

CODERE, S.A. AND SUBSIDIARIES

Consolidated financial statements for the year ended December 31, 2018 and
2018 Group management report

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CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2018 (Thousands of euros)

ASSETS	Note	At December 31	
		2018	2017
Non-current assets		1,137,037	988,760
Intangible assets	7	382,719	342,900
Property, plant and equipment	8	402,134	338,879
Investment properties	8	51,501	49,959
Goodwill	10	230,375	185,270
Investments in equity-accounted investees	9	650	741
Non-current financial assets	11	22,153	22,316
Non-current loans		17,627	18,358
Held-to-maturity investments		4,526	3,958
Deferred tax assets	12	47,505	48,695
Current assets		307,527	346,920
Inventories	14	10,891	10,002
Accounts receivable	15	151,556	165,687
Trade receivables		32,248	42,329
Current tax assets		29,393	35,988
Sundry receivables		43,626	48,472
Accrued tax receivable		46,289	38,898
Financial assets	16	43,318	51,567
Short-term securities portfolio			-
Other loans and investments		43,318	51,567
Adjustments for accruals		19,987	15,126
Cash and cash equivalents	24	81,775	104,538
TOTAL ASSETS		1,444,564	1,335,680

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2018
(Thousands of euros)

EQUITY AND LIABILITIES	Note	At December 31	
		2018	2017
Equity attributable to equity holders of the parent	17	8,700	(78,793)
Issued capital		509,715	509,715
Share premium		563,178	563,178
Legal reserve and retained earnings		(867,193)	(853,572)
Revaluation reserves		3,497	3,573
Translation differences		(160,086)	(304,423)
Profit/(loss) for the year attributable to equity holders of the parent		(40,411)	2,736
Non-controlling interests		83,422	83,824
Total equity		92,122	5,031
Non-current liabilities		964,002	946,493
Deferred revenue		10	55
Non-current provisions	18	23,032	31,057
Non-current financial liabilities	19	846,369	832,003
Bank borrowings		37,337	40,775
Issued notes		761,985	752,896
Other borrowings		47,047	38,332
Deferred tax liabilities	12	94,591	83,378
Current liabilities		388,440	384,156
Provisions and other	18	8,715	8,596
Bank borrowings	19	40,004	39,058
Notes and other marketable securities	19	15,543	13,028
Other non-trade payables	19	203,292	178,124
Trade payables		82,035	95,501
Current tax liabilities	19	38,851	49,849
TOTAL EQUITY AND LIABILITIES		1,444,564	1,335,680

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

CODERE, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2018
(Thousands of euros)

	Note	Year ended Dec. 31	
		2018	2017
Operating income		1,435,304	1,637,904
Revenue		1,417,142	1,628,115
Other income	23	18,162	9,789
Operating expenses	23	(1,333,376)	(1,506,281)
Raw materials and consumables used and other external expenses		(52,164)	(54,851)
Employee benefits expense	23.d	(215,521)	(259,959)
Depreciation and amortization	7.8	(120,516)	(112,988)
Change in provisions for bad debt		(5,472)	(2,197)
Other operating expenses	23.c	(939,703)	(1,076,286)
Asset impairment	7, 8, 10 & 13	-	-
Gain/(loss) on derecognition/disposal of assets	6	(5,071)	(487)
OPERATING PROFIT		96,857	131,136
Finance income		3,657	9,978
Finance costs		(74,913)	(79,779)
Net exchange (losses)/gains		(28,663)	22,641
NET FINANCE COST	23.g	(99,919)	(47,160)
PROFIT/(LOSS) BEFORE TAX		(3,062)	83,976
Income tax	21	(30,452)	(64,177)
Share of profits of equity-accounted investees		(90)	(59)
PROFIT/(LOSS) FOR THE PERIOD		(33,604)	19,740
Attributable to:			
Non-controlling interests		6,807	17,004
Equity holders of the parent		(40,411)	2,736
Basic and diluted earnings per share (euros)	23.f	(0.28)	0.01
Basic and diluted earnings per share from continuing operations attributable to equity holders of the parent (euros)	23.f	(0.34)	0.01

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018 (Thousands of euros)

	Note	Year ended Dec. 31	
		2018	2017
Profit/(loss) for the year	17	(33,604)	19,740
Other comprehensive income for the period		(354)	205
Foreign currency translation differences		62,109	(65,801)
Total other comprehensive income		61,755	(65,596)
Total comprehensive income for the year	17	28,151	(45,856)
Attributable to non-controlling interests		2,858	12,354
Attributable to equity holders of the parent		25,293	(58,210)

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED

DECEMBER 31, 2018

(Thousands of euros)

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

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

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

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017 (Thousands of euros)

	Share capital	Share premium	Retained earnings	Revaluation reserves	Translation differences	Profit/(loss) attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total equity
BALANCE at December 31, 2016	505,943	561,950	419,066	3,727	(266,297)	(1,125,886)	98,503	(24,822)	73,681
Profit/(loss) for the period	-	-	-	-	-	2,736	2,736	17,004	19,740
Other comprehensive income for the period	-	-	205	-	(61,151)	-	(60,946)	(4,650)	(65,596)
Total comprehensive income	-	-	205	-	(61,151)	2,736	(58,210)	12,354	(45,856)
Reversal of revaluation reserves	-	-	154	(154)	-	-	-	-	-
Issuance of shares (notes 4.f & 17)	3,772	1,228	(948)	-	-	-	4,052	-	4,052
Changes in ownership interests	-	-	-	-	-	-	-	-	-
Business combination (note 6)	-	-	-	-	-	-	-	1,657	1,657
Reserve for own shares (note 17)	-	-	24	-	-	-	24	-	24
Acquisition of non-controlling interests (note 4.h)	-	-	(148,166)	-	23,025	-	(125,141)	101,047	(24,094)
Share-based payments (note 4.f)	-	-	1,980	-	-	-	1,980	-	1,980
Gain/(loss) on trading in own shares	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-
Dividends paid (*)	-	-	-	-	-	-	-	(6,412)	(6,412)
Amounts transferred to retained earnings	-	-	(1,125,886)	-	-	1,125,886	-	-	-
Total changes in equity	3,772	1,228	(1,272,843)	(154)	23,025	1,125,886	(119,086)	96,292	(22,794)
BALANCE at December 31, 2017	509,715	563,178	(853,572)	3,573	(304,423)	2,736	(78,793)	83,824	5,031

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

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018 (Thousands of euros)

	Note	Year ended	
		Dec. 31, 2018	Dec. 31, 2017
Profit/(loss) before tax		(3,062)	83,976
Net finance cost		99,919	47,160
Operating profit/(loss)		96,857	131,136
Non-cash expenses		144,504	124,989
Depreciation and amortization	7 & 8	120,516	112,988
Other operating expenses	24	11,780	12,001
Inflation effect on profit		12,208	
Non-cash income	24	(2,000)	(3,871)
Changes in working capital		(4,790)	(13,762)
Inventories		(889)	1,355
Accounts receivable		3,350	(16,331)
Accounts payable		(9,246)	2,131
Other		1,995	(917)
Income tax paid		(51,757)	(70,856)
CASH FLOWS FROM OPERATING ACTIVITIES		182,814	167,636
Payment for purchases of property, plant and equipment		(103,094)	(106,734)
Loans to establishment owners: cash outflows		(22,332)	(19,453)
Loans to establishment owners: cash inflows		22,093	18,834
Payments for investments		(7,157)	(33,152)
Proceeds from disposals		-	1,486
Proceeds from other financial assets		9,412	4,684
Interest received		1,653	4,346
CASH FLOWS USED IN INVESTING ACTIVITIES		(99,425)	(129,989)
Drawdown of Codere's senior debt		-	10,000
Repayment of other borrowings		(4,261)	(4,098)
Change in borrowings		(4,261)	5,902
Proceeds from bank loans		27,452	27,997
Repayment of bank loans		(30,209)	(23,388)
Change in other bank loans		(2,757)	4,609
Dividend payments		(7,545)	(5,823)
Payments for other financial borrowings		(2,024)	6,330
Repayment of other financial borrowings		(542)	(907)
Change in other financial borrowings		(2,566)	5,423
Other cash flows due to impact of exchange rates on collections and payments		(11,468)	(4,942)
Buyback of own equity instruments		(820)	(41)
Disposal of own equity instruments		387	2,111
Net investment in own shares		(433)	2,070
Interest paid		(68,827)	(72,151)
CASH FLOWS USED IN FINANCING ACTIVITIES		(97,857)	(64,912)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(14,468)	(27,265)
Reconciliation			
Cash and cash equivalents, opening balance		104,538	142,057
Effect of changes in exchange rates on cash and cash equivalents		(8,295)	(10,254)
Cash and cash equivalents, closing balance		81,775	104,538
Net (decrease)/increase in cash and cash equivalents		(14,468)	(27,265)

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

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

1. GENERAL INFORMATION

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

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

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

The accompanying consolidated annual financial statements were authorized for issue by the Board of Directors on February 27, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of presentation

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

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

a.1) Going concern

At December 31, 2018, the Group presented negative working capital in the amount of 80,913 thousand euros (year-end 2017: negative 37,236 thousand). Note that that situation is affected mainly by the non-trade payables disclosed in note 19.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

The management further notes that the Group currently has undrawn committed credit facilities, such as the 95 million-euro super senior multi-currency revolving facility, with which to service the payment commitments and obligations assumed by the Group and ensure business continuity. At the reporting date, the Group had drawn down 20 million euros of debt and 8 million dollars of guarantees under the above-mentioned revolving facility. In addition, management estimates point to positive overall free cash flow in 2019. As a result, management have prepared the accompanying consolidated financial statements on a going concern basis: they believe that the Group's business prospects will translate into positive earnings and cash flows in the years to come and, therefore, that its assets will be realized and its liabilities settled at the amounts at which they are carried and in keeping with their classification in the financial statements. Lastly, regarding the equity situation, note that the separate capital and reserves of Codere, S.A. (the Group Parent) amounted to 722 million euros at year-end 2018 (including share capital of 510 million euros).

a.2) New and amended standards and interpretations issued

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

The accounting standards used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2017, except from the adoption of IFRS 15 and IFRS 9 that are effective for the first time in 2018 and which have not had any significant impact on the Group's accounting policies.

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

The Group intends to apply the new standards, interpretation and amended standards issued by the IASB whose application is not mandatory in the European Union as at the date of authorizing the accompanying consolidated financial statements for issue when they are effective, to the extent applicable to the Group. Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, it estimates that their first-time application will not have a significant impact on its consolidated financial statements, with the exception of the following new standard:

IFRS 16 Leases

IFRS 16 *Leases* supersedes IAS 17, IFRIC 4, SIC-15 and SIC-27. It establishes the principles for accounting for leases using a single balance sheet model for all leases. IFRS 16 takes effect on January 1, 2019 and the Group has not applied it early.

Under IFRS 16, lessees must recognize a financial liability at the present value of the payments due over the remaining term of the useful life of the lease agreement and a right-of-use asset (by reference to the amount of the associated liability plus any direct upfront costs incurred) in their statements of financial position.

In addition, IFRS 16 changes how lease expense is recognized: it is apportioned between the asset depreciation charges and a finance charge related to the effect of discounting the lease liability to present value. Lessor accounting does not change significantly with respect to the current rules. Lessors will continue to classify their leases as operating or finance leases depending on the extent to which the risks and rewards of ownership are transferred.

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

- It has applied the recognition exemption provided for leases of low-value assets (less than \$5,000) and short-term leases (leases of 12 months or less).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

- It has applied the practical expedient provided for in paragraph C3 of appendix C of IFRS 16, which states that it is not necessary to reassess whether a contract is, or contains, a lease at the date of initial application.
- It has opted not to separate the non-lease components from lease components for classes of underlying assets for which the relative importance of these components is not material with respect to the total value of the lease.
- It has elected the modified retrospective approach to application, such that it did not have to restate any prior-year figures.
- It was decided to measure the initial right-of-use assets at the amount of the associated lease liabilities at January 1, 2019 for all lease contracts.
- It used an incremental borrowing rate per portfolio of similar leases (similar in terms of countries and lease terms) for discount rate purposes. The discount rates so applied at the date of first-time application were the following:

<u>Country</u>	<u>Discount rate at Jan. 1, 2019</u>
Spain	13.56%
Italy	14.86%
Argentina	24.63%
Mexico	16.01%
Panama	15.45%
Colombia	15.81%
Uruguay	15.20%

- To determine the lease terms - the non-cancelable periods - the Group used the initial term of each contract except where it has the unilateral option of extending or terminating the contract and it is reasonably certain that it will exercise that option, in which case the corresponding extension or early termination terms were factored in.

The reasonable estimates of the impacts of the first-time application of IFRS 16 on January 1, 2019 are:

- a) Recognition of assets under "Right-of-use assets" (non-current assets) in the amount of 250 million euros and an increase in borrowings under non-current and current "Lease liabilities" of 215 million euros and 35 million euros, respectively. The leases mainly correspond to leases over gaming halls.
- b) As for the previous finance leases at the date of first-time application, their accounting treatment will not change as compared to under IAS 17. However, the carrying amount - 11 million euros - of finance leases recognized under "Property, plant and equipment" (note 8) will be reclassified to a new heading called "Right-of-use assets"; and the finance lease liabilities currently recognized within non-current and current "Other liabilities" (note 20) will be reclassified to non-current and current "Lease liabilities" in the amounts of 4 million euros and 5 million euros, respectively.

In sum, the impact of the first-time application of IFRS 16 on the consolidated statement of financial position at January 1, 2019 is estimated as follows:

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Consolidated statement of financial position

	Thousands of euros		
	Jan. 1, 2019	IFRS 16	Jan. 1, 2019 IFRS 16
ASSETS			
NON-CURRENT ASSETS	1,137,037	250,219	1,387,256
CURRENT ASSETS	307,527	-	307,527
TOTAL ASSETS	1,444,564	250,219	1,694,783
EQUITY AND LIABILITIES			
EQUITY	92,122	-	92,122
NON-CURRENT LIABILITIES	964,002	215,353	1,179,355
CURRENT LIABILITIES	388,440	34,866	1,423,306
TOTAL EQUITY AND LIABILITIES	1,444,564	250,219	1,694,783

The estimated impact of the IFRS 16 on the consolidated statement of 2019 of profit or loss and the consolidated statement of changes in cash flows would be:

- A reduction in operating expenses and, as a result, an increase in EBITDA, of 68 million euros, as the lease payments for operating leases were included under this heading; that would have been offset by an increase in depreciation charges for right-of-use assets of 45 million euros and an increase in finance costs related to lease liabilities of 37 million euros. As a result, following the tax effect of the lower expenses of 4 million euros, the Group's profit for the year would have been 10 million euros lower.
- An increase in cash flows from operating activities of 68 million euros, as a result of the increase in EBITDA, offset by a decrease in cash flows used in financing activities of the same amount as the repayment of part of the principal of the lease liabilities will classify as cash flows used in financing activities, so that cash flow generation is not affected.

a.3) Comparative information

The 2017 financial statement figures are provided for comparison purposes.

Classification of Argentina as a hyperinflationary economy

After several months on the rise, inflation in Argentina increased significantly in the second quarter of 2018. Although the inflation figures are not consistent of late, in the past three years cumulative inflation stands at 100%, the quantitative threshold stipulated in IAS 29.

As a result, in keeping with the provisions of IFRS, Argentina was deemed a hyperinflationary economy in 2018, which implies the following key considerations:

- That the comparative 2017 figures should not be restated.
- The historical cost of non-monetary assets and liabilities since their acquisition or consolidation in the statement of financial position is restated at year-end to reflect the changes in the purchasing power of the currency as a result of the hyperinflation.

The cumulative effect of the adoption of IAS 29 made to correct the effects of hyperinflation corresponding to years prior to 2018 is reflected in translation differences at the start of 2018.

- The restatement of the statement of profit or loss to reflect the financial loss corresponding to the impact of the hyperinflation on the net monetary assets during the reporting period (loss of purchasing power).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

- The tax effect, resulting from the non-fiscal accounting application of the hyperinflation, has been reflected in the accumulated results as the corresponding part of previous fiscal years, and in tax expenses as the corresponding part of the current year.
- The various items of the statement of profit or loss and the statement of cash flows have been adjusted by the change in the price index from the dates when the items of income and expense were originally recorded with a balancing entry in net finance costs and a reconciliation item in the statement of cash flows, respectively.
- All of the items of the financial statements of the Argentine entities have been translated at the closing exchange rate, specifically 0.0231661 Argentine pesos per euro as at December 31, 2018.

The main impacts on the Codere Group's 2018 consolidated financial statements as a result of the considerations outlined above are:

	Thousands of euros
Revenue	(41,290)
Net finance costs	(2,602)
Profit/(loss) for the year	(10,145)
Equity attributable to equity holders of the parent	104,4466
Fixed assets	119,809

b) Accounting policies

b.1) Basis of consolidation

- *Subsidiaries and business combinations*

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

- *Joint ventures*

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

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

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

- *Investments in associates*

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

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

The Group did not have any interests in associates at either year-end.

- *Disposal of subsidiaries*

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

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

b.2) Segment reporting

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

b.3) Foreign currency translation

b.3.1) Functional and presentation currency

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

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b.3.2) Transactions and balances

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

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

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

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

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

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

b.3.3) Group companies

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

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

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

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b.4) Intangible assets

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

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

- Gaming licenses include the amounts paid to the various authorities in exchange for their concession. They are amortized over the associated concession terms.
- Exclusivity rights include the amounts paid to hospitality establishment owners to install gaming machines in their premises. They are amortized over the duration of the various contracts.
- Installation rights include the amounts paid to the various bodies for the permits to install amusement machines. They are amortized over the term of the permits.
- Computer software licenses purchased from third parties are capitalized on the basis of the costs incurred to acquire and ready the specific software for use. These costs are amortized over the assets' estimated useful lives.
- Trademarks purchased from third parties are recognized at their acquisition cost. Trademarks are considered to have indefinite useful lives.
- The rights to use brands, trademarks, customer portfolios and licenses obtained in business combinations are recognized at their acquisition-date fair values. They are amortized, with the exception of trademarks and installation rights, which are deemed to have indefinite useful lives, over the term of the right, concession or the best estimate of the life of the contractual relationship with customers, calculated using economic models and the Group's prior experience with customers in each of the countries in which it does business.

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

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

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

b.5) Property plant and equipment

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

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

Expenses incurred subsequently in relation to items of property, plant and equipment are only

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capitalized to the extent they increase the future economic benefits expected to accrue from the assets they are associated with. All other costs are expensed when incurred.

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

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

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

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

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

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

b.5.1) Investment properties

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

b.6) Goodwill

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

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

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

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b.7) Impairment of non-financial assets

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

b.8) Financial assets

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

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

Other financial assets held by the Group are classified as available for sale and are measured at fair value; any resulting fair value gains or losses are recognized directly in other comprehensive income. When these assets are sold, any cumulative gain or loss recognized directly in equity is reclassified to profit or loss.

In the event that there is no active market benchmark price for an available-for-sale investment and there are no alternative methods for reasonably determining its fair value, the investment is measured at cost less any impairment.

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

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

b.9) Inventories

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

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

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

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b.10) Impairment of financial assets

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

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

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

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

b.11) Derivative financial instruments and hedging activities

.The management considers that, given the diversified portfolio of revenues, the alignment of currencies for revenues and expenses in our markets, the level of local debt and the adequate sources of liquidity available to the company, that the exposure to foreign currency risk is sufficiently covered.

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

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b.12) Trade receivables

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

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

b.13) Cash and cash equivalents

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

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

b.14) Share capital

Ordinary shares are classified as equity.

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

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

b.15) Trade payables

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

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

b.16) Borrowings

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

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

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

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

b.17) Current and deferred tax

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

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

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

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

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

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

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b.18) Employee benefits

- Termination benefits

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

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

- Bonuses

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

- Provision for retirement bonuses

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

- Long-term incentives

Overview of the plan:

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

Under the plan, the executives will be remunerated as a function of the increase in the market value of the restricted shares until April 2021, subject to their remaining in employment at the vesting date. For some local executives, part of the bonus is calculated according to the creation of value in their business units.

The bonuses payable in April 2021, assuming that all of the executives remain in employment and the share price gain exceeds the plan threshold, would total 13.8 million euros.

Plan type and measurement:

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

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

- 10,000 random scenarios were modeled for the performance of Codere's shares (the underlying) between the valuation date and April 30, 2021. The following inputs were used in the simulation exercise:
 - Risk-free interest rate: 0.07%
 - Share price volatility: 69.84%

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- Dividend yield: 0%
- Random variable: 10,000 random numbers using a normal distribution (0.1)
- For each scenario the model calculated how much remuneration would be delivered to the executives in light of the share price performance. That remuneration was then discounted to the valuation date.
- The total plan value was calculated as the average of the values for each scenario. That value was then allocated over the vesting period.

Note that it was assumed that all of the executives will remain at the Codere Group until the end of the plan.

b.19) Provisions and contingent liabilities

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

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

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

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

b.20) Revenue recognition

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

The Group recognizes its revenue as follows:

- Gaming machines: at the net win collected.
- Bingo hall operations: at the total amount of bingo cards sold, at their face value, less prizes, which are deducted from gross revenue.
- Casino operations: at the operator's net win.
- Racetracks: at the total amount bet by gamers less prize money.
- Sports bets: at the operator's net win.

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

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

b.21) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

The Group leases certain items of property, plant and equipment. Leases of property, plant and equipment in which the Group retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the inception of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding lease obligations are presented net of finance charges within non-current borrowings. The interest component of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the outstanding liability for each period. The items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

On January 1, 2019, the Group began to apply IFRS 16 *Leases*. The key criteria used by the Group and the main impacts on its financial statements are described in note 2a.

b.22) Earnings per share

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

3. FINANCIAL RISK MANAGEMENT TARGETS AND POLICIES

a) Group sources of financing and leverage policy.

