addiction to Gambling addiction. The need for a public policy"*, which was coordinated by José Ignacio Cases, Professor Emeritus of the Carlos III University and vice president of the CODERE Foundation.

The workshop on gambling consisted of four presentations made by experts from different universities debating on this activity among young people, from a standpoint of fun and leisure, including a reflection on the game of problem gambling and delving into behavioral patterns and possible lines of action of a preventive policy.

This debate highlighted the need to address holistically the gambling responsibility, clarifying the mechanisms by which addiction occurs, and studying and analyzing possible preventive public policies.

On December 15th, the CODERE Foundation took part in the 2015 Expo ANE-SAR Congress, a professional forum in which the *"Anuario del Juego en España 2014/15"* (Spanish Gambling Yearbook 2014/15) was introduced to more than 300 attendees. Its main findings were discussed together with the industry's representatives at the round table *"Gambling: An industry in transformation?"* conducted by the technical director of the yearbook, Jose Antonio Gomez Yáñez.

## PUBLICATIONS

To foster and promote the study, the analysis, the transparency and legal certainty in terms of gambling, the CODERE Foundation cooperates with leading specialists in the development of several publications of reference as for the gaming industry. Among the new publications launched in 2015 highlights some titles:

- In May, the Foundation published the sixth report **"Social perception of gambling in Spain 2015"**; a study conducted together with the Institute for Policy and Governance UC3M (IPOLGOB) enabling an approach to the industry through an analysis of the consumption of this activity by the Spaniards. The study shows that, although 80% of Spaniards recognize they do gamble the frequency of gambling decreases and its consumption is *"rationalized"*, especially as a result of the crisis. By type of game, sports betting won as the favorite private type of gambling, with a growth of 25% over the previous year.
- In December, and also in cooperation with IPOLGOB, the Foundation published the **4th edition of the "Spanish Gambling Yearbook (2013/14)"**, one of the most important publications within the industry, providing a comprehensive analysis of it. The yearbook



The 15th Edition of the AZAR Magazine Awards



como el juego privado de mayor dinamismo, con un crecimiento del 25% respecto al año anterior.

- The CODERE Foundation, along with other sponsors, took also part in the publication of the book **"Legal Security and Democracy in Latin America"** published by Marcial Pons and the Department of Legal Studies of the University of Girona, being one of its board members. This volume brings together the papers presented at the First Biennial Congress of Legal Certainty in Latin America, held in Girona, on June 2013, an event that was also supported by the CODERE Foundation, whose main purpose was to establish a system of indicators to measure legal certainty in the Latin American area in order to promote the development of foreign investment in these countries.

José Ignacio Cases, Carlos Lalanda and Germán Gusano, members of the advisory and editorial council of the Spanish Gambling Yearbook together with the technical director José Antonio Gómez Yáñez

## SOCIAL INITIATIVES

In order to support and contribute to the development of the society in the educational field, CODERE Foundation has promoted several initiatives in some of the countries where it operates its business, among which we would like to highlight the Laffit Pincay Jr. Jockeys Training Academy.

It was launched in Panama City on March, 2009 as a training center for jockeys approved by the Panamanian Ministry of Education, located inside the Presidente Remon racetrack and operated by CODERE Group. This center aims to elevate the horse racing industry by improving the standard of training and learning process for its future graduates.

On December 1st, 2015 a new class of 13 jockeys graduated from this academy upon successful completion of their academic and sports subjects, thus forming the 6th jockeys graduated group in its history.



# CODERE and Society

---

**CODERE Group expresses its firm commitment to the Principles of Corporate Social Responsibility as an integrating framework for its policies and actions with all stakeholders with which it interacts. Moreover, the Company also seeks to identify local needs and areas where its contribution could be valuable especially in those countries where it operates and implements specific programs to help these communities.**

## ARGENTINA — Responsible Gambling

During 2015, CODERE reinforced the Responsible Gambling Program using the materials and the staff trained in the previous years. At present we have 104 Responsible Gaming Counselors in our gaming halls.