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

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

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

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

- Firstly, the Group's senior debt, which carries a range of maturities and has been extended by Spanish and international financial institutions.
- Secondly, the issuance of notes whose payment, under certain circumstances, is subordinate to repayment of the Group's senior debt. These notes mature in 2021 and are held by international

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financial investors.

With regards to the Group's borrowing policy, the general criterion is not to become leveraged above certain multiples of EBITDA¹, consolidated cash flow or cash available for debt service.

b) Key Group risks

The key risks to which the Group is exposed include, but are not limited to, risks related to the gaming sector. The gaming industry is closely regulated (those regulations extend to the gaming business itself and the gaming formats and channels permitted; management of the risks associated with gaming; gaming advertising; data protection; anti-money laundering; and anti-fraud among others). Gaming operators are required to operate through gaming licenses, to obtain them they need to fulfil a number of technical and compliance-related obligations, these requisites continue to be mandatory and subject to ongoing oversight to maintain and renew these licenses. The failure to comply with any of these regulations or requirements or the inability to renew our gaming licenses could have an adverse impact on our business. The industry is also exposed to the formulation of new gaming tax regulations, or changes of interpretation of the existing ones, in every market. Any increase in the gaming tax burden or changes in tax calculation methodologies could affect the viability of our business. The gaming industry is often in the spotlight and the public perception of what we do can also have an adverse impact on our revenues. Moreover, regulatory changes in the various markets could pave the way for the entry of new competitors or new gaming formats that could have an adverse impact on our business. Lastly, the Group is and will remain exposed to lawsuits related with the above-mentioned tax regulations and compliance rules.

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

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

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

c) Financial risk factors

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

Risk management is carried out by the Group's Treasury Department under policies approved by the

¹ We define EBITDA as the operating profit, plus depreciation and amortization, plus change in provisions for bad debt, plus the expense for impairment of assets, less the result on derecognition / disposal of assets.

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

c.1) Market risk

Foreign currency risk

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

In 2017, the Group arranged the hedging instrument disclosed in note 20 which have been canceled in 2018, after renegotiating the conditions of the loan associate to it.

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

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

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

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

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Currency	Exchange rate at Dec. 31, 2017	Thousands of euros			
		10% depreciation of the euro		10% appreciation of the euro	
		Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
ARS/EUR	22.4497	2,898	-	(2,898)	-
BRL/EUR	3.9673	8,548	-	(8,548)	-
COP/EUR	3,578.7112	325	-	(325)	-
USD/EUR	1.1993	984	-	(984)	-
UYU/EUR	34.5482	1,425	3	(1,425)	(3)
MXN/EUR	23.6687	264	-	(264)	-

Currency	Exchange rate at Dec. 31, 2017	Thousands of euros			
		10% devaluation of the US dollar		10% appreciation of the US dollar	
		Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
ARS/USD	18.6490	282	81	(282)	(81)
BRL/USD	3.3080	11,156	-	(11,156)	-
COP/USD	2,984.0000	156	(1)	(156)	1
MXN/USD	19.7354	35,147	-	(35,147)	-
UYU/USD	28.8070	22,139	2,057	(22,139)	(2,057)
EUR/USD	0.8338	(17,806)	-	17,806	-

Price risk

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

Interest-rate risk

The Group has issued notes in the international capital markets at the corporate level (300 million US dollars and 500 million euros); these bonds carry fixed coupons. It has also issued marketable bonds at a fixed rate in Uruguay (145 million Uruguayan pesos of indexed bonds and 4 million US dollars). The rest of the Group's borrowings, which stood at around 77 million euros at December 31, 2018, are typically benchmarked to floating rates (Euribor/Libor/TIIE).

As a result of this capital structure, and because of the fact that the fixed-coupon bonds represent nearly 92% of the Group's total outstanding borrowings, the Group's exposure to interest-rate risk at the reporting date - and the potential impact on earnings of movements in interest rates - is relatively small.

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

Input change	Thousands of euros		
	Increase (+) / decrease (-) in interest rate (basis points)		
		2018	2017
Impact on after-tax profit	+50	(191)	(242)
	-50	191	242
Impact on equity	+50	(191)	(242)
	-50	191	242

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c.2) Credit risk

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

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

The Group's total exposure to credit risk is constituted by the sum of the above items.

As for counterparty risk, when arranging investments in financial products or financial derivatives, the Group has established in-house criteria to mitigate this risk, requiring that its counterparties be credit institutions with high credit ratings (from prestigious international rating agencies). In addition, Group management establishes upper limits for investments and derivatives that are reviewed regularly.

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

Maximum exposure

The Group's exposure to credit risk, mitigated by its takings, is mainly attributable to trade receivables, which primarily comprise amounts advanced to owners of hospitality establishments in respect of their share of the takings from the slot machines located in their establishments, and the balances due from the CIE Group companies. The amounts corresponding to these items are presented in the consolidated statement of financial position net of impairment provisions of 73,701 thousand euros at December 31, 2018 (89,054 thousand euros at year-end 2017).

The impairment provisions are determined based on the best information available at the date of authorizing the financial statements for issue and are re-estimated at every reporting date on an individual basis, using the following criteria:

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

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

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

	Thousands of euros	
	2018	2017
Trade receivables	73,701	89,054
Cash and cash equivalents	81,775	104,538
Other financial assets	43,318	51,567
	198,794	245,159

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c.3) Liquidity risk

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

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

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

The Group covers its working capital requirements from undrawn credit facilities and the operating cash flow generated by its various business units.

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

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

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	Balances at Dec. 31, 2017	Between Jan. 1, 2018 and Mar. 31, 2018	Between Jan. 1, 2018 and Dec. 31, 2018	Between Jan. 1, 2018 and Dec. 31, 2019	Between Jan. 1, 2018 and Dec. 31, 2022
Current assets					
Short-term securities portfolio	-	-	-	-	-
Cash and cash equivalents	104,538	104,538	104,538	104,538	104,538
Total current assets	104,538	104,538	104,538	104,538	104,538
Non-current liabilities					
Notes, bonds and other marketable securities	752,896	-	-	3,564	752,896
Non-current bank borrowings	40,775	-	-	20,647	40,775
Total non-current liabilities	793,671	-	-	24,211	793,671
Current liabilities					
Current notes and bonds	13,028	1,085	13,028	13,028	13,028
Current bank borrowings	39,058	17,321	39,058	39,058	39,058
Total current liabilities	52,086	18,406	52,086	52,086	52,086
Expected gain/loss on foreign currency hedging transactions	747	747	747	747	747
Net liquidity	(740,472)	86,879	53,199	28,988	(740,472)

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

The table below is a breakdown of the maturity of non-discounted contractual financial liabilities as of December 31, 2018 (amounts in thousands of euros):

	2019	2020	2021	2022	2023 y ss	Total
Notes, bonds and other marketable securities	60,345	56,879	810,402	514	-	928,140
Principal	6,531	3,469	757,188	503	-	767,691
Interests	53,814	53,410	53,214	11	-	160,449
Current bank borrowings	32,000	15,163	25,866	8,855	3,717	85,600
Principal	26,246	11,339	23,202	8,423	3,652	72,862
Interests	5,755	3,824	2,664	432	64	12,738
Payments for financial (*)	39,716	33,654	35,103	31,993	120,243	260,709
Total	132,364	105,695	871,359	41,361	123,959	1,274,739

(*) The payments for financial leasing include the estimation of the debt maturity registered as of January 1st, 2019, as a consequence of IFRS 16 "Leasing"

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

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

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d) Capital management

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

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

- Internal cash flow generation across its core businesses.
- The ability to grow via investment in new projects that are largely funded by the cash flows generated by the project itself and in turn shore up the growth capabilities of the Group's core businesses.
- An asset rotation policy designed to help fund investments in new projects.

At December 31, 2018, the Group presented equity attributable to equity holders of the parent of 34,900 thousand euros, which is 443,893 thousand euros more than at December 31, 2017. That increase is primarily attributable to the adjustment registered as the consequence of hyperinflation for 60,846 for thousand euros.

e) Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs) (level 3)

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

Assets/liabilities (level 2)	Thousands of euros	
	2018	2017
Provision for options	(1,546)	(3,039)
Hedging instruments	-	747

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

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

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

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

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

The fair value of the Group's notes (level 1) at December 31, 2018 is as follows:

	Thousands of euros
	Year-end 2018
Notes issued by HRU, S.A.	21,048
Notes issued by Codere Finance II, S.A.	660,200
	681,248

Fair value of investment properties.

The Group has updated its assessment of the fair value of the assets related with the CitiBanamex convention center in Mexico based on the estimated future cash flows due under the lease agreement outlined in note 8, which defines both the cash flows and investment commitments assuming continuity of the agreement (assuming growth and using a discount rate of 9.4%, in line with the rate used to test the Mexican CGU for impairment). The growth rate used to calculate the terminal value of each CGU is equivalent to the annual change in the consumer price index contemplated in prevailing macroeconomic forecasts for each country over the long term; in the case of Mexico this value is 3%. Based on that analysis, the fair value of this investment property at December 31, 2018 amounted to 75.3 million euros (year-end 2017: 72.8 million euros).

All the inputs used to model the building's fair value were level 3 inputs.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

a) Estimated impairment losses on non-financial assets

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

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

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b) Income tax

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

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

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

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

c) Fair value of derivatives and other financial assets

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

d) Provisions for litigation and other contingencies

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

e) Claims

(i) Tax lawsuits in Mexico

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

- In March 2015, Codere Mexico filed an appeal before the Federal Court of Tax and Administrative Justice of Mexico against the tax assessment raised in 2012 as a result of the overruling of the deduction of certain exchange losses in 2008. In 2017, Codere Mexico was handed down a favorable ruling by this court, triggering the reversal of the 1.7 million euro provision recognized in this respect (36.9 million Mexican pesos). Notwithstanding that ruling, the Mexican tax authorities initiated a fresh investigation in respect of the same tax period and concepts already inspected and on August 8, 2018 raised a new assessment claiming 1.27 billion Mexican pesos (56.5 million euros at December 31, 2018). That subsidiary filed a suit with the Federal Court of Tax and Administrative Justice to have that tax assessment annulled on September 24, 2018.
- The inspection of Codere Mexico and one of its subsidiaries in respect of 2008 and 2009 concluded in 2016. As a result, the Mexican companies filed additional returns for those years in an aggregate amount of 64.4 million Mexican pesos (3 million euros at December 31, 2016). In addition, as a result of differing interpretations of tax law by the Group and the tax authorities, the latter raised a tax assessment of 66.7 million Mexican pesos (3 million euros at December 31, 2018). As noted above, that assessment is currently the subject of nullity trial proceedings before the Federal Court of Tax and Administrative Justice. The Group has recognized a provision to cover this exposure in the amount of 74.3 million Mexican pesos (3.3 million euros at December 31, 2018).

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- In 2016, the Mexican tax authorities initiated an inspection of Operadora Cantabria (a Mexican Group subsidiary) with respect to the so-called duty on production and services in 2014. On July 13, 2018, the Mexican tax authorities raised a tax assessment of 507.1 million Mexican pesos (22.5 million euros at December 31, 2018) in this respect. Disagreeing with the assessment, on September 6, 2018, this Group subsidiary filed an appeal before the tax authorities.
- Claim presented by the Mexican tax authorities in relation to the import of slot machines by Codere Mexico in 2009 and 2010 seeking fines for failure to comply with official Mexican rules regarding equipment imports. On August 10, 2018, the Circuit Court issued its ruling, annulling the fines issued and asking for a new assessment estimating the fines on the basis of the market value of the imported equipment. On November 30, 2018, Codere Mexico paid the amount sought by the tax authorities, which was 29.5 million Mexican pesos (1.3 million euros at year-end 2018) finalizing the process.
- The claim presented by the Mexican tax authorities in 2010 in relation to the non-payment of Mexican gaming taxes (IEPS) on certain bank deposits was ruled in favor of the Group's interests on December 13, 2018. The Mexican subsidiary is awaiting publication of the details of the tax court's ruling annulling the assessment raised by the tax authorities.
- In addition, our subsidiary Operadora Cantabria, S.A. de C.V also has its books open to inspection in respect of the same tax for 2013.

In case of claims in front of tribunal, the lodging of appeals against the assessments raised has required the presentation of sureties before the Mexican tax authorities (note 22).

- The claims associated with these tax contingencies amount to 82 million euros (1.85 billion Mexican pesos) at most. The Group's directors, based on the reports of its legal advisors, believe that the amounts provided for, as disclosed in note 18.1, to cover the risks associated with its Mexican businesses are sufficient and adequate (provision of 74.3 million Mexican pesos, equivalent to 3.3 million euros at December 31, 2018 and of 99 million Mexican pesos, equivalent to 4.5 million euros at December 31, 2017).

(ii) Tax lawsuits in Italy

- The inspection of the Italian subsidiaries, Codere Network S.p.A., Codere Italia S.p.A., Bingo Re S.r.l. and Operbingo Italia S.p.A., finalized in 2018. As a result, the subsidiaries paid an aggregate amount of corporate income tax of 1.8 million euros.
- In the case of Operbingo Italia S.p.A., the inspection also included VAT in respect of 2013. In 2018, the inspection of Operbingo Italia S.p.A. was extended to 2014 and 2015, and that of Bintegral was expanded to include 2013, 2014 and 2015. That inspection concluded in 2018 and the subsidiaries paid 1.7 million euros in respect of the matters on which the Italian tax authorities disagreed with the criteria applied by these companies.
- At the reporting date, the Italian appeals court still had to rule on the appeal presented by Group subsidiaries Bingo RE and Bintegral with respect to the VAT assessments related to the pro rata VAT deductions made by Bingo Re in 2003 and 2007 and by Bintegral in 2007. The amount being sought totals 1 million euros and has been provided for in the amount of 0.8 million euros.

(iii) Tax lawsuits in Argentina

- The Argentine tax authorities have raised an assessment of 0.2 million euros (9.5 million Argentine pesos) seeking payment of the tax on Debits and Credits on the amounts deposited in the account of the Buenos Aires provincial lotteries and casinos institute, the IPLyC, as a result of participation in income from gaming activities. Group subsidiary Bingos del Oeste has argued

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before the Argentine courts that that tax does not apply to its business activities; however, the courts have ruled against the appeal and the subsidiary has settled the claim. However, there is a similar claim pending ruling by Argentina's Supreme Court; if that case were ruled in favor of the taxpayer, it would open up the possibility of filing for reimbursement of the taxes paid.

(iv) Lawsuits in Panama

- The Panamanian Group subsidiary, Alta Cordillera, was the subject of an income tax and VAT inspection the outcome of which was the questioning of the deductibility of certain expenses and the withholding rate applied to foreign payments. The tax authorities are seeking 2.3 million euros and this subsidiary has recognized a provision in the amount of 0.2 million euros.
- Against these claims, Hípica de Panamá filed an appeal with the Tax Administrative Court and Alta Cordillera filed a Contentious Administrative Appeal in front of the Supreme Court of Justice

(v) Lawsuits challenging corporate resolutions

- On February 9, 2018, Jose Antonio Martínez Sampedro and Luis Javier Martínez Sampedro filed a lawsuit against Codere S.A. (the Company) challenging the corporate resolutions ratified at the meeting of the Appointments, Remuneration and Corporate Governance Committee on December 1, 2017 and at the meeting of the Board of Directors on January 12, 2018 with respect to Company officer terminations and appointments. The plaintiffs are seeking to have the resolutions annulled.
- On April 10, 2018, the Company filed its response to that lawsuit, asking to have the plaintiffs' claims overruled in full.
- The pre-trial hearing took place on January 16, 2019 and the trial was set for September 11, 18 and 25, 2019.
- On February 13, 2017, the Company received a claim filed by certain of the Company's non-controlling shareholders challenging certain corporate resolutions ratified at the Company's Extraordinary General Meeting on December 4, 2015, at which the measures needed to restructure the Company's debt were approved. The hearing has been set for May 7, 2019.

(vi) Arbitration requests

- On 19 February 2018, Jose Antonio and Luis Javier Martínez Sampedro and Masampe S.L. filed a request with the Court of Arbitration of the International Chamber of Commerce for arbitration proceedings against the Company members of the Board of Directors, and some of its shareholders, claiming that as a result of the resolutions ratified by the Company's Board of Directors on January 12, 2018 (the termination and appointment of Company officers and related resolutions), certain aspects of the Shareholder Agreement dated April 6, 2016 (publicly disclosed via a price-sensitive filing with the Spanish securities market regulator on April 15, 2016) had been breached. To date, the Court of Arbitration has yet to publish the Terms of Reference. Given that the plaintiffs' claims have not yet been specified, it is not possible to estimate the size of the claim. Note that in their arbitration application, the plaintiffs asked for certain interim measures, which the Emergency Arbitrator appointed to this end rejected outright on March 13, 2018, ordering further that the plaintiffs bear the costs of that emergency arbitration ruling in the amount of [492,732.71 pounds sterling and 176,430.97 euros). On March 13, 2018, the Company presented a claim seeking enforcement of the emergency arbitration award sentencing the plaintiffs to bear the legal expenses of that ruling; the

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defendant, in this case, has challenged that claim. The related proceedings are currently pending a court decision.

- On August 31, 2017, Sikeston S.A. filed a request for arbitration with the ICC Court of Arbitration in Montevideo (Uruguay) against two of the Company's subsidiaries, Codere México S.A. de C.V. and Carrasco Nobile, S.A., in which the plaintiff claims that certain corporate resolutions ratified by the governance bodies of Carrasco Nobile, S.A. breach the terms of the shareholder agreement entered into between Codere México S.A. de C.V. and Sikeston, S.A. on September 22, 2011 and asks the court to declare Codere México S.A. de C.V. in breach of that agreement. [So far, the arbitration application does not include a claim for financial damages].

(vii) Perella Weinberg Partners lawsuit

- On September 2, 2015, the Company filed a lawsuit with the court of first instance of Alcobendas (Madrid) against several entities within the Perella group (specifically Perella Weinberg Partners Europe LP and Perella Weinberg Partners UK LLP), seeking declaration that they had breached the services agreement entered into with the Company on April 18, 2013 and seeking payment from the defendants for the damages incurred as a result of that breach.
- The defendant firms responded to the lawsuit on November 20, 2017, in turn filing a counterclaim against the Company seeking declaration that the Company had breached the above-mentioned services agreement and seeking settlement from the Company of the amounts due under that contract [(€11.3 million in total for services provided and due and success fees)].
- The pre-trial hearing took place on September 11, 2018. The court hearing has been set for June 3 - 6, 2019. It is not currently feasible to assess the risk for the Company as none of the trial evidence has been presented yet.

f) **Accounting impact of share-based payments**

1. Share-based payments to the financial advisor, Houlihan Lokey

The engagement letter signed on August 14, 2013 by and between Codere, S.A. and the financial advisor to the holders of the refinanced bonds, Houlihan Lokey, stipulated a series of compensation arrangements that were defined on March 21, 2016. Part of this compensation took the form of an equity fee, specifically the delivery of 18,859,448 Codere, S.A. shares, which are similarly subject to the terms of the Shareholder Agreement, to which end there are restrictions on their transfer. The arrangements also contemplated a cash payment which has already been paid.

The Company was able to value the service provided by the financial advisor on the basis of comparable transactions as there are figures for similar services provided by other financial advisors. The fair value of the service provided in exchange for these shares amounted to 5 million euros and was recognized under 'Other operating expenses' in the 2016 consolidated statement of profit or loss with a balancing entry in equity.

At an Extraordinary General Meeting on May 11, 2017, the Company's shareholders ratified a 3,771,889.60 euro equity issue, specifically the issuance of 18,859,448 new ordinary shares of Codere S.A. with a unit par value of 0.20 and a share premium of 0.0651191 per share, of the same class and series as those already outstanding and carrying the same rights, to offset the credit claim held by Houlihan Lokey EMEA LLP against Codere S.A. as a result of having taken over the position formerly

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held by Houlihan Lokey (Europe) Ltd. as a consequence of the Engagement Letter of August 14, 2013, amended by the Fee Letter dated March 21, 2016, and, likewise, the subscription by Houlihan Lokey EMEA LLP of the Letter of March 29, 2017, in the amount of 5 million euros.

Under International Financial Reporting Standards, the equity instruments issued (18,859,448 Codere, S.A. shares) had to be measured at fair value and the difference between the carrying amount of the financial liability extinguished (5 million euros) and the fair value of the equity instruments issued had to be recognized in profit or loss. From the accounting standpoint, in order to recognize the capitalization in its consolidated financial statements, the Codere Group decided to stringently apply the fair value hierarchy guidance stipulated in IFRS 13 *Fair Value Measurement*, which prioritizes the use of Level 1 inputs, namely "quoted prices in an active market". As a result, the Group used the quoted price for Codere's shares on the continuous market as of the capitalization date, i.e., May 11, 2017 (0.48 euros per share), as the reference price. That implied, multiplying this price by the number of shares issued by Codere (18,859,448), measuring the increase in the Company's equity at 9,052 thousand euros for accounting purposes. Given that the financial liability extinguished amounted to 5,000 thousand euros, the difference (a loss of 4,052 thousand euros) had to be recognized as finance cost in profit or loss for 2017.

2. Scheme of Arrangement of April 28, 2016

The Scheme of Arrangement of April 28, 2016 stipulated a period during which the bondholders were entitled to exercise their rights. This period, denominated the "Holding Period" (hereinafter, HP) terminated on April 28, 2017. The Holding Period Trust Agreement stipulated that the Scheme Creditors would lose their entitlements if they did not claim them before April 28, 2017. The Agreement further stipulated that at the end of the HP, the Trustee would sell any surplus shares and send the cash raised to Codere. Those shares were sold in the market and Codere received 2,111 thousand euros as a result. For accounting purposes, this transaction was accounted for as a transaction involving own equity instruments: the Group accordingly recognized a gain of 2,111 thousand euros under 'Retained earnings' in connection with the end of the period during which the holders of the former bonds in 2017 could exercise their entitlements.

h) Non-controlling interests

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

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

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Summarized financial information for subsidiaries with material non-controlling interests at December 31, 2018	Thousands of euros	
	Administradora Mexicana Hipódromo S.A. C.V.	Alta Cordillera, S.A.
Intangible assets	129,728	13,335
Property, plant and equipment	108,537	11,324
Investment properties	49,623	-
Deferred tax assets	2,667	141
Other non-current assets	1,374	33,628
Cash and cash equivalents	5,670	4,338
Other current assets	52,950	7,758
Non-current liabilities	(39,202)	(2,919)
Current liabilities	(59,897)	(4,200)
Inter-company eliminations	(163,544)	(55,295)
Non-controlling interest (%)	15,2	25,0
Non-controlling interest	13,362	1,901
Revenue	222,031	64,048
Profit/(loss) for the year	30,871	50

Summarized financial information for subsidiaries with material non-controlling interests at December 31, 2017	Thousands of euros	
	Administradora Mexicana Hipódromo S.A. C.V.	Alta Cordillera, S.A.
Intangible assets	125,025	15,815
Property, plant and equipment	106,337	9,341
Investment properties	48,055	-
Deferred tax assets	(806)	340
Other non-current assets	904	31,188
Cash and cash equivalents	8,779	5,212
Other current assets	44,654	11,244
Non-current liabilities	(979)	(4,030)
Current liabilities	(49,652)	(8,089)
Inter-company eliminations	(188,096)	(2,511)
Non-controlling interest (%)	15,2	25,0
Non-controlling interest	8,073	14,627
Revenue	225,105	67,308
Profit/(loss) for the year	27,527	(185)

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

On March 31, 2017, the Codere Group acquired from the Caliente Group, primarily through its wholly-owned subsidiary Codere México S.A. de C.V., all of the shares that the Caliente Group held in Mexican Group companies Grupo Caliente S.A.P.I., Grupo Inverjuego S.A.P.I. and Jomaharho, S.A.P.I., in which the Group held a 67.3% interest prior to the transaction. With that agreement the two groups terminated all of the corporate agreements and contracts formerly in place between the parties. However, the Caliente Group continues to provide Codere with certain services related with the sports-betting business. The transaction size was 26 million dollars, 22 million dollars of which was paid in cash, with the remaining 4 million accounted for by cancelling an account between the two Groups. That transaction did not have any impact on the scope of consolidation as these interests were already majority owned by the Group before the buyout. The acquisition of the remaining interests in these three companies had an impact on equity at December 31, 2017 of 125,139 thousand euros.

The table below itemizes the non-cancelable commitments under operating leases of the two above-mentioned companies at December 31, 2018 and 2017:

	Thousands of euros			
	In the next year	1-5 years	Over 5 years	Total payments
Total non-cancelable commitments, year-end 2018			35,459	35,459
Total non-cancelable commitments, year-end 2017	-	2,410	-	2,410

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5. SEGMENT INFORMATION

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

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

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

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

- Spain: Gaming machine operations, bingo hall operation, sports-betting facilities, self-service terminals in hospitality establishments and online betting.
- Italy: Gaming machine operations, gaming machine network operators and bingo hall operations.
- Mexico: Bingo hall operations, including electronic bingo and gaming machines. Also, the operation of sports-betting establishments, online betting operations, the Las Américas Racetrack and the Banamex Convention Center.
- Argentina: The operation of bingo halls also equipped with gaming machines.
- Colombia: The operation of gaming machines, bingo halls and casinos.
- Uruguay: Operation of the Carrasco Hotel Casino and HRU (racetracks and gaming machines).
- Panama: The operation of racetracks, gaming machines, casinos and sports-betting establishments.
- Brazil: The operation of sports-betting establishments (discontinued in 2018).
- Holdcos: Management and business support services.

a) Operating segments

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

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

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2017 statement of profit or loss	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Inter-segment transactions (*)	Total
Revenue											
External customers	187,958	339,886	582,415	24,720	335,587	70,254	2,808	94,258	18	-	1,637,904
Inter-segment	-	-	-	-	-	-	-	-	41,232	(41,232)	-
	<u>187,958</u>	<u>339,886</u>	<u>582,415</u>	<u>24,720</u>	<u>335,587</u>	<u>70,254</u>	<u>2,808</u>	<u>94,258</u>	<u>41,250</u>	<u>(41,232)</u>	<u>1,637,904</u>
Operating expenses											
Depreciation and amortization	(24,872)	(35,970)	(8,980)	(3,473)	(17,078)	(12,875)	(316)	(9,175)	(249)	-	(112,988)
Change in provision for bad debt	(499)	(656)	-	(646)	(559)	163	-	-	-	-	(2,197)
Other operating expenses	(162,671)	(240,113)	(441,339)	(20,432)	(314,230)	(55,653)	(6,756)	(75,509)	(74,393)	-	(1,391,096)
Asset impairment	-	-	-	-	-	-	-	-	-	-	-
	<u>(188,042)</u>	<u>(276,739)</u>	<u>(450,319)</u>	<u>(24,551)</u>	<u>(331,867)</u>	<u>(68,365)</u>	<u>(7,072)</u>	<u>(84,684)</u>	<u>(74,642)</u>	<u>-</u>	<u>(1,506,281)</u>
Gain/(loss) on derecognition/disposal of assets	(1,103)	(441)	7	(288)	1,444	-	(106)	-	-	-	(487)
Inter-segment expenses	<u>(1,152)</u>	<u>(12,414)</u>	<u>(20,730)</u>	<u>(1,517)</u>	<u>(837)</u>	<u>(608)</u>	<u>(5)</u>	<u>(3,969)</u>	<u>-</u>	<u>41,232</u>	<u>-</u>
OPERATING PROFIT/(LOSS)	(2,339)	50,292	111,373	(1,636)	4,327	1,281	(4,375)	5,605	(33,392)	-	131,136
Finance income - external	396	2,384	2,802	43	3,373	83	74	120	703	-	9,978
Finance income - inter-segment	-	-	-	-	-	-	-	-	46,132	(46,132)	-
Finance costs - external	(1,556)	(5,358)	(4,006)	(425)	(924)	(4,005)	(53)	(112)	(61,899)	-	(78,338)
Finance costs - inter-segment	641	(35,890)	(36)	66	(5,931)	(170)	(3,845)	(967)	-	46,132	-
Change in financial-asset impairment provisions	-	-	-	-	-	-	-	-	(1,441)	-	(1,441)
Net exchange differences	<u>(64)</u>	<u>5,997</u>	<u>(3,965)</u>	<u>(200)</u>	<u>-</u>	<u>418</u>	<u>(410)</u>	<u>(985)</u>	<u>21,850</u>	<u>-</u>	<u>22,641</u>
NET FINANCE INCOME/(COST)	(583)	(32,867)	(5,205)	(516)	(3,482)	(3,674)	(4,234)	(1,944)	5,345	-	(47,160)
PROFIT/(LOSS) BEFORE TAX	(2,922)	17,425	106,168	(2,152)	845	(2,393)	(8,609)	3,661	(28,047)	-	83,976
Income tax	(717)	(11,446)	(48,901)	(498)	(3,219)	(83)	(470)	(826)	1,983	-	(64,177)
Share of profit/(loss) of equity-accounted investees	<u>-</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>(35)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59)</u>
PROFIT/(LOSS) FOR THE YEAR	(3,639)	5,955	57,267	(2,650)	(2,409)	(2,476)	(9,079)	2,835	(26,064)	-	19,740
GROUP PROFIT/(LOSS) FOR THE YEAR											
Attributable to:											
Non-controlling interests	769	15,847	572	44	(499)	-	-	272	(1)	-	17,004
Equity holders of the parent	<u>(4,408)</u>	<u>(9,892)</u>	<u>56,695</u>	<u>(2,694)</u>	<u>(1,910)</u>	<u>(2,476)</u>	<u>(9,079)</u>	<u>2,563</u>	<u>(26,063)</u>	<u>-</u>	<u>2,736</u>
GROUP PROFIT/(LOSS)	<u>(3,639)</u>	<u>5,955</u>	<u>57,267</u>	<u>(2,650)</u>	<u>(2,409)</u>	<u>(2,476)</u>	<u>(9,079)</u>	<u>2,835</u>	<u>(26,064)</u>	<u>-</u>	<u>19,740</u>

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

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Statement of financial position at December 31, 2018	Spain	Mexico	Argentina	Colombia	Italia	Uruguay	Brasil	Panama	Holdcos	Total
Intangible assets	60,271	186,420	62,716	49	29,158	21,177	1,104	15,265	6,559	382,719
Property, plant and equipment	72,218	174,790	50,130	13,505	13,415	62,774	-	14,870	432	402,134
Goodwill	29,682	65,911	5,605	-	47,444	7,447	-	30,686	-	186,775
Investment properties	1,878	49,623	-	-	-	-	-	-	-	51,501
Investments in equity-accounted investees	-	568	-	-	82	-	-	-	-	650
Non-current financial assets	6,449	1,506	1,965	21	8,661	-	-	3,521	30	22,153
Deferred tax assets	5,534	13,614	-	31	7,473	4,869	-	141	15,843	47,505
Other non-current assets	-	-	-	-	-	-	-	-	-	-
Current assets	35,589	97,691	30,962	7,782	71,830	14,796	1,068	19,299	28,509	307,527
TOTAL ASSETS	211,621	590,123	151,378	21,388	178,064	111,063	2,172	83,782	51,373	1,400,964
Deferred income	10	-	-	-	-	-	-	-	-	10
Provisions	665	8,401	2,149	590	9,997	28	183	990	29	23,032
Non-current borrowings	33,350	70,540	16,969	537	8,326	39,858	-	2,333	769,047	940,960
Current liabilities	77,466	134,576	51,000	7,724	50,080	22,824	357	6,469	37,944	388,440
TOTAL LIABILITIES	111,491	213,517	70,118	8,851	68,403	62,710	540	9,762	807,020	1,352,442
OTHER DISCLOSURES										
Additions to non-current assets	41,575	68,625	14,919	4,307	5,601	7,609	-	8,937	5,301	156,874
Intangible assets	14,384	-	370	-	2,183	795	-	5,720	5,126	28,578
Property, plant and equipment	27,191	68,625	14,549	4,307	3,418	6,814	-	3,217	175	128,296
Other non-cash charges	5,512	2,136	2,394	75	1,439	-	221	1	2	11,780

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Statement of financial position at December 31, 2017

	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Total
Intangible assets	52,621	182,577	29,869	117	35,768	22,093	496	17,556	1,803	342,900
Property, plant and equipment	68,837	134,189	24,151	13,504	16,335	69,261	716	11,448	438	338,879
Goodwill	29,682	65,911	49,205	-	47,444	7,447	-	30,686	-	230,375
Investment properties	1,904	48,055	-	-	-	-	-	-	-	49,959
Investments in equity-accounted investees	-	635	-	-	106	-	-	-	-	741
Non-current financial assets	5,617	1,468	2,697	22	9,765	-	-	2,415	332	22,316
Deferred tax assets	5,445	12,314	2,477	32	7,227	5,014	-	340	15,846	48,695
Other non-current assets	-	-	-	-	-	-	-	-	-	-
Current assets	43,716	82,856	45,894	4,367	73,778	17,042	1,946	24,590	52,731	346,920
TOTAL ASSETS	204,827	524,726	194,978	18,042	190,862	121,408	3,158	85,645	71,150	1,444,564
Deferred income	52	-	-	-	-	-	-	-	3	55
Provisions	653	9,975	3,673	1,039	13,171	654	-	1,303	589	31,057
Non-current borrowings	37,989	67,678	5,280	1,157	10,704	41,538	-	3,092	747,943	915,381
Current liabilities	74,168	108,492	67,876	6,054	53,467	21,504	5,951	13,316	33,328	384,156
TOTAL LIABILITIES	112,862	186,145	76,829	8,250	77,342	63,696	5,951	17,711	781,863	1,330,649
OTHER DISCLOSURES										
Additions to non-current assets	40,247	32,760	7,364	4,446	7,642	5,237	198	13,923	392	112,209
Intangible assets	9,865	-	183	-	3,644	265	-	-	265	14,222
Property, plant and equipment	30,382	32,760	7,181	4,446	3,998	4,972	198	13,923	127	97,987
Other non-cash charges	6,128	420	2,436	294	2,616	-	-	-	-	11,894

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b) Business lines

The Group does not have a breakdown of revenue from external customers by product and service.

6. BUSINESS COMBINATIONS AND CHANGES IN THE SCOPE OF CONSOLIDATION

a) Business combinations

a.1) 2018

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

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

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

a.2) 2017

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

CODERE, S.A. AND SUBSIDIARIES

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	Nori Games Service, S.r.l.	SE.BI.LOT, S.r.l.	Somport 24, S.L.	Recreativos Juvasa, S.A.	IPM Máquinas, S.L.U.	Bini- patrimonial, S.L.U.	Other acquisitions	Business combination
Acquisition date	Jan. 12, 2017	June 23, 2017	Feb. 13, 2017	July 26, 2017	Oct. 2, 2017	Oct. 23, 2017		
Shareholding acquired by the Group, %	51%	51%	100%	100%	100%	100%	100%	
Consideration:								
Cash	1,378	827	2,141	1,446	660	595	616	7,663
Consideration pending payment	-	-	100	362	1,980	595	-	3,037
Contingent consideration	574	2,439	-	(58)	117	-	-	3,072
Goodwill	989	2,503	1,332	1,089	1,777	519	493	8,702
Intangible assets	1,873	2,122	741	856	852	618	203	7,265
Property, plant and equipment	491	293	695	253	169	59	13	1,973
Other non-current assets	373	52	105	-	1	9	-	540
Deferred tax assets	-	-	-	-	-	-	9	9
Current assets	486	131	325	32	1,427	90	18	2,509
Cash and cash equivalents	403	414	(16)	22	230	11	29	1,093
Non-current liabilities	(274)	(676)	(229)	-	(1,320)	-	-	(2,499)
Provisions and contingent liabilities	-	-	-	-	-	-	-	-
Deferred tax liabilities	(361)	(507)	(169)	(166)	(213)	(93)	-	(1,509)
Current liabilities	(1,104)	(336)	(486)	(277)	(178)	(23)	(60)	(2,464)
Total identifiable net assets	1,887	1,493	909	720	968	671	212	6,860
Non-controlling interest	(924)	(733)	-	-	-	-	(90)	(1,747)
Revenue contributed since the date of acquisition	10,820	8,294	462	295	186	68	237	20,362
Profit/(loss) contributed since the date of acquisition	56	(227)	99	(161)	(8)	(8)	9	(240)
Pro forma revenue contribution from January 1, 2017	11,148	15,112	592	856	925	580	278	29,491
Pro forma profit/(loss) contribution from January 1, 2017	97	(677)	8	73	82	(60)	3	(474)

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The column titled "Other acquisitions" includes the acquisitions of Speed Plancha, S.L., Sport Bet Extremadura, S.L. and Jolugar 41, S.L. for 26, 450 and 140 thousand euros, respectively.

The acquisitions of Nori Games Service, S.r.l. and SE.BI.LOT, S.r.l. in Italy for 1,952 and 3,266 thousand euros, respectively, include contingent consideration. The contingent consideration arrangements obliged Codere to pay a sum of cash to the former shareholders of SE.BI.LOT, S.r.l. in June 2018 and those of Nori Games Service, S.r.l. no later than December 2018 dependent on the amount of EBITDA these acquirees generated between June 2017 and June 2018.

The acquisitions of IMP Máquinas, S.L.U. and Recreativos Juvasa, S.L. in Spain for 2,757 and 1,750 thousand euros, respectively, included contingent consideration which had already been paid on the date of publication of the accompanying consolidated financial statements.

b) Changes in the scope of consolidation

b.1) 2018

The main changes in the consolidation scope included:

Codere Interactive, Inc. was dissolved on January 1, 2018.

Jolugar 41, S.L. was merged into Codere Servicios, S.L.U. on January 1, 2018.

Vegas, S.r.l. and Giomax, S.r.l. were merged into Operbingo Italia, S.p.A. on January 7, 2018.

Royal Jackpot, S.r.l. was merged into Cristaltec Service, S.r.l. on January 7, 2018.

Betslots CR-COD, S.L. was incorporated in Spain on January 19, 2018.

On February 1, 2018 the Group's ownership interest in CR-COD, S.L. changed to 51%.

UTE-BOES, S.A., part of the Argentine segment, was liquidated on March 31, 2018.

Ramón y Aurora, S.L. of Spain was acquired outright on April 6, 2018.

Servicios de Juego Online, S.A. was incorporated on April 10, 2018.

Apuestas del Principado de Asturias, S.L. was incorporated on April 27, 2018 (interest: 51%).

Royuela Recreativos, S.L.U. of Spain was acquired outright on April 27, 2018.

The Group acquired 100% of Spanish companies Recreativos Panoramix, S.L. and Recreativos Roble, S.L. on May 24 and 29, respectively.

Israel Marketing Support Services, Ltd. was incorporated on July 8, 2018.

Codere Online Management Services Limited and Codere Online Operator Limited were incorporated on September 20, 2018.

Brazilian entity Simulcasting Brasil Som e Imagem, Ltda. was sold on September 20, 2018.

Operjuego, S.L.U. of Spain was acquired outright on September 21, 2018.

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b.2) 2017

The main changes in the consolidation scope included:

- The Group acquired 51% of Italy's Nori Games Service, S.r.l. on January 12, 2017.
- Game Over, S.r.l. was merged into G.A.R.E.T., S.r.l. on January 13, 2017, leaving the Group with a 51% interest.
- Somport 24, S.L. of Spain was acquired outright on February 13, 2017.
- On March 31, 2017, the Group acquired 32.7% of the following companies: Jomaharho, S.A. de C.V., Libros Foráneos, S.A. de C.V., Operadora Espectáculos Deportivos S.A. de C.V., Mio Games S.A. de C.V., Promojuegos de México, S.A., Operadora Cantabria, S.A. de C.V., Grupo Caliente, S.A., de C.V., Grupo Inverjuego, S.A., lifting the Group's interest in these entities from 67.3% to 100%.
- Administración Mexicana de Hipódromos IV, S.A. de C.V. was liquidated on March 31, 2017.
- The holdco Codere Finance UK, S.A. was liquidated on April 4, 2017.
- Codere Operadora de Apuestas, S.L., a wholly-owned subsidiary of the Spanish sports-betting subgroup, was incorporated on April 17, 2017.
- The Group acquired 100% of Speed Plancha, S.L. and 51% of Sport Bet Extremadura, S.L. on May 19, 2017.
- The Panamanian companies Verfin Overseas, Inc. and Dongara Investments, Inc. were liquidated on May 22 and May 30, 2017, respectively.
- The Group acquired SE.BI.LOT, S.r.l. of Italy on June 23, 2017.
- Operadores Electrónicos de Andalucía, S.A. was incorporated on July 5, 2017.
- Codere Scommesse, S.r.l. was incorporated in Italy on July 17, 2017.
- The Group acquired Recreativos Juvasa, S.L. of Spain on July 26, 2017.
- Somport 24 S.L., Speed Plancha, S.L. and Sigirec, S.L. were merged into Operibérica, S.A. with effect from September 1, 2017.
- The Group acquired Jolugar 41, S.L. of Spain on September 29, 2017.
- On September 30, 2017, Codere Gaming Italia, S.r.l. reduced its shareholding in Codemática S.r.l. by 2%, thus decreasing Codere Network, S.r.l.'s interest by the same percentage.
- Grupo Caliente, S.A. de C.V., Grupo Inverjuego, S.A. de C.V. and Jomaharho, S.A. de C.V. merged into Codere México, S.A., all Mexican companies, on September 30, 2017.
- The Group acquired IPM Máquinas, S.L.U of Spain on October 2, 2017.
- The Group acquired Binipatrimonial, S.L.U. of Spain on October 23, 2017.

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7. INTANGIBLE ASSETS

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

Thousands of euros						
2018	Balance at Dec. 31, 2017	Business combinations	Additions	Derecognitions	Transfers	Balance at Dec. 31, 2018
Cost						
Licenses	251,321	-	-	(429)	-	329,591
Trademarks	27,494	-	-	-	-	28,854
Rights	237,586	1,249	15,228	(7,240)	(424)	248,114
Software	45,368	-	13,312	(482)	-	59,440
Other intangible assets	20,581	-	5,011	(1,058)	424	25,395
	582,350	1,249	33,551	(9,209)	-	691,394
Accumulated amortization	Balance at Dec. 31, 2017	Business combinations	Additions	Derecognitions	Transfers	Balance at Dec. 31, 2018
Licenses	(71,856)	-	(13,678)	-	-	(116,961)
Rights	(116,170)	-	(19,955)	6,752	200	(131,262)
Software	(34,797)	-	(5,132)	299	-	(41,159)
Other intangible assets	(10,840)	-	(2,340)	4	(200)	(13,506)
	(233,663)	-	(41,105)	7,055	-	(302,888)
Impairment	(5,787)	-	-	-	-	(5,787)
Carrying amount	342,900	-	-	-	-	382,719

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

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

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

The "Software" section includes the new SAP contract for the HANA Enterprise Cloud project, as well as the purchase of a software for Codere Apuestas España, S.A.U.

Thousands of euros						
2017	Balance at Dec. 31, 2016	Business combinations	Additions	Derecognitions	Transfers	Balance at Dec. 31, 2017
Cost						
Licenses	283,933	-	88	-	-	251,321
Trademarks	29,762	-	-	-	-	27,494
Rights	226,086	7,262	21,785	(6,765)	-	237,586
Software	41,437	-	5,539	(438)	-	45,368
Other intangible assets	21,277	3	1,071	(875)	-	20,581
	602,495	7,265	28,483	(8,078)	-	582,350
Accumulated amortization	Balance at Dec. 31, 2016	Business combinations	Additions	Derecognitions	Transfers	Balance at Dec. 31, 2017
Licenses	(70,089)	-	(11,028)	-	-	(71,856)
Rights	(109,314)	-	(19,061)	5,796	210	(116,170)
Software	(32,127)	-	(3,580)	212	(210)	(34,797)
Other intangible assets	(9,388)	-	(1,928)	-	-	(10,840)
	(220,918)	-	(35,597)	6,008	-	(233,663)
Impairment	(5,441)	-	(611)	265	-	(5,787)
Carrying amount	376,136	7,265	(7,725)	(1,805)	-	342,900

In 2017, the column headed "Business combinations" included the fair value of the assets associated with the acquisitions of Somport 24, S.L., Speed Plancha, S.L., Sport Bet Extremadura, S.L., Recreativos Juvasa, S.L., Jolugar 41, S.L., IPM Máquinas, S.L.U. and Binipatrimonial, S.L.U. in Spain and of Nori Games Service S.r.l. and SE.BI.LOT S.r.l. in Italy (note 6.a.1).