In addition, 1,700 flyers were distributed to inform on this problem to clients who requested it. The Company approved the launch of the Unified Self-Exclusion Procedure. An instructive document that aims to promote Responsible Gaming and to help complete the self-exclusion procedure was developed. Such documents were distributed in all gaming halls

and public telephone booths exclusively connected with the toll-free line (0800-444-4000) belonging to the Provincial Institute of Lotteries and Casinos (IPLyC).

It is important to highlight that, although the process of self-exclusion is a standard issued by the IPLyC and therefore, of mandatory compliance for all companies operating in the gaming sector, the training of Counselors, the unification of this procedure in CODERE Argentina and the installation of exclusive phones are all voluntary initiatives being implemented through the Corporate Social Responsibility Plan.



## Community And CRS Internal Management

- **CODERE Green Program:** This program includes all the initiatives designed for the care and protection of the environment. Among the activities within this program we would highlight:

- Paper recycling: throughout 2015, 53,451 kilos of paper and cardboard had been recycled.

- Vegetal oil recycling: alongside with RBA Ambiental, a company in charge of collecting vegetal oil to convert it in Biodiesel, we signed an agreement with all local communities involved to the BIO plan. 13,743 liters of vegetal oil had been collected from all gaming halls.

- Plastic recycling: 40 kilos of plastic lids collected plastic lids for San Justo Children Hospital and in September, another campaign was organized to collect plastic lids in order to help Tomás Rodríguez, a child suffering from cerebral palsy and who travelled to China for a mother cells therapy. 500 kilos of plastic lids had been collected during 2015.

- **Donations:** CODERE Argentina supports several social initiatives in the areas where it operates its business, sharing resources and strategies with the local authorities within the Province of Buenos Aires.

- In Morón (School nº37): we donated a refrigerator and a fully equipped kitchen to complete the school canteen.

- In Lomas de Zamora: we donated a MTD computer to enhance the technological development of this movement.

- In La Plata, Lanús and La Matanza: we donated Christmas products and food products to families in need, we distributed more than 1,000 Christmas boxes and more than 3,000 chicken.

- *"The 5th Healthy Marathon"* of the Narciso López Hospital in Lanús: On September, 20th the traditional Marathon of the Narciso López Hospital was organized in order to celebrate its anniversary, promoting healthy living habits.

## Supporting Initiatives in areas where the Company operates its business

- **Carnivals in La Matanza:** For four days the Municipality of La Matanza celebrated the 2015 carnivals sponsored by several companies, including Code-re. The event featured costumed shows and popular musicians in a cozy atmosphere and reached a record of assistance of about 350,000 people.

- **Babasónicos in San Martín:** On March, 1st, a free concert integrated into the program of activities "Breathe culture in every corner of your city" took place.

- **Donations to social entities:** In April, the company donated money to the Spanish Social and Recreation Center of the Municipality of Morón and Club Deportivo Villa Elisa in La Plata.

- **Marianela Núñez event in San Martín:** The principal dancer of the Royal Ballet of London, Marianela Núñez, presented on July 19th in her hometown a charity gala. The event, organized by the Municipality of San Martín and Art & Culture, was held at the German Society of Gymnastics of Villa Ballester to the benefit of Paul Quiroga, an 11-year-old boy from San Martín who suffers from severe progressive neurological scoliosis and thus involving a very special and accurate surgery and treatment. During that gala, we also raised funds for the five convivial homes of San Martín where about 60 children between 3 and 12 years who have been separated from their families temporarily for serious situations of rights violations.

Here are the companies collaborating with this initiative: CODERE, Textile Amesud, Alemarsa, Edenor, NEC and ARX; Building and Alear center; and they collaborated IPS, Zonna, Laboratory Omicron, CIMET, Le Marque, Alfavinil, McDonalds and Women x San Martin.

- **Flood Donation:** In August, the Province of Buenos Aires suffered flooding in different points. CODERE donated mattresses and blankets to the city of La Plata to help the victims of this natural disaster.

- **Events in La Matanza:** Different artists have developed for free recitals such as Panam and its children's show, Marama, Karina, La Urraka or Valeria Lynch and Iván Noble.

- **Valeria Lynch event in Lomas de Zamora:** Valeria Lynch offered a free show along with the group Los Latinos on September 11th in the microstage of Eva Peron Park. More than 5,000 teachers from public and private schools of the region were invited to the show.

- **Spring Day with Dread Mar I in San Martin:** To celebrate Spring Day, organized by Youth x San Martin, thousands of residents enjoyed a free concert of the reggae band Dread Mar I. The event, which featured CODERE support was held at the Park Yrigoyen and brought together more than 500 young people working for a more integrated city through actions of solidarity, reflection and entertainment.

## MEXICO — Social Development Programs

CODERE Mexico enhances from the area of Institutional Relations actions aimed at social development of the communities where the company operates its business activity, through programs

that generate permanent and sustainable growth. Various donations were given to important social welfare institutions, including the DIF (Integral Family Development).

During 2015, CODERE Mexico made a contribution in cash of \$ 3,623,200 that were intended to:

- The city of Villahermosa (\$ 1,000,000) in February.
- The city of Miguel Hidalgo (\$80,000) in May.
- The city of Ensenada (\$750,000) in May.
- The DIF Hermosillo (\$500,000) and the "El Arte de los Títeres" (\$300,000) in June.
- The city of Ensenada (\$750,000) in September.
- The DIF Mazatlán (\$174,000) and the city of Mazatlán (\$69,200) in October.

## Responsible Gambling Programs

- **Agreement with Youth Integration Centers "Pathological gambling and other addictions":** In August an inter-institutional collaboration with Youth Integration Centers was signed in order to exploit its infrastructure, human resources, knowledge and expertise to develop training and care activities against addictions and compulsive gambling. Training speeches were delivered to employees in D.F., the State of Mexico, Guadalajara, Cancun, Veracruz and Puebla.



**Centros de Integración Juvenil, A.C.**

## ITALIA

### Responsible Gambling Programs

- **"In nome della legalità 2.0":** CODERE promotes the culture of legal and responsible gaming throughout the Italian cities.

On November, 24th CODERE Italy newly organized the workshop *"On behalf of Legality 2.0"*, a series of meetings attended by representatives of national and local institutions, supervisory bodies and associations promoting the culture of responsible gambling and respect for the rules.

These meetings, which since 2011 have taken place in the cities in which CODERE operates its business activities, passed to a digital broadcast in 2015 through popular social media channels.

### Social Development Programs

- **"Amori dalla cenere":** On March 8th, 2015 the award ceremony of the literary and art competition *"Love from the ashes"* took place, as a result of the eponymous project born of the collaboration between Codere and the artist Caterina Orzi, with the aim of sensitize clients in relation to violence against women. The award-winners, who presented remarkable works such as poems, illustrations and stories on this topic, were awarded by the gaming hall managers. All the women who attended the ceremony were granted a bouquet of mimosas with a small commemorative card of the event.

- **"Innamorati di te" (Salerno and Viterbo):** This project stems from women and for women: no woman can be loved, respected and valued, if she does not love herself, respect herself and value herself in the first place. This resulted in a series of meetings in which the protagonists were the women and their stories. The meetings were attended by professionals from different areas (law-



"In nome della legalità 2.0" in Milano

yers, doctors, representatives of law enforcement and associations related to gender-related violence, artists, etc. ...). Telethon: CODERE Group renews its commitment to the Telethon Foundation that since 1990, supported the research of so-called rare genetic diseases. As of February 6th, in all the gaming halls one could buy as a gift for San Valentine a bookmark and a heart-shaped chocolate in exchange for a symbolic donation. The funds collected out of this initiative (*"A heart for the less common people"*) were entirely donated to this foundation.

- **Support for the association Specialmente Noi:** CODERE Italia collaborates with the Specialmente Noi association that promotes specialized education, health care and social and scientific research to promote the normalization of life of people with autism, by sending chocolate Christmas nativity scenes to their clients and journalists in support to this association.