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

7.a) Other disclosures

The Group's sole indefinite-lived assets are its installation rights and trademarks, which were carried at 50,724 thousand euros at December 31, 2018 (45,899 thousand euros at year-end 2016).

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

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

	2018		2017	
	Trademarks	Installation rights (not subject to amortization)	Trademarks	Installation rights (not subject to amortization)
Spain	1,299	21,870	1,299	18,405
Mexico	27,555	-	26,195	-
	28,854	21,870	27,494	18,405

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

Asset class	Carrying amount	Remaining useful life
Argentina hall licenses	27,218	Between 3 and 11 years
Panama casino licenses	14,242	Between 5 and 7 years
Mexico licenses	179,024	Between 16 and 30 years
Italian gaming machine network concession	5,637	Between 5 and 8 years

The Group had no material contractual commitments for the acquisition or sale of intangible assets at December 31, 2018.

The gross carrying amount of fully amortized items of intangible assets still in use at December 31, 2018 and 2017 is as follows:

Cost	Thousands of euros	
	Dec. 31, 2018	Dec. 31, 2017
Concessions, patents, licenses and trademarks	8,501	4,199
Rights	6,664	4,652
Software	33,114	30,507
	48,279	39,358

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8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

8.a) Property, plant and equipment

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

	Thousands of euros					
	Balance at Dec. 31, 2017	Business combinations	Additions	Derecognitions	Transfers	Balance at Dec. 31, 2018
Cost						
Amusement machines	219,257	238	38,606	(23,792)	48,373	327,631
Gaming machines and sports-betting terminals	30,154	-	27,440	(22,537)	1,114	36,073
Other fixtures, fittings and tools	93,578	9	4,404	(4,521)	857	100,832
Computer equipment	40,194	-	9,450	(6,756)	520	48,145
Prepayments and PP&E in progress	20,270	-	75,531	(6,862)	(69,742)	21,184
Vehicles	3,565	-	312	(495)	-	3,616
Land	11,454	-	-	-	-	15,503
Buildings	155,685	-	375	(841)	(2)	171,674
Refurbishment of leased premises	241,318	-	3,969	(9,838)	18,383	272,289
Plant and machinery	58,308	6	14,904	(4,192)	497	84,653
Total	873,783	253	174,991	(79,834)	-	1,081,600
	Balance at Dec. 31, 2017	Business combinations	Additions	Derecognitions	Transfers	Balance at Dec. 31, 2018
Accumulated depreciation						
Amusement machines	(143,842)	-	(31,060)	16,522	-	(204,220)
Gaming machines and sports-betting terminals	(19,211)	-	(6,245)	3,027	-	(22,482)
Other fixtures, fittings and tools	(69,564)	-	(4,853)	1,454	-	(79,529)
Computer equipment	(31,023)	-	(4,436)	2,460	20	(38,020)
Vehicles	(2,463)	-	(313)	448	-	(2,631)
Buildings	(83,394)	-	(7,441)	442	-	(96,335)
Refurbishment of leased premises	(127,489)	-	(17,143)	1,696	-	(158,391)
Plant and machinery	(37,672)	-	(6,213)	790	(20)	(57,276)
Total	(514,658)	-	(77,704)	26,839	-	(658,884)
Impairment	(20,246)	-	136	(223)	-	(20,582)
Carrying amount	338,879					402,134

(*) The column headed "Translation differences" includes the effect of hyperinflation in Argentina (Note 2 and 3)

The additions and decreases recorded under "Amusement machines" corresponded mainly to México, Argentina, Spain, and Panama and reflect the renewal of the stock of machines in 2018.

The column headed "Business combinations" includes the fair value of the assets associated with the acquisitions of the Spanish companies, Ramón y Aurora, S.L., Royuela Recreativos, S.L.U., Recreativos Panoramix, S.L., Recreativos Roble, S.L., and Operjuego, S.L.U. (note 6.a.1).

At December 31, 2018 and 2017, "Impairment" mainly included the impairment loss recognized against Hotel Casino Carrasco in Uruguay in the amount of 4,840 thousand euros (at both reporting dates), 8,149 thousand euros of asset impairment losses in Colombia (at both reporting dates) and 5,514 thousand euros in Mexico (5,242 thousand euros at December 31, 2017).

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

	Thousands of euros					
	Balance at Dec. 31, 2016	Business combinations	Additions	Derecognition	Transfer	Balance at Dec. 31, 2017
Cost						
Amusement machines	222,803	1,128	26,669	(15,541)	9,608	219,257
Gaming machines and sports-betting terminals	25,203	10	6,692	(1,940)	409	30,154
Other fixtures, fittings and tools	94,935	206	4,090	(1,200)	1,630	93,578
Computer equipment	40,489	27	5,096	(2,483)	510	40,194
Prepayments and PP&E in progress	11,710	5	33,947	(2,717)	(20,815)	20,270
Vehicles	3,811	85	489	(496)	-	3,565
Land	11,893	-	4	(17)	(1)	11,454
Buildings	169,331	-	238	(283)	(911)	155,685
Refurbishment of leased premises	249,783	2	8,260	(1,288)	9,086	241,318
Plant and machinery	51,483	510	10,208	(706)	484	58,308
Total	881,441	1,973	95,693	(26,671)	-	873,783

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	Balance at Dec. 31, 2016	Business combination s	Addition s	Derecognition s	Transfer s	Translatio n differences	Balance at Dec. 31, 2017
Accumulated depreciation	(145,499)	-	(29,443)	13,765	-	17,335	(143,842)
Amusement machines	(17,994)	-	(3,155)	1,803	(9)	144	(19,211)
Gaming machines and sports-betting terminals	(66,726)	-	(6,982)	761	(733)	4,116	(69,564)
Other fixtures, fittings and tools	(30,832)	-	(4,332)	1,483	(1)	2,659	(31,023)
Computer equipment	(2,817)	-	(338)	488	1	203	(2,463)
Vehicles	(83,311)	-	(6,995)	115	1,039	5,758	(83,394)
Buildings	(119,817)	-	(20,148)	687	115	11,674	(127,489)
Refurbishment of leased premises	(36,442)	-	(4,247)	77	(412)	3,352	(37,672)
Plant and machinery	(503,438)	-	(75,640)	19,179	-	45,241	(514,658)
Total	(19,745)	-	(501)	-	-	-	(20,246)
Impairment	(19,745)	-	(501)	-	-	-	(20,246)
Carrying amount	358,258	1,973	19,552	(7,492)	-	(33,412)	338,879

The carrying amounts of the assets held under finance leases at year-end:

	Thousands of euros					
	2018			2017		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Software	3,126	-	3,126	-	-	-
Amusement machines	13,360	(5,962)	7,398	17,405	(7,263)	10,142
Plant and machinery	-	-	758	-	-	-
Computer equipment	915	(157)	18	669	(355)	314
Vehicles	234	(216)	11,300	226	(160)	66
Total	17,635	(6,335)	3,126	18,300	(7,778)	10,522

Note 19.a.4) discloses the corresponding minimum finance lease payments and how their present value was calculated.

The Group holds certain assets under operating leases. Those leases primarily take the form of rental agreements or concessions and cover the head offices in the Group's various operating markets, the premises in which it carries out its gaming activities, car parks, etc. In most cases the rents paid are restated annually in line with consumer price inflation. These leases do not impose any restrictions on the Group. The Group recognized operating lease expense of 109,504 thousand euros in 2018 (2017: 115,762 thousand euros). The leases terminate in between three and 10 years' time.

The table below itemizes the Group's non-cancelable payment obligations in its capacity as lessee in operating leases over premises, halls, offices and vehicles:

	Thousands of euros			
	Total payments			
	In the next year	1-5 years	Over 5 years	Beyond
Total non-cancelable commitments, year-end 2018	17,572	41,589	82,873	142,035
Total non-cancelable commitments, year-end 2017	13,192	23,541	10,584	47,317

The gross carrying amount of fully depreciated items of property, plant and equipment still in use at December 31, 2018 and 2017 is as follows:

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Cost	Thousands of euros	
	Dec. 31, 2018	Dec. 31, 2017
Amusement machines	145,298	149,343
Gaming machines and sports-betting terminals	12,047	12,742
Other fixtures, fittings and tools	65,884	56,146
Computer equipment	47,664	46,066
Vehicles	2,454	2,687
Buildings	14,641	13,059
Refurbishment of leased premises	68,088	48,591
Plant and machinery	39,121	33,497
Total	395,197	362,131

8.b) Investment properties

At year-end 2018 and 2017, this heading primarily included the Banamex Center and Spanish assets transferred in 2015. The reconciliation of the opening and closing balances recognized under "Investment properties":

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

Cost	Thousands of euros				
	Balance at Dec. 31, 2016	Additions	Derecognition s	Transfers	Balance at Dec. 31, 2017
Other fixtures, fittings and tools	3,589	3	(10)	-	3,296
Computer equipment	944	19	-	-	888
Vehicles	93	-	-	-	86
Land	715	-	-	-	715
Buildings	72,977	-	-	-	67,265
Refurbishment of leased premises	4,020	25	-	-	3,724
Plant and machinery	884	-	-	-	814
Total	83,222	47	(10)	-	76,788
Accumulated depreciation					
Other fixtures, fittings and tools	(2,955)	(164)	-	-	(2,883)
Computer equipment	(881)	(31)	-	-	(842)
Vehicles	(68)	(11)	-	-	(74)
Buildings	(21,242)	(1,616)	-	-	(21,067)
Refurbishment of leased premises	(1,314)	(116)	-	-	(1,325)
Plant and machinery	(660)	(31)	-	-	(638)
Total	(27,120)	(1,969)	-	-	(26,829)
Carrying amount	56,102	(1,922)	(10)	-	49,959

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Banamex Convention Center Lease Agreement

The Group has an agreement with CIE under which the latter will operate the Convention Center owned by ICELA for a six-year period beginning on June 1, 2013. As a result of this agreement, the assets corresponding to the Banamex Center were transferred from "Property plant and equipment" to "Investment properties". That reclassification was recorded under the "Transfers" column in the property, plant and equipment reconciliation.

The agreement implies an annual royalty of 113 million pesos (6 million euros), payable monthly, plus 25% of any positive difference between real rental income and the contractually-stipulated threshold, which was set at 340 million Mexican pesos in year one.

The estimated minimum receipts under this agreement are as follows:

- Years 2 to 5: 41 million euros
- Beyond year 6: 11 million euros

Under the terms of the agreement, the Group has also undertaken to invest at least 15 million Mexican pesos (approximately 0.8 million euros) in the facility every year.

9. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

The entities with which the Group has joint ventures are disclosed in Appendix I. At December 31, 2017, the Group companies that constitute joint ventures are Hippobingo Firenze, S.r.l., New Joker, S.r.l. (as a result of application of IFRS 11), Hotel Icela S.A.P.I. de C.V., Calle Icela S.A.P.I. de C.V., Centro de Convenciones Las Américas S.A. de C.V. and Hotel Entretenimiento Las Américas S.A. de C.V.

							Thousands of euros
Item	Balance at Dec. 31, 2017	Business combinations	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2018
Equity-accounted investees	741	-		(207)		116	650
	<u>741</u>	<u>-</u>		<u>(207)</u>		<u>116</u>	<u>650</u>

							Thousands of euros
Item	Balance at Dec. 31, 2016	Business combinations	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2017
Equity-accounted investees	585	-	235	(7)	-	(72)	741
	<u>585</u>	<u>-</u>	<u>235</u>	<u>(7)</u>	<u>-</u>	<u>(72)</u>	<u>741</u>

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

Joint ventures	Hippobingo Firenze,		
2018	New Joker, S.r.l.	S.r.l.	Total
Non-current assets	2,133	3,070	5,203
Fixed and intangible assets	2,119	3,070	5,189
Deferred income tax	14	-	14
Current assets	501	523	1,024
Current assets	192	236	428
Cash and cash equivalents	309	287	596
TOTAL ASSETS	2,634	3,593	6,227
Non-current liabilities	(1,271)	(1,001)	(2,272)
Deferred tax	(182)	-	(182)
Non-current financial liabilities	(916)	(977)	(1,893)
Non-current financial liabilities	(173)	(24)	(197)
Current liabilities	(1,117)	(2,835)	(3,952)
Current liabilities	(1,117)	(2,568)	(3,685)
Current financial liabilities	-	(267)	(267)
TOTAL LIABILITIES	(2,388)	(3,836)	(6,224)
Revenue	4,990	2,457	7,447
Operating expenses	(5,267)	(2,422)	(7,689)
Operating profit/(loss)	(277)	35	(242)
Finance income	-	-	-
Finance costs	-	(27)	(27)
Net finance costs	-	(27)	(27)
Tax expense	11	-	11
Profit/(loss) for the year	(266)	8	(258)
Joint ventures			
2017	New Joker, S.r.l.	Hippobingo Firenze, S.r.l.	Total
Non-current assets	2,426	3,227	5,653
Fixed and intangible assets	2,413	3,227	5,640
Deferred income tax	13	-	13
Current assets	623	505	1,128
Current assets	189	270	459
Cash and cash equivalents	434	235	669
TOTAL ASSETS	3,049	3,732	6,781
Non-current liabilities	(1,612)	(1,280)	(2,892)
Deferred tax	(162)	-	(162)
Non-current financial liabilities	(1,292)	-	(1,292)
Non-current financial liabilities	(158)	(1,280)	(1,438)
Current liabilities	(1,297)	(2,408)	(3,705)
Current liabilities	(1,297)	(2,048)	(3,345)
Current financial liabilities	-	(360)	(360)
TOTAL LIABILITIES	(2,909)	(3,688)	(6,597)
Revenue	5,167	2,211	7,378
Operating expenses	(5,339)	(2,144)	(7,483)
Operating profit/(loss)	(172)	67	(105)
Finance income	1	-	1
Finance costs	-	(45)	(45)
Net finance costs	1	(45)	(44)
Tax expense	27	-	27
Profit/(loss) for the year	(144)	22	(122)

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

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The Group holds a 34% interest in Hippobingo Firenze, S.r.l.

The table below itemizes the non-cancelable commitments under operating leases December 31, 2018 and 2017:

	Thousands of euros			
	Total payments			
	In the next year	1-5 years	Over 5 years	Beyond
Total non-cancelable commitments, year-end 2018	52	-	-	52
Total non-cancelable commitments, year-end 2017	776	5,668	-	6,444

Finally, the table below provides detailed information on balances and transactions of the Group with joint ventures for 2017 and 2018.

	New Joker, S.R.L.	Hippo Bingo, S.R.L.	Calle Icela, S.A.P.I de CV	Hotel Entretenimiento las Américas, S.A. de CV	Hotel Icela, S.A.P.I. de CV	Total
2018						
Current assets	1,232	805	189	-	78	2,304
Current liabilities	-	-	-	-	-	-
Revenue	4,990	2,457	-	-	-	7,447
Expenses	5,267	2,422	259	163	26	8,137
	New Joker, S.R.L.	Hippo Bingo, S.R.L.	Calle Icela, S.A.P.I de CV	Hotel Entretenimiento las Américas, S.A. de CV	Hotel Icela, S.A.P.I. de CV	Total
2017						
Current assets	690	4	26	-	10	730
Current liabilities	-	-	-	-	-	-
Revenue	5,167	2,211	-	-	-	7,378
Expenses	5,339	2,144	127	-	29	7,639

10. GOODWILL

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

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

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	Thousands of euros			
	Balance at Dec. 31, 2016	Additions	Derecognitions	Balance at Dec. 31, 2017
2017				
Spain	21,477	5,210	-	26,687
Argentina	14,422	-	-	10,774
Italy	44,391	3,492	-	47,883
Panama	33,333	-	-	29,296
Mexico	68,115	-	-	62,632
Uruguay	8,934	-	-	7,998
Total	190,672	8,702	-	185,270

(*) "Translation differences" includes the effect of restating the financial statements of the entities located in hyperinflationary economies (note 2.a.3)

The main additions recognized in 2018 relate to the acquisitions of the Spanish companies, Ramón y Aurora, S.L., Royuela Recreativos, S.L.U., Recreativos Panoramix, S.L., Recreativos Roble, S.L. and Operjuego, S.L.U. (note 6.a.1).

The main additions recognized in 2017 related to the acquisitions of Recreativos Juvasa, S.L., IPM Máquinas, S.L.U. and Binipatrimonial, S.L.U. in Spain and Nori Games Service S.r.l. y SE.BI.LOT S.r.l. in Italy (note 6.a.1).

The impairment tests performed at year-end, as outlined in note 13, did not reveal the need to recognize any additional impairment charges in 2018. Nor did the Group recognize any goodwill impairment losses in 2017.

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

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

	Thousands of euros			
	Impairment losses			Carrying amount
	Cost	2015 and earlier	2016	2017
2017				
Spain	106,015	(79,328)	-	-
Argentina	10,774	-	-	-
Italy	117,017	(69,134)	-	-
Panama	29,296	-	-	-
Mexico	86,962	(24,330)	-	-
Uruguay	7,998	-	-	-
	358,062	(172,792)	-	-
				185,270

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11. NON-CURRENT FINANCIAL ASSETS

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

2018

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

2017

Item	Balance at Dec. 31, 2016	Business combinations	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2017
Loans and receivables	17,020	-	4,797	(1,386)	(815)	(1,258)	18,358
Held-to-maturity investments	4,454	421	172	(1,086)	-	(3)	3,958
	21,474	421	4,969	(2,472)	(815)	(1,261)	22,316

The movements under "Loans and receivables" were concentrated in Spain (reflecting the reclassification to current assets of a portion of the loan extended to S.E.V.A.) and Mexico (lower value of security deposits).

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

Currency

	Thousands of euros	
	2018	2017
Euros	15,140	15,715
US dollars	5,510	4,482
Argentine pesos	66	711
Mexican pesos	1,416	1,386
Uruguayan pesos	-	-
Colombian pesos	21	22
	22,153	22,316

a) "Loans and receivables"

Type	Company holding the asset	Thousands of euros	
		2018	2017
Non-current loans	Alta Cordillera, S.A.	2,943	2,415
Non-current loans	Grupo Operbingo Italia, S.p.A.	2,302	2,551
Non-current loans	Operibérica, S.A.	1,065	1,034
Non-current loans	Codere Newco S.A.U.	-	302
Non-current loans	Codere México, S.A.	1,506	1,468
Other smaller loans to third parties		9,811	10,588
		17,627	18,358

At Hípica de Panamá, S.A., the deposits were reclassified from non-current to current assets.

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

The increase at Operibérica S.A. relates primarily to performance bonds and hall security deposits.

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

	Thousands of euros	
	2018	2017
2019	-	7,479
2020	6,480	685
2021	913	817
2022	766	793
2023	528	-
Beyond	8,940	8,584
	17,627	18,358

b) Held-to-maturity investments:

Investment type	Thousands of euros	
	2018	2017
Hopper deposits	3,742	3,098
Long-term fixed-rate deposits	-	-
Other	784	860
	4,526	3,958

12. DEFERRED TAX

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

	Thousands of euros			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	19,398	(73,434)	17,967	(72,288)
Property, plant and equipment	2,901	(4,044)	3,935	(6,393)
Financial assets	-	(217)	-	(607)
Exchange differences	-	-	-	-
Tax credits	21,316	-	21,037	-
Impairment	2,749	(466)	3,736	(3,882)
Fiscal revaluation in Argentina	-	16,352	-	-
Revaluation for hyperinflation	-	(32,349)	-	-
Other	1,141	(433)	2,020	(208)
	47,505	(94,591)	48,695	(83,378)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	41,233	(87,785)	33,191	(78,427)
Deferred tax assets/(liabilities) to be recovered within 12 months	6,272	(6,806)	15,504	(4,951)
	47,505	(94,591)	48,695	(83,378)

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

- The business performance of the various business units using the projections used for asset impairment testing purposes and a time horizon of five years.
- Estimate adjustments mainly in respect of non-deductible expenses, differences in depreciation

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for tax versus accounting purposes and provisions for the impairment of accounts receivable.

- Estimated cash flows from operations from the companies comprising the consolidated tax group as a result of transactions with the rest of the business units (companies not included in the consolidated tax group and located in Spain and abroad). Those flows are generated by:
 - The provision of corporate services.
 - Returns on loans extended.
 - Dividends receivable.

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

The other deferred tax assets were recognized on the basis of each geographic area's business plans and prevailing tax legislation in each jurisdiction. In those jurisdictions, the business plans call for the generation of sufficient taxable profit in the future to offset the deductible temporary differences.

This exercise also takes into consideration the various deferred tax liabilities in each of the various geographies.

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

2018:

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

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2017:

	Thousands of euros					
	Balance at Dec. 31, 2016	Recognized in profit or loss for the year	Business combinations	Reclassifications	Translation differences	Balance at Dec. 31, 2017
2017						
<u>Assets</u>						
Tax credits	21,268	(614)	-	359	24	21,037
Financial assets	898	-	-	(898)	-	-
Intangible assets	3,417	113	-	14,457	(20)	17,967
Property, plant and equipment	12,084	(234)	-	(8,102)	187	3,935
Impairment	-	-	9	3,727	-	3,736
Other	10,415	3,854	-	(9,543)	(2,706)	2,020
	48,082	3,119	9	-	(2,515)	48,695
<u>Liabilities</u>						
Revaluation of properties and investments in fixed assets	(2,303)	2,303	-	(6,393)	-	(6,393)
Financial assets	(8,651)	1,936	-	6,108	-	(607)
Exchange differences	(163)	-	-	163	-	-
Impairment	-	-	-	(3,882)	-	(3,882)
Intangible assets	(79,457)	(15)	(361)	1,605	5,940	(72,288)
Other	(4,754)	1,929	(1,148)	2,399	1,366	(208)
	(95,328)	6,153	(1,509)	-	7,306	(83,378)
	(47,246)					(34,683)

As a result of the Group's analysis of the recoverability of its deferred tax assets, it proceeded to recognize deferred tax assets for unused tax losses in the amount of 2.1 million euros in certain subsidiaries in Italy at year-end 2018; that increase was mitigated by the utilization of tax losses during the year in the amount of 1.8 million euros by Group companies in Italy and Panama. No tax assets were recognized in this connection in 2017.