## SPAIN —

### Social development programs

One more year, CODERE cooperates with the Spanish Red Cross (SRE) so that all children could have a happy Christmas. On December 23rd, the Company organized at its Corporate Headquarters a party for the employees' children. Besides enjoying games, magic shows, face painting, cartoons and inventions workshops, storytelling and other activities, the more than 100 young guests collaborated with SRE delivering a toy so that the children without resources could also enjoy the Christmas holiday.

## BRAZIL —

### Social development programs

- **"Racing Solidário and Galope Solidário Project":** The "Racing Solidario" project - implemented in Rio de Janeiro since 2013 - donated to the Associação Brasileira Beneficente de Reabilitação Social (ABBR) a total of R\$ 98,719.47 for the purchase of wheelchairs.

In Porto Alegre, the "Galope Solidario" project, since 2013, has donated to the institution Menino Jesus de Praga R\$ 45,908.10 to improve the lives of special children. He has also donated 13 televisions and 19 computers.

- **Christmas Spirit in Tarumã-Curitiba agency:** From November 23rd to December 19th, the Tarumã agency hosted an event to raise solidarity Christmas gifts for the Christian Welfare Association. The delivery of the gifts collected took place on December, 23rd at the headquarters of the Association.

## COLOMBIA —

### Social development programs

CODERE Colombia supports , by buying Christmas cards for clients and employees, to the United for Colombia Foundation.

Thanks to this donation, CODERE Colombia collaborates in the special medical rehabilitation process of the victims in their fight against drugs and terrorism in the country and especially of the survivors of landmines. The total contribution amounts to approximately US\$ 2,742.

## PANAMA —

### Social development programs

- **Relay for Life:** CODERE Panama has been supporting for more than 10 years the FANLYC Foundation, organizing fundraising activities in support of hundreds of children suffering from leukemia and cancer. On 12th, 13th, and 14th of October, CODERE Panama's employees welcomed FANLYC goddaughter, Evelyn Cedeño, who faces with optimism the fight against childhood cancer.

Evelyn Cedeño, Fanlyc's goddaughter (Panama)







Medical examination during the Health Fair (Panama)

- **Health Fair:** CODERE Panama along with the Occupational Health & Safety department from several Polyclinics and other such groups belonging to the health area initiated a health fair titled: *"Take care of your health, improve your life."*

During this fair, employees benefited from various medical services such as dental examination, glucose / blood pressure testing, HIV testing, among others. Pharmaceutical companies, food distributors and banks, provided consultancy services and sale of their products at discounted rates to the benefit of employees of the group.

- **Smiles for Christmas:** As part of "Smiles for Christmas" program, the volunteering initiative "CODERE Gives you a helping hand" held on Friday, December 18th the delivering of toys to the children of Puerto Armuelles in Chiriqui, visiting two communities from Finca Bananera: Bongo School, with 102 children & Zapatero School, with 134 children. Several employees, volunteers and Santa Claus took care of the gifts delivery to the little children.

## URUGUAY —

### Social development programs

- **Local community development:** CODERE, through HRU, participates as relevant economic and social actor in the communities where it operates its business activity and is part of various community organizations such as neighbors associations, networks, opportunities for local coordination, thus contributing to the improvement of living conditions of the population and its local development.

- **Local development:** In 2015 the Gymnasium Maroñas opened its doors within the General Tribune of the Maroñas National Racetrack. The space, equipped with the latest equipment in physical activity, hosts various programs open to the neighborhood. In particular the *"Knock Out the Drugs"* program organized by the Ministry of Sport.

Moreover, the Racetracks are being managed as "open" spaces and count with significant investments as for the development of its social areas and services. For example, the Las Piedras Racetrack has a Polyclinic, CAIF, Cultural Center and Training Programs (Universidad del Trabajo de Uruguay).

- **Education:** The Company is committed to education and in Uruguay, works together with schools, high schools, centers for early childhood and institutions to support children with disabilities located next to its business locations. In 2014 an important educational and artistic project was carried out from an agreement with the Garden 233, for the development of training and art activities with 570 children.
- **Youth Employment:** CODERE in Uruguay, through HRU, prioritize youth employment and actively works in the professionalization and formalization of

horse racing activities. As part of the policy of promoting youth employment, every year 150 new young people are incorporated in the areas of Betting, Customer Service and Treasury.

- **Practical Training:** HRU supports the Basic Practical Training Program UTU with equestrian orientation (equivalent to Basic Cycle) which has a School of Jockeys installed at the Las Piedras Racetrack and holds the course of “Auxiliar de Caballeriza”. In 2015, more than 100 young people participated in various training activities supported by HRU.

### Responsible Gambling Program

HRU draw a strategy for promoting healthy and responsible gambling, boosting possible mechanisms to reduce the detours addictive gambling may cause.

### Environmental Protection Program

The Company develops plans for energy efficiency, water efficiency and waste management. As for the energy matter, it self-generates electricity for the lighting of Maroñas Racetrack and switches to LED the lighting system at the Official VIP Area of Maroñas (estimated savings being around 800%), in addition to promoting intelligent lightning. Regarding water, it uses its own cleaning, irrigation, kitchens and showers sources and takes a responsible waste treatment.

Activity of the program “Knock out the Drugs” (Uruguay)





# Auditor's REPORT









## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

***This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinion, the original language version of our report takes precedence over the translation.***

To the shareholders of Codere, S.A.:

### Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Codere, S.A. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes for the year then ended.

#### *Directors' Responsibility for the Consolidated Annual Accounts*

The parent company's directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Codere, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company's directors' preparation of the consolidated annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

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

.....



### *Opinion*

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Codere, S.A. and its subsidiaries as at December 31, 2015, and its consolidated 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, and other provisions of the financial reporting framework applicable in Spain.

### *Emphasis of Matter*

We draw your attention to Note 2.a.1 to the accompanying consolidated annual accounts, disclosing the Group's financial difficulties which have resulted in its defaulting on its main financial commitments in 2014 and 2015 and to the date of the preparation of the accompanying consolidated annual accounts. During 2015, in addition to the amendments introduced to the Lock-up agreement signed in 2014 between Codere's controlling shareholders and the majority of the bondholders, and disclosed in Note 3.f.ii, the High Court of Justice of England and Wales has approved the so-called "Scheme of Arrangement" on December 22, 2015. Prior to that, creditors holding in excess of 98.78% of all the Bonds had approved the Scheme. The effectiveness of the agreement is subject to the satisfaction of the "scheme completion conditions", which are described in Note 3.f.iii. This finance restructuring process, if completed, will result in an issue of US dollar new bonds equivalent to 675 million euro, with maturity in 2021, out of which 200 million euro will be issued in cash and 475 million euro will be exchanged for existing bonds. In addition, bondholders will become shareholders of the company through the capitalization of the remaining existing bonds in return for shares to be issued by Codere, S.A., representing 97.78% of the share capital. This stake will be reduced to 78.2% after the sale of shares by such bondholders to the company's two main executives. As indicated by the directors in the aforementioned Notes, at the date of preparation of the accompanying consolidated annual accounts, the effectiveness of the restructuring process is subject to the satisfaction of the "scheme completion conditions", triggering significant uncertainty concerning the Group's capacity to continue its operations in case such conditions are not met. This matter does not modify our opinion.

### **Report on Other Legal and Regulatory Requirements**

The accompanying consolidated directors' Report for 2015 contains the explanations which the parent company's directors consider appropriate regarding Codere, S.A. and its subsidiaries' situation, the development of their business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the consolidated annual accounts for 2015. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Codere, S.A. and its subsidiaries' accounting records.

PricewaterhouseCoopers Auditores, S.L.