In keeping with transitional provision 16 of Spanish Royal Decree-Law 3/2016, obliging the inclusion within taxable income in fifths of investee impairment losses that were deducted for tax purposes prior to January 1, 2013, the Group recognized a deferred tax liability in the amount of 8 million euros in 2016, which was equivalent to four-fifths of the impairment losses still pending reversal during the following four years. In 2017 and 2018, another 4 million euros were reverted, leaving a closing balance of 4 million euros corresponding to the two-fifths of the impairment losses still pending reversal; that balance is included within deferred tax liabilities for provisions in respect of **Spain**.

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

In 2018, the Group decided to avail of that one-time revaluation in respect to its intangible assets in Argentina, to which end it recognized an initial deferred tax asset of 18.4 million euros at the start of the year with a charge to the statement of profit or loss. Over the course of the year, as a result of the reduction in taxable income due to the tax-deductible amortization derived from that revaluation exercise, 2.1 million euros of that tax asset was reverted, leaving a closing balance in respect of this deferred tax asset of 16.3 million euros (refer to "Argentine asset revaluation for tax purposes" in the reconciliation above). For presentation purposes, these amounts have been reclassified to offset them against the deferred tax liability originated in Argentina.

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Elsewhere, as a result of the revaluation for accounting purposes of the Argentine assets due to application with effect from January 1, 2018 of IAS 29 *Financial reporting in hyperinflationary economies* (refer to note 2.a.3), the Group recognized a deferred tax liability related to the non-deductibility for tax purposes going forward of the accounting depreciation/amortization charges related to the assets revalued for hyperinflation accounting purposes. Against this backdrop, the Group recognized the following amounts in respect of deferred tax liabilities:

- 20.9 million euros charged against equity in relation to the estimated impact at December 31, 2017 of the hyperinflation restatement exercise.
- The opening balance at January 1, 2018 was restated for hyperinflation as it is a non-monetary item, such that the initial deferred tax liability increased by 9.3 million euros, charged against net finance cost for the year.
- Lastly, as a result of the revaluation for accounting purposes of assets in use in respect of 2018, the Group charged an additional deferred tax liability of 2.1 million euros in profit and loss, net of the reversal during the year as a result of the depreciation of those assets during the reporting period.

The total deferred tax liability recognized as a result of application of IAS 29 stood at 32.3 million euros at year-end 2018 (refer to "Argentine asset revaluation for accounting purposes (hyperinflation)" in the above reconciliation).

Those movements in Argentina are measured, as prescribed in IAS 29 *Financial reporting in hyperinflationary economies*, at the rate of exchange between the Argentine peso and the euro at the close of 2018, so that they did not generate any translation differences.

The rest of the changes observed in deferred tax assets and liabilities with respect to 2017 is attributable to temporary differences arising during the year deriving from differences in depreciation charges for tax and accounting purposes and non-deductible provisions (mainly in Mexico and Italy).

In 2017, the balance of deferred tax assets was broadly in line with that recognized at year-end 2016; the slight increase was attributable to temporary differences arising during the year.

The decline in deferred tax liabilities in 2017 compared to year-end 2016 was mainly related to the reversal of the 2 million euros of investee impairment losses detailed above and the reversal of deferred liabilities related to differences in depreciation charges for tax and accounting purposes in Mexico and Panama mainly, as well as the reversal of other deferred tax liabilities, offset somewhat by the additions to deferred tax liabilities derived from the business combinations concluded in 2017 (refer to note 6 above).

13. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

Cash flow projections

Each cash-generating unit's future cash flows were projected using models that encompass the most

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pertinent business, financial and macroeconomic indicators. The explicit projection horizon used was five years. Beyond the projection period, a terminal value was calculated using the growth-in-perpetuity method. The projections used specifically for year one are based on the detailed budgets approved for 2019 adjusted, in necessary, for the estimated impact of any material changes in applicable regulations, the competitive environment, business model or performance of each unit. Those budgets were approved by the Parent's Board of Directors on January 11, 2019.

The projections for the remaining years of the projection period reflect the trends that can be reasonably expected given the strategies and action plans defined by the Group as a function of each unit's distinctive characteristics and unique competitive dynamic. The capital expenditure projections reflect the level of investment needed to keep each business in its current condition (i.e., maintenance capital expenditure). Only the growth investments explicitly approved in the 2019 budgets and those needed for the natural development of businesses that have yet to reach maturity were factored into the projections.

The cash flow projections were discounted using the local-currency weighted average cost of capital calculated for each CGU. The weighted average cost of capital factors in the cost of equity and debt financing, weighted in keeping with a defined target leverage structure. The cost of equity varies for each CGU, depending on the corresponding market risk premium and the country risk premium (which also reflects exchange rate risk). For practical reasons, the discount rates used are after-tax rates. Similarly, the undiscounted cash flows factor in tax effects. The growth rate used to calculate the each CGU's terminal value is equivalent to the annual change in the consumer price index contemplated in prevailing macroeconomic forecasts for each country over the long term, i.e., it does not contemplate growth in real terms. For cash-generating units whose functional currency is not the euro, the cash flows were projected in the corresponding local currency and the resulting net present value was translated into euros at the exchange rate prevailing as of December 31, 2018.

Key assumptions

The most significant assumptions used to project gaming operations in general relate to installed gaming capacity (the number of halls, casinos, racetracks, installed gaming machines, bingo hall capacity, gaming tables, etc.) and the average daily take either by machine, room seating, table or gaming room-goer. The trend in these variables determines the trend in revenue during the projection period. The projected levels of operational efficiency and gearing are also key drivers of EBITDA margins. The table below shows the carrying amount assigned to each cash-generating unit at December 31, 2018, along with the key assumptions used to calculate the unit's value in use and the resulting impairment loss or reversal thereof, if any. The key inputs include the after-tax discount rate, the organic growth rate used to determine the terminal values, the compound average annual rate of growth in local-currency revenues estimated for the explicit projection period and the change in percentage points in the EBITDA margin between the 12 months ended December 31, 2018 and the last year of the explicit projection period:

Cash-generating unit	Carrying amount of the CGU assets ⁽¹⁾ at December 31, 2018 (thousands of euros)	Impairment loss / reversal of loss at December 31, 2018 (thousands of euros)	After-tax discount rate
Argentina	122,691	-	18,7%
Mexico	359,318	-	10,2%
Banamex Convention Center	49,623	-	10,2%
Spain ⁽³⁾	145,670	-	6,9%
Italy ⁽⁴⁾	73,110	-	7,6%
Panama	69,843	-	9,3%
Colombia	13,969	-	9,2%
Uruguay ⁽⁵⁾	86,302	-	14,0%
Holdcos and other	(9,965)	-	-
Total	910,561	-	n.a.

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Cash-generating unit	Organic growth rate used to calculate the terminal value	Compound annual growth rate in local-currency revenues ⁽²⁾	Change in EBITDA margin in percentage points ⁽²⁾
Argentina	4.9%	14,0%	(3,4p.p.)
Mexico	3.0%	2,8%	2,1p.p.
Banamex Convention Center	3.0%	3,0%	-
Spain ⁽³⁾	1.9%	8,4%	0,8p.p.
Italy ⁽⁴⁾	1.7%	4,2%	(1,6p.p.)
Panama	2.0%	2,9%	4,3p.p.
Colombia	3.0%	10,0%	10,6p.p.
Uruguay ⁽⁵⁾	5.0%	9,9%	1,3p.p.
Holdcos and other	-	-	-
Total	n,a,	n,a,	n,a,

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

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

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

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

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

Cash-generating unit	Carrying amount of the CGU assets ⁽¹⁾ at December 31, 2017 (thousands of euros)	Impairment loss / reversal of loss at December 31, 2017 (thousands of euros)	After-tax discount rate
Argentina	30,714	-	15.5%
Mexico	341,692	-	9.4%
Banamex Convention Center	48,055	-	9.4%
Spain ⁽³⁾	139,350	-	6.9%
Italy ⁽⁴⁾	90,028	-	7.2%
Panama	64,380	-	8.9%
Colombia	11,576	-	8.6%
Uruguay - Carrasco	30,437	-	13.1%
Uruguay - HRU	66,184	-	13.1%
Holdcos and other	(3,517)	-	-
Total	818,899	-	N/A

Cash-generating unit	Organic growth rate used to calculate the terminal value	Compound annual growth rate in local-currency revenues ⁽²⁾	Change in EBITDA margin in percentage points ⁽²⁾
Argentina	5.0%	12.3%	1.5pp
Mexico	3.0%	3.4%	1.1pp
Banamex Convention Center	3.0%	4.1%	-
Spain ⁽³⁾	1.9%	14.7%	0.6pp
Italy ⁽⁴⁾	1.4%	1.3%	0.6pp
Panama	2.4%	3.5%	3.9pp
Colombia	3.0%	11.0%	16.6pp
Uruguay - Carrasco	5.0%	13.7%	N/A
Uruguay - HRU	5.0%	8.3%	(3.3p.p.)
Holdcos and other	-	-	-
Total	N/A	N/A	N/A

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

(2) Obtained by comparing the figures corresponding to the last year of the explicit projection horizon with those corresponding to the 12 months ended December 31, 2017 (as reported quarterly and translated into local currency using average exchange rates).

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

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

Sensitivity analysis - 2018

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

Cash-generating unit	Key assumption metrics required to eliminate the headroom between the CGUs' value in use and carrying amounts	
	After-tax discount rate	Organic growth rate used to calculate the terminal value ⁽¹⁾
Argentina	35.5%	N/A
Mexico	18.7%	N/A
Banamex Convention Center	15.1%	N/A
Spain	16.1%	N/A
Italy	13.9%	N/A
Panama	17.1%	N/A
Colombia	21.98%	N/A
Uruguay	19.8%	N/A

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

14. INVENTORIES

	Thousands of euros	
	2018	2017
Gaming machines	143	526
Machine parts	3,018	3,194
Hospitality supplies	2,538	2,095
Bingo cards	932	979
Other items	4,260	3,208
	10,891	10,002

In 2018, the Group expensed 32,358 thousand of inventories (2017: 38,478 thousand euros).

15. RECEIVABLES

a) Trade receivables:

At December 31, 2018, "Trade receivables" includes, among other items, 3,972 thousand euros due for the provision of hospitality and management services to hospitality establishments in Spain (3,810 thousand at year-end 2017).

b) Current tax assets:

At December 31, 2018, "Current tax assets" amounted to 29,394 thousand euros (year-end 2017: 35,988 thousand euros), of which 13,325 thousand euros corresponded to the Argentine segment and 12,546 thousand euros to the Mexican segment.

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c) Sundry receivables:

	Thousands of euros	
	2018	2017
Sundry receivables	78,091	82,610
Due taxes not received	46,289	38,898
Due from employees	597	451
Impairment	(35,062)	(34,589)
	89,915	87,370

At year-end 2018, "Sundry receivables" includes approximately 23,634 thousand euros (23,887 thousand euros at year-end 2017) of advances paid to hospitality establishment owners in respect of their share of the takings from the gaming machines located in their establishments. These advances are recovered as a function of takings obtained.

This heading also includes 3,786 thousand euros (3,898 thousand euros at December 31, 2017) receivable from CIE group companies, mainly Make Pro, S.A. de C.V., for advertising and sponsorship services.

Lastly, this heading includes 16,048 thousand euros (20,071 thousand euros at December 31, 2017) recognized by Codere Network, S.p.A. in connection with accounts receivable from gaming machines operators in Italy. The remainder comprises a significant number of smaller-sized accounts receivable.

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

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

	Thousands of euros
Balance at Dec. 31, 2017	(34,589)
New businesses incorporated	-
Provision for receivables impairment	(9,219)
Unused amounts reversed	7,719
Derecognition	459
Translation differences	568
Balance at Dec. 31, 2018	(35,062)
Balance at Dec. 31, 2016	(33,239)
New businesses incorporated	-
Provision for receivables impairment	(4,199)
Unused amounts reversed	1,534
Derecognition	680
Translation differences	635
Balance at Dec. 31, 2017	(34,589)

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

d) Accrued tax receivable:

At December 31, 2018, "Accrued tax receivable" amounts to 46,289 thousand euros (38,898 thousand euros at year-end 2017). That sum includes 40,817 thousand euros (30,051 thousand euros receivable at year-end 2017) of VAT due from the Mexican tax authorities. In Mexico this type of indirect taxation is recovered as a function of the cash flows deriving from the underlying transactions.

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The remaining 5,472 thousand euros correspond to taxes receivable from the authorities in the rest of the Group's business markets.

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

Currency	Thousands of euros	
	2018	2017
Euros	45,498	61,347
US dollars	19,792	22,079
Argentine pesos	15,973	25,870
Mexican pesos	62,049	52,366
Uruguayan pesos	3,405	66
Colombian pesos	4,646	1,944
Brazilian reais	193	2,015
	151,556	165,687

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

16. OTHER CURRENT FINANCIAL ASSETS

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

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

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

	Thousands of euros					
	Balance at Dec. 31, 2016	Business combination	Additions	Derecognitions	Transfers	Balance at Dec. 31, 2017
2017						
Other credit	63,253	47	26,437	(36,175)	769	51,567
	63,253	47	26,437	(36,175)	769	51,567

In 2017, the main movements in "Other credit" corresponded to the transfer of loans extended by Codere Newco from non-current to current, derecognitions as a result of the partial reimbursement of the deposit held by Codere Finance 2, S.A. at Credit Suisse and the derecognition of service performance bonds at Alta Cordillera.

"Other credit" breaks down as follows:

	Thousands of euros	
	2018	2017
Short-term loans	13,517	13,713
Deposits and guarantees extended	29,801	37,854
Short-term deposits	-	-
	43,318	51,567

"Short-term loans" includes short term revenue advancements to bar owners in Spain and Italy, as well as the account receivable from directors and executives in respect of the loans extended to fund the

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purchase of shares of Codere, S.A., as detailed in note 25. These loans are secured by the shares themselves. Refer to note 18.

“Deposits and guarantees extended” include the deposits recognized by Codere Network, S.p.A. as a result of the concession agreement under which this company operates in the amount of 12,036 thousand euros (12,651 thousand euros at year-end 2017) and the deposit provided as part of the debt capitalization exercise.

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

<i>Currency</i>	Thousands of euros	
	2018	2017
Euros	26,902	29,216
US dollars	6,830	14,427
Argentine pesos	132	61
Mexican pesos	9,274	7,544
Uruguayan pesos	170	73
Colombian pesos	10	226
Brazilian reais	-	20
	43,318	51,567

17. EQUITY

a) Share capital

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

At the Annual General Meeting on May 11, 2017, the Company's shareholders ratified a 3,771,889.60 euro equity issue, specifically the issuance of 18,859,448 new ordinary shares of Codere S.A. with a unit par value of 0.20 and a share premium of 0.0651191 per share, of the same class and series as those already outstanding and carrying the same rights, to offset the credit claims detailed in note 3.f. In the wake of the above capitalization, the Parent's issued capital amounted to 509,714,801.80 euros and was represented by 2,548,574,009 shares, each with a par value of 0.20 euros.

At an Extraordinary General Meeting on October 16, 2017, the Company's shareholders ratified the consolidation and cancelation of shares for exchange for newly issued shares in the proportion of two new shares for every 43 pre-existing shares, increasing their par value from 0.20 euros to 4.30 euros but without modifying the amount of the Company's share capital. In the wake of that transaction, which culminated on November 17, 2017, the 118,538,326 new ordinary shares were admitted to trading and the Company's share capital stood at 509,714,801.80 euros, represented by 118,538,326 shares with a par value of 4.30 euros.

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The Parent's shareholder structure at year-end:

Shareholder	Shareholding(*)	
	%	%
	2018	2017
Silver Point Capital Management, LLC.	23.19%	23.19%
Martínez Sampedro Family	15.76%	16.55%
<i>José Antonio Martínez Sampedro</i>	14.07%	14.07%
<i>Luis Javier Martínez Sampedro</i>	1.69%	2.48%
M&G Investment Management Limited (Prudential Plc)	20.97%	10.66%
Abrams Capital Management LLC	8.72%	8.72%
Contrarian Capital Management LLC	7.22%	7.22%
Alden Global Capital LLC	3.84%	6.79%
Evermore Global Advisors LLC	5.20%	5.20%
Invesco Limited	-	2.96%
VR Global Partners L.P.	2.46%	2.46%
Codere, S.A. (own shares)	0.13%	0.02%
Other minority shareholders	12.51%	16.23%
	100%	100%

(*) Figures notified to the CNMV by the shareholders.

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

During 2018, Luis Javier Martínez Sampedro sold 935 thousand shares. Norman Sorensen Valdes and Manuel Martínez-Fidalgo have bought 56 and 13 thousand shares respectively. No members of the Group's key management personnel sold Company shares in the market in 2018 or 2017. Nor did they buy any shares in either reporting period.

b) Share premium

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

This reserve is freely distributable.

c) Own shares

At December 31, 2018, the Company held 154,941 own shares (year-end 2017: 21,082) that were carried in equity at 678 thousand (year-end 2017: 168 thousand euros). Recall that the Company carried out a reverse stock split in October 2017.

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

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

- Securities covered by the contract: Ordinary shares of Codere, S.A. admitted to trading on official stock exchanges.
- Contract term: 12 months, tacitly renewable for a similar term.

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- Funds earmarked to the cash account: 800 thousand euros, of which 496 thousand euros were earmarked at the outset of the contract to the purchase of 125,105 shares at an average unit price of 3.97 euros. Lately, 122 thousand euros have been additionally earmarked.
- The voting and dividend rights on the shares deposited in the security account have been suspended.

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

d) Legal reserve

The Spanish Corporate Enterprises Act stipulates that 10% of profit for each year be transferred to the legal reserve until it represents at least 20% of share capital. In 2018, 17,752 thousand euros, 10% of the Parent's separate profit for the year, was allocated to the legal reserve. At December 31, 2018, the legal reserve accordingly stood at 19,953 thousand euros (year-end 2017: 2,201 thousand euros).

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

e) Revaluation reserves

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

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

f) Restrictions on the distribution of dividends

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

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

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

g) Disclosures by company

The breakdown of equity by Group at year-end 2018 is provided in Appendix II.

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18. PROVISIONS

18.1. Non-current provisions

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

	Thousands of euros				
	Balance at Dec. 31, 2016	Additions	Derecognitions	Translation differences	Balance at Dec. 31, 2017
2017					
Provision for taxes	11,612	913	(4,885)	(1,275)	6,365
Provision for retirement bonuses	11,023	4,333	(2,032)	(396)	12,928
Other provisions	8,297	9,656	(5,038)	(1,151)	11,764
	30,932	14,902	(11,955)	(2,822)	31,057

a) Provision for taxes

This heading includes provisions recognized by the Group's Mexican companies to cover liabilities of a tax and labor nature in the amount of 3.3 million euros at December 31, 2018 (4.5 million euros at year-end 2017) and tax contingencies in Argentina in the amount of 127 thousand euros (230 thousand euros at year-end 2017).

b) Provision for retirement bonuses

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

c) Other provisions

At December 31, 2018, this heading includes 1,376 thousand euros recognized by Codere Network, S.p.A. to cover potential liabilities arising from claims ongoing in Italy (year-end 2017: 2,469 thousand euros).

At both reporting dates it also includes a provision for a contingent payment of 475 thousand euros recognized in 2010 as a result of the acquisition of Codere Apuestas España, S.L.U. by Codere, S.A.

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

18.2. Current and other provisions

	Thousands of euros	
	2018	2017
Provision for derivatives	1,545	3,039
Others	7,170	5,557
Total current and other provisions	8,715	8,596

This heading mainly includes 3,783 thousand euros (1,335 thousand euros at year-end 2017) of income collected in advance by the Icela Group and the provision for bonuses in Italy, Panama and Argentina

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in the amount of 2,307 thousand euros (year-end 2017: 3,120 thousand euros).

It also includes the provision for the change in the market value of the share put option granted to several executives of the Company in the amount of 1,546 thousand euros at December 31, 2018 (3,039 thousand euros at year-end 2017).

19. FINANCIAL LIABILITIES

a) Non-current financial liabilities

	Thousands of euros	
	2018	2017
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (Hípica Rioplatense Uruguay, S.A.)	761,985	752,896
Bank borrowings	37,337	40,775
Other borrowings	43,275	36,933
Finance lease liabilities	3,772	1,399
	846,369	832,003

a.1) Issued bonds - non-current

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

	Thousands of euros					
	Face value	Currency	Effective interest rate	Maturity	2018	2017
Notes issued by Codere Finance 2 (Luxembourg), S.A.	500.000	Euros	7,27%	31.10.21	496,016	495,022
Notes issued by Codere Finance 2 (Luxembourg), S.A.	300.000	Dollars	8,18%	31.10.21	258,554	246,883
Marketable notes issued by HRU, S.A.	20.000	Dollars	4,50%	28.11.21	5,829	8,862
Marketable notes issued by HRU, S.A.	4.000	Dollars	3,75%	28.11.22	1,587	2,129
HRU, S.A.	8.000	Dollars	5,02%	28.11.18	-	-
					761,986	752,896

The annual coupon on the Euro Notes is 6.750%, while the coupon on the US Dollar Notes is 7.625%.