Antonio Vázquez

February 26, 2016

# CODERE, S.A.

## and subsidiaries

### Consolidated Balance Sheet at December 31, 2015 and 2014 (Thousands of euros)

ASSETS	NOTE	31/12/15	31/12/14
<b>NON-CURRENT ASSETS</b>		<b>1,069,889</b>	<b>1,204,579</b>
Intangible assets	7	413,045	471,098
Property, Plant and equipment	8	318,460	368,665
Investment properties	8	66,565	70,451
Goodwill	10	193,860	207,561
Investments equity method	9	11,607	12,415
Non-current financial assets	11	21,405	25,716
Non-current loans		17,225	18,091
Investments held to maturity		4,180	6,184
Other financial assets		-	1,441
Deferred tax assets	12	44,947	48,673
<b>CURRENT ASSETS</b>		<b>371,155</b>	<b>334,730</b>
Inventories	14	11,626	10,441
Accounts receivable	15	188,346	181,526
Trade and other receivables		40,273	30,585
Current tax assets		3,298	4,964
Sundry receivables		42,125	34,140
Tax receivables accrued		102,650	111,837
Financial Assets	16	42,750	35,988
Short-term investment securities		2	106
Other loans and investments		42,748	35,882
Other current assets		18,108	20,103
Cash and cash equivalents	24	110,326	86,672
<b>TOTAL ASSETS</b>		<b>1,441,044</b>	<b>1,539,309</b>

The accompanying Notes are an integral part of these consolidated financial statements

## Consolidated Balance Sheet at December 31, 2015 and 2014 (Thousands of euros)

SHAREHOLDERS' EQUITY AND LIABILITIES	NOTE	31/12/15	31/12/14
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>17</b>	<b>(609,658)</b>	<b>(449,130)</b>
Share capital		11,007	11,007
Share Premium		231,280	231,280
Legal reserve and Retained earnings (prior year losses)		(522,446)	(350,750)
Revaluation reserves		3,881	4,060
Translation differences		(220,188)	(171,722)
Profit/(Loss) for the year attributable to equity holders of the parent		(113,192)	(173,005)
Non-controlling interest		(6,282)	17,280
<b>TOTAL EQUITY</b>		<b>(615,940)</b>	<b>(431,850)</b>
<b>NON-CURRENT LIABILITIES</b>		<b>249,658</b>	<b>296,852</b>
Deferred revenues		31	17
Non-current Provisions	18	32,341	33,465
Non-current payables	19	113,657	147,525
Bank borrowings		76,375	89,299
Other payables		37,282	58,226
Deferred tax liabilities	12	103,629	115,845
<b>CURRENT LIABILITIES</b>		<b>1,807,326</b>	<b>1,674,307</b>
Provisions and others	18	9,429	10,575
Bank borrowings	19	147,496	160,976
Bonds and other marketable securities	19	1,276,209	1,141,915
Other non-trade payables	19	235,326	209,603
Trade payables		103,233	119,601
Liabilities for current-year corporate income tax	19	35,633	31,637
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,441,044</b>	<b>1,539,309</b>

The accompanying Notes are an integral part of these consolidated financial statements



## Consolidated Income Statement for the year ended December 31, 2015 and 2014 (Thousands of euros)

	NOTE	31/12/15	31/12/14
<b>OPERATING REVENUES</b>	23	1,639,524	1,385,624
Revenue		1,630,617	1,377,175
Other income		8,907	8,449
<b>OPERATING EXPENSES</b>	23	(1,510,218)	(1,361,500)
Consumables used and other external expense		(49,791)	(45,742)
Employee benefit expense	23,d	(276,595)	(240,130)
Depreciation and amortization	7,8	(122,115)	(125,514)
Change in trade provisions		(128)	(1,993)
Other operating expenses	23,c	(1,058,468)	(936,255)
Asset impairment charges	7, 8, 10, 13	(3,121)	(11,866)
Gains/(loss) on derecognition/disposal of assets	6	(4,907)	(3,347)
<b>CONSOLIDATED OPERATING PROFIT/(LOSS)</b>		124,399	20,777
Finance income		3,557	3,331
Finance costs		(156,429)	(148,174)
Net foreign exchange gains/(losses)		(50,469)	(45,899)
<b>CONSOLIDATED NET FINANCIAL INCOME/(EXPENSE)</b>	23,g	(203,341)	(190,742)
<b>CONSOLIDATED INCOME/(LOSS) BEFORE TAXES</b>		(78,942)	(169,965)
Income tax expense	21	(63,220)	(40,885)
<b>RESULTS COMPANIES ACCOUNTED BY EQUITY METHOD</b>		2,716	2,967
<b>CONSOLIDATED LOSS FOR THE YEAR</b>		(139,446)	(207,883)
Attributable to non controlling interests		(26,254)	(34,878)
Attributable to owners of the parent		(113,192)	(173,005)
Basic and diluted earnings per share (in euro)	23f	(2,55)	(2,80)
Basic and diluted earnings per share from continuing operations attributable to the owners of the parent company (in euro)	23f	(2,07)	(3,16)