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

Alta Cordillera, S.A. (*)	Codere Argentina, S.A. (**)
Colonder, S.A.U. (**)	Operibérica, S.A. (**)
Bingos Platenses, S.A. (**)	Codere España, S.A.U. (**)
Codere, S.A. (***)	Codere Internacional, S.A.U. (**)
Codere América, S.A.U. (**)	Codere Internacional Dos, S.A.U. (**)
Iberargen, S.A. (**)	Codere México, S.A. de C.V. (**)
Interbas, S.A. (**)	Codere Network, S.p.A. (**)
Codere Newco, S.A.U. (****)	Codere Luxembourg 1 S.à.r.L. (**)
Nididem, S.A.U. (**)	Codere Luxembourg 2 S.à.r.L. (**)
Codere Latam, S.A.U. (**)	Codemática, S.r.l. (*)
Interjuegos, S.A. (**)	Intermar Bingos, S.A. (**)
Codere Finance 2 (Luxembourg), S.A. (*****)	

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

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

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

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

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

At December 31, 2018, the interest accrued and outstanding amounted to 8,955 thousand euros (8,804 thousand euros at December 31, 2017).

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

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

In addition, Codere, S.A., as the parent guarantor and Codere Newco, S.A.U. as the borrower contracted on October 24th, 2016 a 95 million euros super senior multi-currency revolving facility which includes a covenanted debt-to-EBITDA maintenance ratio.

At December 31, 2018, the Group was compliant with all of the restrictions and ratios imposed under its main borrowing agreements and, assuming the reasonable continuity of its businesses, does not expect to breach them in the future.

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

a.2) Non-current bank borrowings

	Effective average interest rate	Maturity	Thousands of euros	
			2018	2017
Spanish Group	1.66%	2018-2028	827	1,469
Holdco	8.25%	2022	8,144	-
Italian Group	2.59%	2018-2021	52	328
Mexican Group (AMHI)	TIIE (Mex. benchmark rate) + 3.25%	2019	-	8,038
Mexican Group (CMEX)	1M LIBOR + 6.0%	2019	-	4,826
Colombian Group	IBR (Col. benchmark rate) +5.5%	2020	538	1,143
Uruguay (Carrasco Nobile)	4.78%-8.35%	2021-2023	19,056	24,971
Uruguay (HRU)	3.75%-5.25%	2018-2023	8,720	-
			37,337	40,775

The borrowings are mainly arranged locally to finance the growth of the Group's operations in each market. They are arranged at prevailing market rates. The most significant borrowings are those held in Uruguay by the financing contracts in force with Nobilis Corredor de Bolsa S.A., Urraburu & Hijos Corredor de Bolsa, S.R.L. and Compañía de Valores Pérez Marexiano S.B.S.A with the company from Carrasco Nobile, S.A. Group.

The main increase is related to the new debt Codere Newco, S.A.U contracted with PDS Gaming for 10.7 million dollars and a the new debt the Uruguayan company HRU contracted with ITAÚ bank for 94

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million dollars Indexed Units (12 million dollars). The new debts have been contracted on July 20th, 2018 and July, 30th 2018, respectively. On the other hand, the decrease in Mexico is related to the depreciation of the loan with Nomura.

The loans extended to the Italian Group companies are guaranteed by Codere Italia, S.p.A.

a.3) Other non-current borrowings

The amount recognized under "Other non-current borrowings" in the amount of 43,275 thousand euros at December 31, 2018 (36,933 thousand euros at December 31, 2017) includes non-current accounts payable by Spanish companies for exclusivity rights in the amount of approximately 10,831 thousand euros at December 31, 2018 (10,213 thousand euros at year-end 2017). At year-end, it also includes the sum of 13,322 thousand euros (year-end 2017: 17,523 thousand euros) corresponding to long-term debts deriving from the deferral of gaming taxes following approval for such deferral in respect of a certain number of machines in the regions of Madrid, Cantabria, Valencia and Catalonia. The related current balances are recognized within "Other current non-trade debts". The interest accrued on these debts is set at the legal interest rate prevailing in Spain.

This heading also includes the third-party borrowings used to fund the acquisition of licenses by Codere Network, S.p.A. for the installation and operation of VLT devices in Italy in the amount of 1,769 thousand euros at December 31, 2018 (2,747 thousand euros at December 31, 2017).

In addition, it includes the tax liabilities pending payment under tax moratorium payment plans in Argentina in the amount of 1,296 thousand euros at December 31, 2018.

a.4) Finance lease liabilities

The schedule of minimum payments due under finance leases at year-end:

	Thousands of euros			
	Face value		Present value	
	2018	2017	2018	2017
In the next reporting period	4,850	6,000	4,807	5,892
Between years 2 and 5, inclusive	5,639	1,498	3,772	1,399
Beyond year 6				
	<u>10,489</u>	<u>7,498</u>	<u>8,579</u>	<u>7,291</u>
Less:				
Future finance costs	(1,910)	(207)	-	-
Recognized as:				
Non-current finance lease liabilities			<u>3,772</u>	<u>1,399</u>
Current finance lease liabilities			<u>4,807</u>	<u>5,892</u>

At December 31, 2018 and December 31, 2017, the Group's finance lease obligations amounted to 3,772 and 1,399 thousand euros, respectively. Of these totals, 866 and 1,201 thousand euros, respectively, correspond to the non-current portion of the finance lease obligations deriving from the lease of gaming machines in Spain.

Most of the finance lease arrangements relate to gaming machine leases. The related current balances payable are recognized within "Other current non-trade debts".

In addition, 2,307 thousand euros correspond to the non-current payment under the new agreement with SAP (the HANA Enterprise Cloud project), which has been capitalized and is fully outstanding.

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

Currency	Thousands of euros	
	2018	2017
Euros	542,772	534,929
US dollars	278,971	260,833
Argentine pesos	2,925	4,590
Mexican pesos	-	12,802
Uruguayan pesos	21,164	17,692
Colombian pesos	537	1,157
	846,369	832,003

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

Year	Thousands of euros					
	2018			2017		
	Bank borrowings	Other non-current borrowings	Total	Bank borrowings	Other non-current borrowings	Total
2020	8,678	28,021	36,699	20,648	16,140	36,788
2021	10,211	771,063	781,274	7,642	12,407	20,049
2022	14,585	1,559	16,144	7,618	4,824	12,442
2023	3,450	161	3,611	2,751	753,761	756,512
Other	413	8,228	8,641	2,116	4,096	6,212
	37,337	809,032	846,369	40,775	791,228	832,003

e) Current liabilities

b.1) Notes

The balance presented under "Notes and other marketable securities" within current liabilities include the interest accrued and outstanding of 8,955 thousand euros on the notes issued by Codere Finance 2 (Luxembourg), S.A., the 3,585 thousand euros of marketable notes issued by HRU, S.A. (formerly, Hípica Rioplatense de Uruguay, S.A.) due on 2021 and 2022.

b.2) Bank borrowings

	Thousands of euros	
	2018	2017
Short-term loans	39,548	38,897
Receivables discounting lines and credit facilities	-	-
Accrued interest	456	161
Total bank borrowings	40,004	39,058
Total available for drawdown	77,906	78,182
	117,910	117,240
Total drawdown limit		

Short-term loans

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At December 31, 2018, this heading primarily included the short-term bank borrowings of the Administradora Mexicana de Hipodromo, S.A. de C.V., in the amount of 8,455 thousand euros (8,769 thousand euros at December 31, 2017), of the Uruguayan business, in the amount of 8,316 thousand euros (5,963 thousand euros at December 31, 2017) and of Codere Mexico, S.A. de C.V, in the amount of 6,362 thousand euros (12,357 thousand euros at December 31, 2017). The main increase under this heading occurred in Uruguay due to reclassifications from non-current to current.

On October 24, 2016, Codere, S.A., in its capacity as parent guarantor, and Codere Newco, S.A.U., as borrower, entered into a 95 million-euro super senior multi-currency revolving facility. At December 31, 2018, the Group had drawn down 10,000 thousand euros of borrowings and 8,271 thousand dollars under the surety lines (year-end 2017: 10,000 thousand euros of borrowings and 8,000 dollars under the surety lines).

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

	Thousands of euros	
	2018	2017
Taxes payable	127,247	140,222
Deferred gaming taxes	20,671	18,429
Employee benefits payable	14,694	20,231
Other borrowings	79,531	49,091
	242,143	227,973

b.3.1) Taxes payable

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

b.3.2) Deferred gaming taxes

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

b.3.3) Other payables

This heading includes:

- The current balances due in respect of the lease of gaming machines (finance leases) in the amount of 4,807 thousand euros at December 31, 2018 (5,892 thousand euros at December 31, 2017).
- Balances owed to Spanish machine suppliers in the amount of 11,508 thousand euros at December 31, 2018 (5,994 thousand euros at December 31, 2017). Payables to suppliers in Argentina stood at 6,559 thousand euros at December 31, 2018 (2,330 thousand euros at year-end 2017). Payables to suppliers in Mexico stood at 36,578 thousand euros at December 31, 2018 (13,856 thousand euros at year-end 2017).
- Current bills payable by the Spanish companies in the amount of 2,460 thousand euros at December 31, 2018 (1,308 thousand euros at December 31, 2017).
- Payables outstanding in connection with the acquisition of companies in Italy in the amount of 1,806 thousand euros at December 31, 2018 (1,728 thousand euros at December 31, 2017).

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- Debt incurred to acquire sports-betting terminals in Spain in the amount of 5,142 thousand euros at December 31, 2018 (6,195 thousand euros at December 31, 2017).

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

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

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

	2018 (days)	2017 (days)
Average supplier payment term	33	30
Paid transactions ratio	31	30
Outstanding transactions ratio	50	30
Total payments made	70,914	59,825
Total payments outstanding	7,612	3,985

c) Loans secured by the Group

In addition to the pledges of shares in several Group companies, as disclosed in paragraph b.1) above, at December 31, 2018, several Group companies had pledged fixed assets as collateral securing debt totaling 54,608 thousand euros (December 31, 2017: 59,310 thousand euros) (note 22).

d) Current liabilities by currency

Currency	Thousands of euros	
	2018	2017
Euros	162,191	154,623
US dollars	57,548	69,293
Argentine pesos	59,037	62,563
Mexican pesos	87,187	72,487
Uruguayan pesos	14,789	14,496
Colombian pesos	6,177	5,302
Pound sterling	1,170	57
Brazilian reais	341	5,335
	388,440	384,156

20. DERIVATIVE TRANSACTIONS

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

21. TAX MATTERS

Codere, S.A. is a tax resident of Spain for corporate income tax purposes. Since January 1, 2000 it has been filing its tax returns under the consolidated tax regime provided for in Chapter VI of Title VII of the

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Corporate Income Tax (Law 27/2014 of November 27, 2014).

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

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

Spanish tax group, 2018:

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

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

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

The following companies formed part of the Spanish tax group in 2017:

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

Spanish tax group, 2017:

Codere, S.A.	Codere Castilla y León, S.L.
Cartaya, S.A.	Codere Distribuciones, S.L.
CF-8, S.L.	Codere España, S.A.U.
Codere América, S.A.	Codere Interactiva, S.L.
Codere Apuestas Baleares, S.A.	Codere Internacional, S.A.U.
Codere Apuestas España, S.L.U.	Codere Internacional Dos, S.A.U.
Codere Apuestas, S.A.U.	Codere Latam, S.A.
Codere Apuestas Aragón, S.L.U.	Codere Logroño, S.L.
Codere Apuestas Asturias, S.A.	Codere Online, S.A.
Codere Apuestas Castilla la Mancha, S.A.	Codere Newco, S.A.U.
Codere Apuestas Castilla y León, S.A.	Codere Servicios, S.R.U.
Codere Apuestas Cataluña, S.A.	Colonder, S.A.U.
Codere Apuestas Cantabria, S.A.	Desarrollo On Line Juegos Regulados, S.A.
Codere Apuestas Ceuta, S.L.	J.M. Quero Asociados, S.A.
Codere Apuestas Extremadura, S.A.	JPVMatic 2005, S.L.
Codere Apuestas Andalucía, S.A.	Misuri, S.A.
Codere Apuestas La Rioja, S.A.	Nididem, S.A.U.

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Codere Apuestas Melilla, S.A.
Codere Apuestas Murcia, S.L.U.
Codere Apuestas Navarra S.A.U.
Codere Apuestas Valencia, S.A.U.

Operiberica, S.A.
Red Aeam, S.A.
Opersherka, S.L.U. (*)
Codere Operadoras de Apuestas, S.L. (*)

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

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

The subsidiaries included in the Italian tax group in 2018 and 2017:

Italian tax group, 2018:

Codere Italia S.p.A.
Seven Cora Service S.r.l.
Cristaltec Service S.r.l.
Vasa e Azzena Service S.r.l.
Gap Games, S.r.l.
FG Slot Service s.r.l.
DP Service, S.r.l.
Codere Gaming Italia S.r.l.
Codematica S.r.l.
Codere Network S.p.a.
Gaming Re, S.r.l.

Operbingo Italia S.p.A.
Gestioni Marconi S.r.l.

Nori Games Service S.r.l.
King Slot S.r.l.
King Bingo S.r.l.
Palace Bingo S.r.l.

Garet S.r.l.
SE.BI.LOT, S.r.l. (*)
Codere Scommesse, S.r.l. (*)

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

Italian tax group, 2017:

Codere Italia S.p.A.
Seven Cora Service S.r.l.
Cristaltec Service S.r.l.
Vasa e Azzena Service S.r.l.
Gap Games, S.r.l.
FG Slot Service s.r.l.
DP Service, S.r.l.
Codere Gaming Italia S.r.l.
Codematica S.r.l.
Codere Network S.p.a.
Gaming Re, S.r.l.

Operbingo Italia S.p.A.
Gestioni Marconi S.r.l.
Giomax S.r.l.
Nori Games Service S.r.l. (*)
King Slot S.r.l.
King Bingo S.r.l.
Palace Bingo S.r.l.
Royal Jackpot S.r.l.
Garet S.r.l.

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

The rest of the Group companies file their taxes separately.

The companies domiciled in Spain were subject to a statutory rate of 25% of taxable income in 2018 and 2017. Nevertheless, the resulting taxable income may be reduced by certain deductions. The companies domiciled outside Spain apply the tax laws and rates prevailing in their countries of residence; these rates range between 24% and 34%, with the exception of Argentina (41.5%).

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

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

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

	Thousands of euros	
	2018	2017
Consolidated taxable income	(3,062)	83,976
At the statutory income tax rate of 25%	(766)	20,994
Effect of different rates in different countries	9,419	19,338
Tax effect of previously unrecognized tax losses and permanent differences	22,157	23,845
Recognition of assets for unused tax losses (Note 12)	(358)	-
Income tax expense reported in the consolidated statement of profit or loss	30,452	64,177

The "Effect of different rates in different countries" reflects the difference derived from applying the statutory rate in Spain (25% in 2018 and 2017) to taxable income and applying the corresponding statutory rate of each country to taxable income. The differences of 9,419 and 22,157 thousand euros in 2018 and 2017, respectively, correspond mainly to the difference between the tax rate in Spain and that applied in Argentina, where the statutory rate was 41.5% in 2018 and 2017.

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

- Permanent differences in the amount of 13 million euros (net increase in taxable income):
 - o The permanent differences of the various Group companies, calculated applying the statutory rate prevailing in the corresponding country, resulting from non-taxable income and non-deductible expenses under applicable tax legislation in each country.
 - o In 2018, it includes as a permanent difference in Argentina the estimated effect of hyperinflation on the Argentine entities' statements of profit or loss as a result of the application, with effect from January 1, 2018, of IAS 29 *Financial reporting in hyperinflationary economies*, which is not deductible for tax purposes.
- The utilization in 2018 of prior-year tax losses against taxable income euros generated by the Mexican companies (reduction in taxable income of 1.3 million euros).
- Amounts paid for taxes equivalent to corporate income tax in the various countries on certain types of income (provision of services and interest income) and one-time taxes derived from the intangible asset revaluation provided for in Argentina (equivalent to 10% of the amount of the revaluation) under Law 27430 (refer to note 12) in an aggregate amount of 19.6 million euros.
- Other changes in deferred tax assets and liabilities in the amount of 16 million euros, due mainly to:
 - o 18.4 million euros of income due to deferred taxes generated as a result of the one-time asset revaluation undertaken in Argentina (with a balancing entry under deferred tax assets, offset against deferred tax liabilities) (refer to note 12).
 - o 2.4 million of expenses due to deferred taxes generated in 2018 as a result of the restatement for accounting purposes of the assets in Argentina under IAS 29 (with a balancing entry under deferred tax liabilities) (refer to note 12).

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The income tax expense calculation for 2018 and 2017:

	Thousands of euros	
	2018	2017
Pre-tax consolidated profit/(loss)	(3,062)	83,976
Permanent differences	52,874	55,633
Temporary differences	18,696	32,942
Utilization of previously unrecognized tax losses	(5,036)	(63,889)
Taxable income (tax loss)	62,422	108,662

The temporary differences correspond mainly to:

- 1) Different useful lives for tax and accounting purposes of items of property, plant and equipment and intangible assets.
- 2) Provisions that are not deductible for tax purposes in the current year and/or the reversal of amounts recognized as deferred tax assets in this respect in prior years.
- 3) The partial reversal of the amounts recognized in January 2018 as a deferred tax asset in Argentina as a result of the one-time revaluation of certain intangible assets (2.1 million euros) and also the effect of the revaluation of assets for accounting purposes due to the effect of hyperinflation (0.3 million euros), as a result of the differences between tax and accounting depreciation schedules during the year, reducing taxable income (note 12).

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

The breakdown of income tax expense:

Consolidated statement of profit or loss	Thousands of euros	
	2018	2017
Current tax		
- Current income tax expense (*)	31,516	61,184
- Taxes abroad and other adjustments to current tax	19,600	12,265
Deferred taxes		
- Related to increases and decreases in temporary differences (note 12)	(4,254)	-
- Related to the deferred tax burden associated with earnings retained in Argentina	-	(9,272)
- Recognition of tax assets for unused tax losses (note 12)	(358)	-
- Other adjustments to deferred taxes	(16,052)	-
	30,452	64,177

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

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

<i>Company</i>	Thousands of euros	
	2018	2017
Codere, S.A. (tax group)	430,837	403,202
Rest of Spain	30,748	26,804
Italy	15,932	28,651
Mexico	200,472	179,233
Argentina	-	1,016
Panama	563	1,076
Uruguay	54,738	68,761
Brazil	17,974	30,372
Colombia	19,522	16,346
	770,786	755,461

The tax credit that could be generated by these unused tax losses in income tax in the coming years has not been recognized on the Group's consolidated balance sheet other than recognized tax assets of 17,383 thousand euros corresponding primarily to Codere, S.A. (15,089 thousand euros), Panama (140 thousand euros) and certain Italian companies (2,154 thousand euros).

Since Spain's new income tax act took effect in 2015, there is no longer any deadline for utilizing unused tax losses. Unused tax losses in Spain amounted to 461,584 thousand euros at December 31, 2018 (430,006 thousand euros at year-end 2017).

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

Year	2018		2017	
	Spain	Other countries	Spain	Other countries
2017	-	-	-	-
2018	-	10,966	-	17,659
2019	-	17,866	-	12,114
2020	-	23,857	-	20,747
2021	-	8,114	-	24,386
2022	-	16,342	-	7,702
2023	-	26,492	-	8,872
2024	-	65,170	-	25,421
2025	-	35,883	-	59,238
2026	-	39,211	-	34,358
2027	-	14,578	-	40,698
Later	-	130	-	-
No time limit	461,584	50,594	430,006	74,259
Total	461,584	309,203	430,006	325,454

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

Year	2018		2017	
	Spain	Other countries	Spain	Other countries
2018	-	-	91	-
2019	90	-	90	-
2020	104	-	104	-
2021	132	612	132	609
2022	132	6,612	132	8,164
2023	101	-	101	-
2024	97	-	97	30
2025	69	3	69	44
2026	84	5,925	84	6,002
2027	84	16	84	-
Later	49	84,474	49	83,978
No time limit	55,935	-	50,790	-
Total	56,877	97,642	51,823	98,827

22. GUARANTEES EXTENDED TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

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

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

The breakdown of the bank sureties and guarantees extended by category at year-end:

Sureties and guarantees	Thousands of euros	
	2018	2017
Gaming sureties and guarantees	119,678	116,523
Other guarantees	63,811	46,947
	183,489	163,470

Gaming sureties and guarantees

Within gaming sureties and guarantees at December 31, 2018 and 2017, the most significant amounts correspond to the surety policies guaranteeing performance of the Group's obligations under the terms of the concession granted by the Italy's betting and gaming authority, the AAMS, to Codere Network, S.p.A. to activate and run the gaming management network in Italy in the amount of 36,847 thousand euros at December 31, 2018 (35,664 thousand euros at December 31, 2017). Carrasco Nobile, S.A. (the Casino Carrasco Hotel) has also arranged surety policies to guarantee due performance of the concession agreement and payment of the royalty to the Montevideo municipal authorities in the amount of 15,558 euros at year-end 2018 (17,540 thousand euros at year-end 2017).

In addition, Codere, S.A. is guaranteeing compliance with obligations assumed vis-a-vis the Madrid regional government in exchange for the right to organize and market sports-betting activities in the amount of 12,003 thousand euros at both December 31, 2018 and 2017.

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Other guarantees

Codere, S.A. has extended other non-bank guarantees, notable among which those issued by Afianzadora Aserta S.A. de C.V. in Mexico and deposited in escrow in favor of the Mexican Federal Treasury in connection with lawsuits regarding the tax matters of the Codere Group's Mexican operations in an amount equivalent to 29,843 thousand euros at December 31, 2018 (28,559 thousand euros at December 31, 2017).

Codere, S.A. has additionally extended other non-bank guarantees, most notably among which those issued by Generali in Italy in connection with the rental of bingo halls and the grant of bingo concessions to several Operbingo Group companies in the amount of 4,247 thousand euros (4,407 thousand euros at December 31, 2017).