The accompanying Notes are an integral part of these consolidated financial statements

## Consolidate Statement of Comprehensive income for the years 2015 and 2014 (Income and expensed recognised in Equity) (Thousands of euros)

	31/12/15	31/12/14
PROFIT/(LOSS) FOR THE YEAR	(139,446)	(207,883)
Currency translation differences	(46,797)	(9,441)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(46,797)	(9,441)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(186,244)</b>	<b>(217,324)</b>
Attributable to owners of the parent company	(24,586)	(32,608)
Attributable to non-controlling interests	(161,658)	(184,716)

The accompanying Notes are an integral part of these consolidated financial statements

## Consolidated Statement of Changes in Equity for the year ended December 31, 2015 (Thousands of euros)

	SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVE AND RETAINED EARNINGS (PRIOR-YEAR LOSSES)	EQUITY METHOD RESERVE
BALANCE AT DECEMBER 31, 2014	11,007	231,280	(354,053)	3,303
Profit/(loss) for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
<b>TOTAL CONSOLIDATE COMPREHENSIVE INCOME</b>	-	-	-	-
Reversal of Revaluation Reserve	-	-	179	-
Changes in consolidation scope and business combinations (NOTE: 6)	-	-	-	-
Reserves for treasury shares (NOTE: 9)	-	-	25	-
Provision for options	-	-	1,116	-
Gain/(loss) on treasury shares	-	-	(11)	-
Dividends (*)	-	-	2,269	(2,269)
Transfer of results to retained earnings (prior-year losses)	-	-	(175,972)	2,967
<b>TOTAL CHANGES IN EQUITY</b>	-	-	(172,393)	698
<b>BALANCE AT 31.12.15</b>	<b>11,007</b>	<b>231,280</b>	<b>(526,447)</b>	<b>4,001</b>

(\*) Correspond to dividends distributed to minority interests of spanish subsidiaries  
The accompanying Notes are an integral part of these consolidated financial statements

REVALUATION RESERVE	TRANSLATION DIFFERENCES	PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY
4,060	(171,722)	(173,005)	(449,130)	17,280	(431,850)
-	-	(113,192)	(113,192)	(26,255)	(139,447)
-	(48,466)		(48,466)	1,669	(46,797)
-	(48,466)	(113,192)	(161,658)	(24,586)	(186,244)
(179)	-	-	-	-	-
-	-	-	-	5,505	5,504
-	-	-	25	-	25
-	-	-	1,116	-	1,116
-	-	-	(11)	-	(11)
-	-	-	-	(4,479)	(4,479)
-	-	173,005	-	-	-
(179)	-	173,005	1,130	1,025	2,154
3,881	(220,188)	(113,192)	(609,658)	(6,282)	(615,940)



## Consolidated Statement of Changes in Equity for the year ended December 31, 2014 (Thousands of euros)

	SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVE AND RETAINED EARNINGS (PRIOR-YEAR LOSSES)	EQUITY METHOD RESERVE
BALANCE AT DECEMBER 31, 2013	11,007	231,280	(176,308)	2,992
Profit / (Loss) for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	-	-	-	-
Reversal of Revaluation Reserve	-	-	154	-
Changes in consolidation scope and business combinations (NOTE: 6)	-	-	(3,833)	-
Reserves for treasury shares (NOTE: 9)	-	-	86	-
Provision for options	-	-	(113)	-
Gain/(loss) on treasury shares	-	-	(112)	-
Dividends (*)	-	-	2,023	(2,023)
Transfer to retained earnings (prior-year losses)	-	-	(175,950)	2,334
<b>TOTAL CHANGES IN EQUITY</b>	-	-	(177,745)	311
<b>BALANCE AT 31.12.14</b>	<b>11,007</b>	<b>231,280</b>	<b>(354,053)</b>	<b>3,303</b>