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

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

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

	Thousands of euros		
	Year-end 2017		
	Land and buildings	Machines (*)	Total
Operibérica, S.A.	12,116	36,984	49,100
J.M. Quero S.A.	1,169	-	1,169
J.P.V. Matic 2005, S.L.	817	-	817
Codere Girona, S.L.	5,118	-	5,118
Codere Alicante, S.L.	185	-	185
Comercial Yontxa, S.A.	171	-	171
Bingos Codere, S.A.	2,750	-	2,750
	22,326	36,984	59,310

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

23. INCOME AND EXPENSE

a) Other income

The income recognized corresponds to an exclusivity agreement with a machine supplier in Mexico as a result of the installation by that supplier of machines in gaming halls that are not operated by the Codere Group. Since 2013, it also includes lease income from the Banamex Center.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

a.1) Revenue from contracts with customers

The breakdown of "Revenue" in 2018 and 2017:

	Year ended Dec. 31	
	2018	2017
Revenue	1,435,304	1,637,904
Revenue from contracts with customers	1,417,142	1,624,810
Own work capitalized	1,666	431
Other operating income	16,496	12,663
Total	1,435,304	1,637,904

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

On the occasion of effectiveness of IFRS 15 in January 2018, the Group reconciled the information extracted from its management information systems and its accounting information with aim of providing disaggregated revenue disclosures by business line. That information was not available in prior years, as stated in note 5 of 2017 consolidated financial statements, so that it is not possible to provide comparative figures for 2017.

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

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

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

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

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

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

<u>2018 statement of profit or loss</u>	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Inter-segment transactions	Total
Revenue											
External customers	219,986	328,333	366,633	23,467	336,506	70,671	966	88,733	9	-	1,435,304
Inter-segment	-	-	-	-	-	-	-	-	34,482	(34,482)	-
Total revenue	219,986	328,333	366,633	23,467	336,506	70,671	966	88,733	34,491	(34,482)	1,435,304
Amounts classified as other operating income and works for fixed assets	2,405	2,674	495	1,070	3,870	686	42	6,912	9	-	18,162
Revenue from contracts with customers	217,581	325,659	366,138	22,398	332,636	69,986	924	81,821	34,482	(34,482)	1,417,142
Gaming machines	118,605	232,237	349,471	17,930	265,803	7,488	-	56,540	-	-	1,048,074
Sports and racetrack bets	77,467	25,270	-	1,644	-	-	-	11,483	-	-	115,864
Bingo halls	15,002	7,714	9,943	1,376	36,577	-	-	-	-	-	70,612
Casino Operations	-	11,423	-	1,293	-	3,568	-	9,799	-	-	26,082
Others	6,507	49,015	6,724	154	30,257	58,930	924	3,999	-	-	156,510
Revenue from contracts with customers	217,581	325,659	366,138	22,397	332,637	69,986	924	81,821	-	-	1,417,142

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

With respect to the expected credit loss approach prescribed in that new standard in relation to the impairment of financial assets, following the analysis performed, the Group has proceeded to recognize an additional impairment loss of 1.5 million in connection with the first-time application of IFRS 9 in 2018. As indicated in note 2.a.2, that impact is not deemed material in respect of the Group's consolidated financial statements.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

b) Raw materials and consumables used and other external expenses

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

c) Other operating expenses

	Thousands of euros	
	2018	2017
Gaming taxes and other levies	508,697	597,967
Machine and other leases	109,504	125,077
Utilities, repairs and maintenance	77,471	81,915
Professional services and other expenses	244,031	271,327
	939,703	1,076,286

d) Employee benefits expense

The breakdown of employee benefits expense in 2018 and 2017:

	Thousands of euros	
	2018	2017
Wages, salaries and similar	166,331	197,628
Social security	37,458	44,928
Other benefit expense	11,732	17,403
	215,521	259,959

"Wages, salaries and similar" includes termination benefits in the amount of 13,917 thousand euros in 2018 (10,941 thousand euros in 2017).

e) Headcount

	2018		2017	
	No. of employees		No. of employees	
	Male	Female	Male	Female
Clerical staff	287	416	312	427
KMP	17	1	29	1
Executives	81	20	86	18
Middle managers	1,416	683	1,574	745
Unskilled workers	4,216	3,261	4,481	3,585
Skilled professionals	1,346	397	1,367	425
	7,363	4,778	7,849	5,201

The average number Codere Group employees with a disability of a severity of 33% or higher was 14 in 2018 and 2017.

Note that the average number of employees with a disability of a severity of 33% or more refers to the Spanish companies in the scope of consolidation.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

f) Basic earnings per share

Basic earnings per share

2018			2017		
Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share	Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share
(33,604)	118,517,244	(0.28)	19,740	2,254,009,381	0.01

Basic earnings per share attributable to equity holders of the parent

2018			2017		
Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share	Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share
(40,411)	118,517,244	(0.34)	2,736	2,254,009,381	0.01

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

2018			2017		
Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share	Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share
(40,411)	118,517,244	(0.34)	2,736	2,254,009,381	0.01

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

As a result of the own shares held as treasury stock, the weighted average number of ordinary shares used to calculate basic earnings per share was 118,517,244 in 2018 (2,254,009,381 in 2017).

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

g) Finance income and costs

	Thousands of euros	
	2018	2017
Finance costs		
Contractual interest expense and finance charges	(74,787)	(78,338)
Unwinding of discount on provisions and other liabilities	(125)	(1,441)
Other finance costs	-	-
	(74,912)	(79,779)
Finance income		
Interest income	2,962	5,448
Interest income from securities, loans and other assets	695	4,530
Other finance income	-	-
	3,657	9,978
Net exchange (losses)/gains	(28,663)	22,641
Total net finance cost	(99,918)	(47,160)

Contractual interest expense and finance charges

This heading primarily includes interest expense on third-party borrowings.

Unwinding of discount on provisions and other liabilities

In 2018, the Group recognized an impairment loss of 125 thousand euros on loans to third parties (1,441 thousand euros in 2017).

Net exchange (losses)/gains

In 2018, this heading recognizes exchange gains of 98,599 thousand euros offset by 132,218 thousand euros of exchange losses. In 2017, it included exchange gains of 90,071 thousand euros offset by 67,430 thousand euros of exchange losses.

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

Breakdown of cash and cash equivalents

	Thousands of euros	
	2018	2017
Cash equivalents	7,085	6,527
Cash at bank and in hand	74,690	98,011
	81,775	104,538
Currency		
	2018	2017
Euros	40,554	52,449
US dollars	11,866	18,413
Argentine pesos	13,075	17,277
Mexican pesos	9,990	13,663
Uruguayan pesos	4,661	1,488
Colombian pesos	1,493	1,081
Pound sterling	100	58
Brazilian reais	36	109
	81,775	104,538

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Additional disclosures for reconciliation purposes

In the year ended December 31, 2018, the main transactions that did not entail inflows or outflows of cash were the gains recognized on asset sales and certain items of operating income (2,000 thousand euros), on the one hand, and the losses recognized on the sale or derecognition of fixed assets (5,348 thousand euros), certain items of operating expenses (6,432 thousand euros) and the inflation effect on profits from Argentina for 12,208 thousand euros, on the other.

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

As for the cash used in investing activities, during the year ended December 31, 2018, the Group incurred 103,094 thousand euros of capital expenditure, incurred a cash outflow of 239 thousand euros in connection with long-term loans, specifically: a net outflow of 978 thousand euros in respect of loans extended to hospitality establishment owners in Spain (loan payments of 3,808 thousand euros, net of proceeds of 2,830 thousand euros) and a net inflow of 739 thousand in respect of long-term loans extended to establishment owners in Italy (loan payments of 18,524 thousand euros, net of proceeds of 19,263 thousand euros). The Group paid 7,157 thousand euros for acquisitions, including the acquisition of companies in Italy (500 thousand euros) and Spain (6,752 thousand euros).

The increase in proceeds from bank loans of 27,452 thousand euros corresponds to loans obtained in Spain (5,458 thousand euros), Uruguay (10,340 thousand euros) and Codere Newco (11,654 thousand euros). The outflow of 30,209 thousand euros to repay bank loans was concentrated in Mexico, Uruguay, Codere Newco, Colombia and Italy. The movement in other financial borrowings reflects an outflow of 2,024 thousand euros in respect of deferred gaming taxes and expenses of 542 thousand euros associated with borrowings arranged in Codere Newco.

The heading "Other cash flows due to impact of exchange rates on collections and payments" reflected an outflow of 11,468 thousand euros.

In the year ended December 31, 2017, the main transactions that did not entail inflows or outflows of cash were the gains recognized on asset sales and certain items of operating income (3,870 thousand euros), on the one hand, and the losses recognized on the sale or derecognition of fixed assets (2,509 thousand euros) and certain items of operating expenses (9,492 thousand euros), on the other.

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

As for the cash used in investing activities, during the year ended December 31, 2017, the Group incurred 106,734 thousand euros of capital expenditure, collected 1,486 thousand euros from disposals, incurred a cash outflow of 619 thousand euros in connection with long-term loans, specifically: a net outflow of 79 thousand euros in respect of loans extended to hospitality establishment owners in Spain (loan payments of 2,678 thousand euros, net of proceeds of 2,482 thousand euros) and a net outflow of 423 thousand in respect of long-term loans extended to establishment owners in Italy (loan payments of 16,775 thousand euros, net of proceeds of 16,352 thousand euros). The Group paid 33,152 thousand euros for acquisitions, including the acquisition of non-controlling interests in Grupo Caliente for 24,470 thousand euros and of companies in Italy (3,269 thousand euros) and Spain (6,506 thousand euros), offset by cash on these entities' balance sheets at the acquisition dates in the amount 1,093 thousand euros.

The increase in proceeds from bank loans of 27,997 thousand euros corresponds to loans obtained in Mexico (27,223 thousand euros) and Italy. The outflow of 23,388 thousand euros to repay bank loans was concentrated in Mexico, Carrasco-Uruguay, Panama, Colombia and Italy. The movement in other financial borrowings reflects an outflow of 6,330 thousand euros in respect of deferred gaming taxes

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **(Thousands of euros)**

and expenses of 907 thousand euros associated with borrowings arranged in Mexico.

The heading “Other cash flows due to impact of exchange rates on collections and payments” reflected an outflow of 4,942 thousand euros.

Thousands of euros	Balance at Jan. 1, 2018	Cash flows	Movement in foreign currency	Changes in fair value	New borrowings	Reclassifications	Other	Balance at Dec. 31, 2018
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (current)	13,028	(58,183)	401	-	-	3,575	53,719	12,540
Current bank borrowings	39,058	(31,704)	974	-	-	26,483	4,193	40,004
Current finance lease liabilities and forward contracts	47,673	(8,703)	(3,494)	-	-	32,879	6,232	74,587
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (non-current)	752,896	-	10,426	-	-	(3,575)	2,239	761,985
Non-current bank borrowings	40,775	21,994	1,051	-	-	(26,483)	-	37,337
Non-current finance lease liabilities, deferred gaming taxes and other liabilities	38,269	(2,024)	(2,139)	-	45,752	(32,879)	-	46,979
Derivatives	(747)	209	(68)	606	-	-	-	-
Total liabilities arising from financing activities	930,952	(78,411)	(8,151)	606	45,752	-	66,383	973,433

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Thousands of euros	Balance at Jan. 1, 2017	Cash flows	Movement in foreign currency	Changes in fair value	New borrowings	Reclassifications	Other	Balance at Dec. 31, 2017
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (current)	12,224	(58,054)	(1,382)	-	-	5,091	55,149	13,028
Current bank borrowings	23,313	(21,584)	(2,907)	-	774	31,333	8,129	39,058
Current finance lease liabilities and forward contracts	41,014	(23,148)	(2,971)	-	-	30,856	1,922	47,673
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (non-current)	788,335	-	(32,476)	2,128	-	(5,091)	-	752,896
Non-current bank borrowings	49,619	27,997	(5,508)	-	-	(31,333)	-	40,775
Non-current finance lease liabilities, deferred gaming taxes and other liabilities	32,756	6,330	(1,074)	-	31,113	(30,856)	-	38,269
Derivatives	-	(206)	(40)	(751)	-	-	250	(747)
Total liabilities arising from financing activities	947,261	(68,665)	(46,358)	1,377	31,887	-	65,450	930,952

25. RELATED-PARTY TRANSACTION DISCLOSURES

On January 12, 2018, the Board of Directors of Codere, S.A., resolved the following, among other things:

To remove Mr. José Antonio Martínez Sampedro as Executive Chairman of the Board of Directors and Mr. Luis Javier Martínez Sampedro as Executive Deputy Chairman of the Board of Directors, who will remain as proprietary directors.

To appoint Mr. Norman Sorensen Valdez as new non-executive Chairman of the Board. Mr. Sorensen Valdez being present accepted the position and declared he does not have any conflicts to perform this role.

The transactions entered into with related parties that are not part of the Group in 2018 and 2017 and the resulting balances at the respective reporting dates are as follows:

December 31, 2018	Nature of the relationship	Thousands of euros	
		Others	Services rendered
Luis Javier Martínez Sampedro	Director	11	-
Jose Antonio Martínez Sampedro	Director	5	-
Pro TV, S.A.	Advisor	-	62
		16	62

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

December 31, 2017	Nature of the relationship	Thousands of euros	
		Others	Services rendered
Encarnación Martínez Sampedro	Executive/Director	695	-
Luis Javier Martínez Sampedro	Executive/Director	939	-
Joseph Zappala	Director	-	50
Pío Cabanillas	Director	-	45
Norman Raul Sorensen Valdés	Director	-	40
Pro TV, S.A.	Advisor	-	373
Manuel Martínez-Fidalgo Vázquez	Director	-	48
Matthew Turner	Director	-	40
Silver Point Capital Management, LLC.	Related party	-	504
		1,634	1,100

2. Transactions with significant shareholders

During the financial year 2018, a 11,655 thousand euros loan agreement was signed (of which as of December 31, 2018, 10,861 thousand euros have yet to be amortized), with two subsidiaries of the Company M&G Investment Management Limited (Prudential PLC).

The interest accrued at year-end 2018 on loans to related parties amounted to 42 thousand euros (year-end 2017: 32 thousand euros). There are no balances pending payment to related parties at either reporting date.

Transactions with related parties were made on terms equivalent to an arm's length transaction. At December 31, 2018, the accumulated interest accrued on loans to executives, in the amount of 764 thousand euros, had been provided for in full (December 31, 2017: 1,174 thousand euros, similarly fully provided for). The Group had also written down the principal on loans extended to certain executives totaling 1,918 thousand euros (1,907 thousand euros at year-end 2017).

a) Director and key management personnel remuneration

The wages, attendance fees and other remuneration accrued by the members of the Board of Directors of Codere, S.A. during the reporting periods are shown below:

	Thousands of euros	
	2018	2017
Director remuneration	1,154	1,250
Services rendered (*)	62	1,100
Fixed and variable remuneration	85	1,572
	1,301	3,922

The fixed remuneration received by the Company's directors in 2018 for membership of the Board of Directors and its various committees (Audit Committee, Compliance Committee and Corporate Governance Committee) was as follows:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Director	Fixed remuneration in his/her capacity as director	Total
José Antonio Martínez Sampedro	100	100
Luis Javier Martínez Sampedro	100	100
Masampe, S.L.	150	150
David Reganato	150	150
Timothy Lavelle	150	150
Manuel Martínez-Fidalgo Vázquez	150	150
Norman Sorensen	150	150
Matthew Turner	150	150
Joseph Zappala (*)	54	54
	1,154	1,154

(*) Joseph Zappala stepped down as director on May 10th, 2018.

The fixed remuneration received by the Company's directors in 2017 for membership of the Board of Directors and its various committees (Audit Committee, Compliance Committee and Corporate Governance Committee) was as follows:

Director	Fixed remuneration in his/her capacity as director	Total
José Antonio Martínez Sampedro	100	100
Luis Javier Martínez Sampedro	100	100
Masampe, S.L.	150	150
David Reganato	150	150
Timothy Lavelle	150	150
Manuel Martínez-Fidalgo Vázquez	150	150
Norman Sorensen	150	150
Matthew Turner	150	150
Joseph Zappala	150	150
	1,250	1,250

In 2018, the Group's key management personnel accrued 5,341 thousand euros of remuneration (4,835 thousand euros in 2017). Some of the Group's executives are also beneficiaries of a long-term incentive plan, arranged in September 2017, for a maximum term of five years and with a maximum size of 7,759 thousand euros (included within the 13.8 million euros of the full long term incentive plan for the Company).

Termination benefits of 4,210 thousand euros were paid to key management personnel in 2018 (2017: 211 thousand euros).

Several Spanish members of Codere's management team have employment contracts that include provisions for special termination benefits that go beyond the mandatory payments stipulated in applicable legislation. The overall amount of termination payments payable under these contracts amounted to 0.5 million euros at December 31, 2018 (0.8 million euros at December 31, 2017).

No advances had been extended to members of the Board at either reporting date. Nor had the Group assumed pension plan obligations on behalf of former or serving members of the Board of Directors. The loans extended to directors and executives are disclosed at the beginning of this note.

There was no remuneration corresponding to the natural persons who represent the Company on the boards on which the Company is a legal person director in either 2018 or 2017.

In 2018, the Company paid 131 thousand euros of civil liability insurance premiums on behalf of its

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

directors to cover potential damages caused in the course of carrying out their duties (2017: 131 thousand euros).

Neither the directors nor persons acting on their behalf engaged in transactions with the Company outside the latter's ordinary course of business or other than on an arm's length basis.

For the purposes of article 229 of Spain's Corporate Enterprises Act, the directors have stated that they are not party to conflicts with respect to the Parent's interests.

b) Balance with Grupo CIE

The Codere Group recognizes an account receivable of 3,786 thousand euros at December 31, 2018 (3,898 thousand euros at December 31, 2017) from a subsidiary of the CIE Group (a minority shareholder in Mexico), Make Pro, S.A. de C.V., for advertising and sponsorship services.

26. AUDITOR FEES

The fees accrued by the Group's audit firms break down as follows:

				Thousands of euros
	EY	Other EY network firms	Other auditors	Total
2018				
Audit services	536	1,083	-	1,619
Other services	280	429	-	709
	816	1,512	-	2,328
	EY	Other EY network firms	Other auditors	Total
2017				
Audit services	216	1,463	88	1,767
Other services	103	615	-	718
	319	2,078	88	2,485

27. ENVIRONMENTAL ISSUES

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

The Codere Group did not make any major environmental investments in either 2018 or 2017.

The consolidated statement of financial position does not recognize any provisions of an environmental nature as, at year-end, the Group had no material future obligations, arising from its actions, to mitigate or repair environmental damage.

28. EVENTS AFTER THE REPORTING DATE

Within the Stability Law in Italy published in the month of December, and partially modified on January 28, 2019, an increase in the PREU rate has been included, which will be 21.6% for the AWP and the 7.9% for the VLTs from May of this fiscal year, as well as additional modifications on said rate for the

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

following fiscal years until 2023 (in said year the rates established by law will be 21.6% for AWP's and 7.85% for the VLTs).

Additionally, on February 1, 2019, the Government of the Province of Buenos Aires approved the "Regulation for the Integration of Contributions to the Progress and Social Inclusion Fund", by which a contribution set at 3% is established for the time being over the prizes paid by the System of Physical Movement of Values, with entry into force as of February 1, 2019.

The Group is already applying both tax measures from the dates established in the respective regulations, and in turn has contemplated the effects thereof in the valuations of its assets and investments.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

APPENDIX I

Consolidated Group at December 31, 2018 and 2017

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
SPAIN:						
APUESTAS DEL PRINCIPADO ASTURIAS, S.A. Calle Pola de Siero, 8 33207 Gijón (Asturias)	Sports-betting	Full	51%	CODERE OPERADORAS DE APUESTAS, S.L.U.	-	-
BETSLOTS CR-COD, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	51%	MISURI, S.A.U.	-	-
BINIPATRIMONIAL, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100%	OPERIBÉRICA, S.A.U.	100%	OPERIBÉRICA, S.A.U.
CARTAYA, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo hall operation	Full	100%	CODERE ESPAÑA, S.A.U.	100%	CODERE ESPAÑA, S.A.U.
C-F8, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100%	OPERIBÉRICA, S.A.U. & J.M. QUERO ASOCIADOS, S.A.U.	75%	OPERIBÉRICA, S.A.U.
CODERE ALICANTE, S.L. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Gaming machine operation	Full	59%	CODERE ESPAÑA, S.A.U.	59%	CODERE ESPAÑA, S.A.U.
CODERE AMÉRICA, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Management and administration of the own funds of entities not resident in Spanish territory	Full	100%	CODERE INTERNACIONAL DOS, S.A.U.	100%	CODERE INTERNACIONAL DOS, S.A.U.
CODERE APUESTAS, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
CODERE APUESTAS ANDALUCIA, S.A.U. Calle Torre del Hacho 3 - Parcela 33 Bis -P. Industrial de Antequera 29200 Antequera (Malaga)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA, S.L.U.	100%	CODERE APUESTAS ESPAÑA, S.L.U.
CODERE APUESTAS ARAGÓN, S.L.U. Calle José Pellicer, 33 50007 Zaragoza	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS ASTURIAS, S.A.U. Calle Pola de Siero, 8 & 10 33207 Gijón (Asturias)	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS BALEARES, S.A.U. Crt. de Palma a Alcudia, Km. 19.400 07330 Consell (Mallorca)	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS CANTABRIA, S.A.U. Calle Columna Sagardía, 3 & 5 39009 Santander	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS CASTILLA LA MANCHA, S.A.U. Polígono Industrial “Santa Maria de Benquerencia”, Calle Jarama, 50 A 45007 Toledo	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS CASTILLA Y LEÓN, S.A.U. Calle Recondo, 11 - 13 47007 Valladolid	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS CATALUÑA, S.A.U. Polígono Industrial “Riera de Caldes” Calle Mercaders, 1 08184 Palau i Solità Plegamans (Barcelona)	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS CEUTA, S.L.U.	Sports-betting	Full	100%		100%	CODERE OPERADORAS DE APUESTAS, S.L.U.