(\*) Correspond to dividends distributed to minority interests of spanish subsidiaries  
The accompanying Notes are an integral part of these  
consolidated financial statements

REVALUATION RESERVE	TRANSLATION DIFFERENCES	PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL TOTAL EQUITY
4,214	(160,011)	(173,616)	(260,442)	56,877	(203,565)
-	-	(173,005)	(173,005)	(34,878)	(207,883)
-	(11,711)	-	(11,711)	2,270	(9,441)
-	(11,711)	(173,005)	(184,716)	(32,,608)	(217,324)
(154)	-	-	-	-	-
-	-	-	(3,833)	(1,841)	(5,674)
-	-	-	86	-	86
-	-	-	(113)	-	(113)
-	-	-	(112)	-	(112)
-	-	-	-	(5,148)	(5,148)
-	-	173,616	-	-	-
(154)	-	(173,616)	(3,972)	(6,989)	(10,961)
4,060	(171,722)	(173,005)	(449,130)	17,280	(431,850)

## Consolidated Cash Flow Statement (Thousands of euros)

31/12/15 31/12/14

Consolidated profit/(loss) before income tax	(78,942)	(169,965)
Net financial income/(expense)	203,341	190,742
Operating profit/(loss)	124,399	20,777
Expenses that do not represent cash outlays	134,115	146,985
Depreciation and amortization	122,115	125,514
Asset impairment	3,121	11,866
Other operating expenses	8,879	9,605
Income that does not represent an inflow of cash	(191)	(2,392)
Changes in working capital	(8,294)	(39,669)
Inventories	(1,183)	1,033
Accounts receivable	(1,042)	(2,010)
Payables	(10,163)	(39,591)
Other	4,094	899
Income tax paid	(43,173)	(32,278)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>206,857</b>	<b>93,423</b>
Purchases of property, plant and equipment and intangible assets	(67,071)	(83,641)
Proceeds from purchase of fixed assets	2,126	6,679
Payments on non-current loans	(21,436)	(21,155)
Repayments received on non-current loans	21,069	21,011
Amounts paid on investments	(5,269)	(2,252)
Disinvestment	-	(332)
Repayment of dividends	2,269	2,024
Payments of other financial assets	(24,989)	(9,559)
Collection of interest	1,667	1,441
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(91,634)</b>	<b>(85,784)</b>
Bonds issues	-	-
Drawings on Codere senior debt	-	35,000
Net change in borrowings	-	35,000
Proceeds from bank borrowings	1,514	1,051
Repayment of bank borrowings	(29,436)	(11,989)
Net change in bank borrowings	(27,922)	(10,938)
Dividends paid	(4,627)	(4,656)
Payments on other financial liabilities	-	2,626
Repayments on other financial liabilities	(10,167)	-
Net change in other financial liabilities	(10,167)	2,626
Other cash flows due to impact of exchange rates on receipts payments	(7,406)	(10,599)
Acquisition of own equity instruments	(14)	(108)
Disposal of own equity instruments	123	102
Net investment in treasury shares	109	(6)
Payment of interest	(32,680)	(31,197)
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>(82,693)</b>	<b>(19,770)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>32,530</b>	<b>(12,131)</b>
Reconciliation		
Cash and cash equivalents at beginning of the year	86,672	102,396
Effect of exchange rate fluctuations on cash and cash equivalents	(8,876)	(3,593)
Cash and cash equivalents at the end of the year	110,326	86,672
<b>NET VARIATION IN CASH POSITION</b>	<b>32,530</b>	<b>(12,131)</b>