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			%		%	
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Glorieta del Teniente Reinoso, s/nº, edificio “Ceuta Center”, B-22-25, 51001 Ceuta				CODERE OPERADORAS DE APUESTAS, S.L.U.		
CODERE APUESTAS ESPAÑA, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports-betting	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE NEWCO, S.A.U.
CODERE APUESTAS EXTREMADURA, S.A.U. Polígono Industrial Capellanías, Travesía 1, Parcela 105, Nave 11 10005 Cáceres	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS GALICIA, S.L.U. Avenida Enrique Salgado Torres, 11, 15008 A Coruña	Sports-betting	Full	51%	CODERE OPERADORAS DE APUESTAS, S.L.U.	51%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS LA RIOJA, S.A.U. Polígono Industrial “El Sequero”, Calle Río Piqueras, 133 – N3 26151 Arrubal (La Rioja)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS MELILLA, S.A.U. Calle Puerto Deportivo Local, 11, 52001 Melilla	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS MURCIA, S.L.U. Calle Los Martínez, 4 (Bajo), Barrio del Progreso, 30012 Murcia	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS NAVARRA, S.A.U. Polígono Plazaola, Manzana D, Nave 10, Aizoain 31195 Barrioplano (Navarre)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.
CODERE APUESTAS VALENCIA, S.A.U. Avda. Alquería de Moret, 19-21	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA, S.L.U.	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.

CODERE, S.A. AND SUBSIDIARIES

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Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
46210 Picanya (Valencia)						
CODERE CASTILLA Y LEÓN, S.L.U. Calle Recondo, 11 - 13 47007 Valladolid	Gaming machine operation	Full	100%	OPERIBÉRICA, S.A.U.	100%	OPERIBÉRICA, S.A.U.
CODERE DISTRIBUCIONES, S.L.U. Pol. Ind. Riera de Caldes, Calle Mercaders, 1 08184 Palau de Plegamans (Barcelona)	Operation, distribution and sale of gaming machines	Full	100%	OPERIBÉRICA, S.A.U.	100%	OPERIBÉRICA, S.A.U.
CODERE ESPAÑA, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company, operation of gaming machines and bingo halls	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE NEWCO, S.A.U.
CODERE GIRONA, S.A. Calle Benet del Riu, 10 17007 Girona (Barcelona)	Gaming machine operation	Full	66.67%	CODERE ESPAÑA, S.A.U.	66.67%	CODERE ESPAÑA, S.A.U.
CODERE GUADALAJARA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation, distribution and sale of gaming machines	Full	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
CODERE HUESCA, S.L. Calle Pedro Arnal Caveno, 5 22005 Huesca	Gaming machine operation	Full	51.02%	OPERIBÉRICA, S.A.U.	51.02%	OPERIBÉRICA, S.A.U.
CODERE INTERACTIVA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Television, internet or telephone gaming activities	Full	90%	CODERE NEWCO, S.A.U.	90%	CODERE NEWCO, S.A.U.
CODERE INTERNACIONAL, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE NEWCO, S.A.U.

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Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
CODERE INTERNACIONAL DOS, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	Full	100%	CODERE INTERNACIONAL S.A.U.	100%	CODERE INTERNACIONAL S.A.U.
CODERE LATAM, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Management and administration of the own funds of entities not resident in Spanish territory	Full	100%	CODERE INTERNACIONAL DOS, S.A.U. & CODERE NEWCO, S.A.U.	100%	CODERE INTERNACIONAL DOS, S.A.U. & CODERE NEWCO, S.A.U.
CODERE LOGROÑO, S.L. Calle Río Piqueras 133 (Polig. Ind. El Sequero) 26509 Arrubal (La Rioja)	Gaming machine operation	Full	75.03%	OPERIBÉRICA, S.A.U.	75.03%	OPERIBÉRICA, S.A.U.
CODERE NAVARRA, S.A.U. Polígono Plazaola, manzana D, nave 10 31195 Aizoáin, Berrioplano (Navarre)	Gaming machine operation	Full	100%	OPERIBÉRICA, S.A.U.	100%	OPERIBÉRICA, S.A.U.
CODERE NEWCO, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Financial services	Full	100%	CODERE LUXEMBOURG 2, S.A.R.L.	100%	CODERE LUXEMBOURG 2, S.A.R.L.
CODERE ONLINE, S.A.U. C/ Cándido Lobera, nº 2, 1º A, 52001 Melilla	The organization, sale & marketing and operation of games	Full	100%	CODERE ESPAÑA, S.A.U.	100%	CODERE ESPAÑA, S.A.U.
CODERE OPERADORA DE APUESTAS, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports-betting	Full	100.00%	CODERE APUESTAS ESPAÑA, S.L.U.	100.00%	CODERE APUESTAS ESPAÑA, S.A.U.
CODERE SERVICIOS, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Provision of real estate advisory, intermediation, development and management services	Full	100%	JPV MATIC 2005, S.L.U.	100%	JPV MATIC 2005, S.L.U.
COLONDER, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	Full	100%	CODERE INTERNACIONAL DOS, S.A.U.	100%	CODERE INTERNACIONAL DOS, S.A.U.

CODERE, S.A. AND SUBSIDIARIES

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Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
COMERCIAL YONTXA, S.A. Calle Nicolás Alcorta, 1 & 3 48003 Bilbao	Gaming machine operation	Full	51%	OPERIBÉRICA, S.A.U.	51%	OPERIBÉRICA, S.A.U.
DESARROLLO ONLINE JUEGOS REGULADOS, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Online gaming activities	Full	100%	CODERE ONLINE S.A.U.	100%	CODERE ONLINE S.A.U.
EL PORTALÓN, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
GARAIPEN VICTORIA APUSTUAK, S.L. Pol. Ind. Asuarán, Edif. Artxanda, No. 3 48950 Erandio (Vizcaya)	Sports-betting	Full	85.19%	CODERE APUESTAS ESPAÑA, S.L.U. & COMERCIAL YONTXA, S.A.	85.19%	CODERE APUESTAS ESPAÑA, S.L.U. & COMERCIAL YONTXA, S.A.
IPM MÁQUINAS, S.L.U. C/ Perdiz, 29 Pol. Ind. Gibraltar La Línea de la Concepción - Cadiz	Gaming machine operation	Full	100.00%	OPERIBÉRICA, S.A.U.	100.00%	OPERIBÉRICA, S.A.U.
J.M. QUERO Y ASOCIADOS, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100.00%	CODERE ESPAÑA, S.A.U.	100.00%	CODERE ESPAÑA, S.A.U.
JOLUGAR 41, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation		-	-	100.00%	CODERE SERVICIOS, S.L.U.
JPV MATIC 2005, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100%	CODERE ESPAÑA, S.A.U.	100%	CODERE ESPAÑA, S.A.U.
MILLENNIAL GAMING, S.A. Avda. de Bruselas, 26	Gaming machine operation	Full	51%	OPERIBÉRICA, S.A.U.	51%	OPERIBÉRICA, S.A.U.

CODERE, S.A. AND SUBSIDIARIES

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			%		%	
			Shareholding	Held through	Shareholding	Held through
28108 Alcobendas (Madrid)						
MISURI, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo gaming	Full	100%	CODERE ESPAÑA, S.A.U.	100%	CODERE ESPAÑA, S.A.U.
NIDIDEM, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Portfolio management	Full	100%	CODERE INTERNACIONAL DOS, S.A.U.	100%	CODERE INTERNACIONAL DOS, S.A.U.
OPERADORES ELECTRÓNICOS DE ANDALUCÍA, S.A. Polígono Industrial de Antequera, Calle Torre del Hacho, 3 parcela 33 Bis, 29200 Antequera (Málaga)	Gaming machine operation	Full	51%	OPERIBÉRICA, S.A.U.	51%	OPERIBÉRICA, S.A.U.
OPERIBÉRICA, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100%	CODERE ESPAÑA, S.A.U.	100%	CODERE ESPAÑA, S.A.U.
OPERJUEGO, S.L.U. Ctra. Nacional 420, Km. 286. 13600 Alcázar de San Juan (Ciudad Real)	Gaming machine operation	Full	100%	OPERIBÉRICA, S.A.U.	-	-
OPEROESTE, S.A. Calle Hernán Cortés, 188, 1ª planta 06700 Villanueva de la Serena (Badajoz)	Gaming machine operation	Full	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
OPERSHERKA, S.L.U. Calle Padre Melchor Prieto, 31 09005 Burgos	Gaming machine operation	Full	100%	OPERIBÉRICA, S.A.U.	100%	OPERIBÉRICA, S.A.U.
RAMÓN Y AURORA, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100%	OPERIBÉRICA, S.A.U.	-	-
RECREATIVOS ACR, S.L.	Gaming machine operation		50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.

CODERE, S.A. AND SUBSIDIARIES

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			%		%	
			Shareholding	Held through	Shareholding	Held through
Polígono Espíritu Santo, Parcela 11-12, Nave 3 33010 Colloto, Oviedo (Asturias)		Full				
RECREATIVOS EL ROBLE, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100.00%	OPERIBÉRICA, S.A.U.	-	-
RECREATIVOS JUVASA, S.L. Calle Mercaders, 1, Pol. Ind. Riera de Caldes Palau I Solità de Plegamans, 08184 Barcelona	Gaming machine operation	Full	100.00%	OPERIBÉRICA, S.A.U.	100.00%	OPERIBÉRICA, S.A.U.
RECREATIVOS OBELISCO, S.L. Polígono Industrial San Rafael, Calle San Rafael, 73 04230 Huercal de Almería (Almeria)	Gaming machine operation	Full	60.61%	OPERIBÉRICA, S.A.U.	60.61%	OPERIBÉRICA, S.A.U.
RECREATIVOS PANORAMIX, S.L.U. C/ Las Rederas, 3-5 (previously C/ Columna Sagardía, 3-5) 39009 Santander	Gaming machine operation	Full	100.00%	OPERIBÉRICA, S.A.U.	-	-
RED AEAM, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo gaming	Full	100%	MISURI, S.A.U.	100%	MISURI, S.A.U.
RESTI Y CIA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
ROYUELA RECREATIVOS, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100%	OPERIBÉRICA, S.A.U.	-	-
SERVICIOS DE JUEGO ONLINE, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Services provision	Full	100%	CODERE NEWCO, S.A.U.	-	-

CODERE, S.A. AND SUBSIDIARIES

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			%		%	
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SPORT BET EXTREMADURA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100.00%	CODERE APUESTAS EXTREMADURA, S.A.U. & J.M. QUERO Y ASOCIADOS, S.A.U.	51.00%	CODERE APUESTAS EXTREMADURA, S.A.U.
ARGENTINA:						
BINGOS DEL OESTE, S.A. Av. del Libertador 1068, P 9º Buenos Aires (Argentina)	Lottery and bingo halls	Full	100%	CODERE ARGENTINA, S.A. & BINGOS PLATENSES, S.A	100%	CODERE ARGENTINA, S.A. & BINGOS PLATENSES, S.A
BINGOS PLATENSES, S.A. Av. del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo hall operation	Full	100%	CODERE ARGENTINA, S.A. & COLONDER S.A.U.	100%	CODERE ARGENTINA, S.A. & COLONDER S.A.U.
CODERE ARGENTINA, S.A. Av. del Libertador 1068, P 9º Buenos Aires (Argentina)	Holding company	Full	100%	IBERARGEN, S.A. & COLONDER S.A.U.	100%	IBERARGEN, S.A. & COLONDER S.A.U.
IBERARGEN, S.A. Av. del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo, lottery and hospitality operations	Full	100%	COLONDER S.A.U. & NIDIDEM, S.A.U.	100%	COLONDER S.A.U. & NIDIDEM, S.A.U.
INTERBAS, S.A. Av. del Libertador 1068, P 9º Buenos Aires (Argentina)	Lottery and bingo operations	Full	100%	COLONDER S.A.U. & IBERARGEN S.A.	100%	COLONDER S.A.U. & IBERARGEN S.A.
INTERJUEGOS, S.A. Av. del Libertador 1068, P 9º Buenos Aires (Argentina)	Lottery and bingo operations	Full	100%	CODERE ARGENTINA, S.A. & COLONDER, S.A.U.	100%	CODERE ARGENTINA, S.A. & COLONDER, S.A.U.
INTERMAR BINGOS, S.A. Av. del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo hall operation	Full	80%	CODERE ARGENTINA, S.A. & COLONDER, S.A.U.	80%	CODERE ARGENTINA, S.A. & COLONDER, S.A.U.
ITAPOAN, S.A.	Bingo hall operation		81.80%	IBERARGEN, S.A. & INTERBAS, S.A.	81.80%	IBERARGEN, S.A. & INTERBAS, S.A.

CODERE, S.A. AND SUBSIDIARIES

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			%		%	
			Shareholding	Held through	Shareholding	Held through
Av. del Libertador 1068, P 9º Buenos Aires (Argentina)		Full				
SAN JAIME, S.A. Av. del Libertador 1068, P 9º Buenos Aires (Argentina)	Real estate	Full	100%	CODERE ARGENTINA, S.A. & BINGOS DEL OESTE, S.A.	100%	CODERE ARGENTINA, S.A. & BINGOS DEL OESTE, S.A.
BRAZIL:						
CODERE DO BRASIL ENTRETENIMIENTO, LTDA. Avenida Nove de Julho 5229, 1º andar, sala 45, Itaim Bibi, City of Sao Paulo (Brazil)	Operation of gaming machines and management of horse racing bets	Full	100%	CODERE LATAM, S.A., CODERE INTERNACIONAL DOS S.A. & NIDIDEM, S.A.U.	100%	CODERE LATAM, S.A. & NIDIDEM, S.A.U.
SIMULCASTING BRASIL SOM E IMAGEM, LTDA. Rua Helena, nº 260, piso 8, Conj.:82-A City of Sao Paulo (Brazil)	Operation of gaming machines and management of horse racing bets	Full	-	-	100%	CODERE INTERNACIONAL DOS, S.A.U. & NIDIDEM, S.A.U.
CHILE:						
CODERE CHILE, LTDA. Gerónimo de Alderete 790, depto. 107, La Florida Santiago de Chile (Chile)	Investment, lease, disposal, purchase-sale and exchange of all manner of assets	Full	100%	CODERE AMÉRICA, S.A.U. & NIDIDEM, S.A.U.	100%	CODERE AMÉRICA, S.A.U. & NIDIDEM, S.A.U.
COLOMBIA:						
BINGOS CODERE, S.A. Transversal 95 Bis A No. 25 D – 41 Bogota (Colombia)	Bingo hall operation	Full	99.99%	NIDIDEM, S.A.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A.U. & CODERE LATAM, S.A.	99.99%	NIDIDEM, S.A.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A.U. & CODERE LATAM S.A.
CODERE COLOMBIA, S.A. Transversal 95 Bis A No. 25 D – 41 Bogota (Colombia)	Operation of electronic games and games of chance	Full	99.99%	COLONDER, S.A.U., NIDIDEM S.A.U., CODERE LATAM, S.A. & CODERE INTERNACIONAL S.A.U.	99.99%	COLONDER, S.A.U., NIDIDEM S.A.U., CODERE LATAM, S.A. & CODERE INTERNACIONAL S.A.U.

CODERE, S.A. AND SUBSIDIARIES

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			%		%	
			Shareholding	Held through	Shareholding	Held through
CODERE LATAM COLOMBIA, S.A. Transversal 95 Bis A No. 25 D – 41 Colombia	Investment and re-investment activities in the real estate sector	Full	100.00%	CODERE LATAM, S.A., NIDIDEM, S.A.U., CODERE INTERNACIONAL, S.A.U., CODERE INTERNACIONAL DOS, S.A.U. & COLONDER, S.A.U.	100.00%	CODERE LATAM, S.A., NIDIDEM, S.A.U., CODERE INTERNACIONAL, S.A.U. & CODERE INTERNACIONAL DOS, S.A.U.
INTERSARE, S.A. Transversal 95 Bis A No. 25 D – 41 Bogota (Colombia)	Operation of electronic amusement machines directly and via third parties	Full	59.89%	CODERE COLOMBIA S.A. & NIDIDEM, S.A.U.	59.89%	CODERE COLOMBIA S.A. & NIDIDEM, S.A.U.
ISRAEL:						
CODERE ISRAEL MARKETING SUPPORT SERVICES, LTD Jaffa Area, Hashlosa 2 Tel Aviv	Service provision	Full	100.0%	SERVICIOS DE JUEGO ONLINE, S.A.U.	-	-
ITALY:						
CODEMATICA, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	93.5%	CODERE GAMING ITALIA, S.R.L.	93.5%	CODERE GAMING ITALIA, S.R.L.
CODERE GAMING ITALIA, S.R.L. Via Cornellia, 498 Rome	Holding company	Full	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
CODERE ITALIA, S.P.A. Via Cornellia, 498 Rome	Provision of advisory services	Full	100%	CODERE INTERNACIONAL, S.A.U.	100%	CODERE INTERNACIONAL, S.A.U.
CODERE NETWORK, S.P.A. Via Cornellia, 498	Network concession	Full	98%	CODEMATICA, S.R.L.	98%	CODEMATICA, S.R.L.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
Rome						
CODERE SCOMMESSE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
CRISTALTEC SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
DP SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	60%	CODERE ITALIA, S.P.A.	60%	CODERE ITALIA, S.P.A.
FG SLOT SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	55%	CODERE ITALIA, S.P.A.	55%	CODERE ITALIA, S.P.A.
GAMING RE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	75%	CODERE ITALIA, S.P.A.	75%	CODERE ITALIA, S.P.A.
GAP GAMES S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
G.A.R.E.T., S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
GESTIONI MARCONI, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
GIOMAX, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation		-	-	100%	OPERBINGO ITALIA, S.P.A.
HIPPOBINGO FIRENZE, S.R.L. Via Giuseppe Ambrosini, 300 Cesena	Bingo hall operation	EM	34%	OPERBINGO ITALIA, S.P.A.	34%	OPERBINGO ITALIA, S.P.A.
KING BINGO, S.R.L. Via Strada Statale Sannitica, 265. km. 25.8 Maddaloni (Ce), Italy	Bingo hall operation	Full	85%	OPERBINGO ITALIA, S.P.A.	85%	OPERBINGO ITALIA, S.P.A.
KING SLOT, S.R.L. Via Strada Statale Sannitica, 265. km. 25.8 Maddaloni (Ce), Italy	Bingo hall operation	Full	85%	OPERBINGO ITALIA, S.P.A.	85%	OPERBINGO ITALIA, S.P.A.
NEW JOKER, S.R.L. Via della Magliana, 279a Rome	Bingo hall operation	EM	30%	OPERBINGO ITALIA, S.P.A.	30%	OPERBINGO ITALIA, S.P.A.
NORI GAMES SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
OPERBINGO ITALIA, S.P.A. Via Cornellia, 498 Rome	Bingo hall operation	Full	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
PALACE BINGO, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
ROYAL JACKPOT, S.R.L. Via Cornellia, 498 Colleferro (RM)	Bingo hall operation		-	-	51%	CRISTALTEC SERVICE, S.R.L.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
SE.BI.LOT, S.R.L. Via Cornellia, 498 Rome	Sale and lease of audiovisual equipment	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
SEVEN CORA SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	60%	CODERE ITALIA, S.P.A.	60%	CODERE ITALIA, S.P.A.
VASA & AZZENA SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
VEGAS, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation		-	-	100%	OPERBINGO ITALIA, S.P.A.
LUXEMBOURG:						
CODERE FINANCE (LUXEMBOURG), S.A. 6C, rue Gabriel Lippmann, L-5365 Munsbach (Luxembourg)	Holding company	Full	100%	CODERE NEWCO, S.A.U. & CODERE ESPAÑA, S.A.U.	100%	CODERE NEWCO, S.A.U. & CODERE ESPAÑA, S.A.U.
CODERE FINANCE 2 (LUXEMBOURG), S.A. 6C, rue Gabriel Lippmann, L-5365 Munsbach (Luxembourg)	Holding company	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE NEWCO, S.A.U.
CODERE LUXEMBOURG 1, S.A.R.L. 6C, Rue Gabriel Lippmann L-5365 Munsbach - Luxembourg	Holding company	Full	100.00%	CODERE, S.A.	100.00%	CODERE, S.A.
CODERE LUXEMBOURG 2, S.A.R.L. 6C, Rue Gabriel Lippmann L-5365 Munsbach - Luxembourg	Holding company	Full	100.00%	CODERE LUXEMBOURG 1, S.A.R.L.	100.00%	CODERE LUXEMBOURG 1, S.A.R.L.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
MALTA:						
CODERE ONLINE OPERATOR, LTD Level 3 (suite no. 2266), Tower Business Centre, Tower Street, Swatar Birkirkara BKR 4013 MALTA	Remote gaming of any kind and the facilitation of this form of gaming	Full	100%	SERVICIOS DE JUEGO ONLINE S.A.U.	-	-
CODERE ONLINE MANAGEMENT SERVICES, LTD Level 3 (suite no. 2266), Tower Business Centre, Tower Street, Swatar Birkirkara BKR 4013 MALTA	Remote gaming of any kind and the facilitation of this form of gaming	Full	100%	SERVICIOS DE JUEGO ONLINE S.A.U.	-	-
MEXICO:						
ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City.	Operation, administration and development of horse and greyhound race tracks and sports shows	Full	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. & SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. & SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.
ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V. ASOCIACIÓN EN PARTICIPACIÓN Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City.	Operation, administration and development of horse and greyhound race tracks and sports shows	Full	84.8%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.	84.8%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.
ADMINISTRADORA MEXICANA DE HIPÓDROMO II, S.A. DE C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City.	Operation, administration and development of horse and greyhound race tracks and sports shows	Full	84.8%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V. & JUEGAMAX DE LAS AMÉRICAS S.A. DE CV	84.8%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V. & JUEGAMAX DE LAS AMÉRICAS S.A. DE C.V.
ADMINISTRADORA MEXICANA DE HIPÓDROMO III, S.A. de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo	Operation, administration and development of horse and greyhound race tracks and sports shows	Full	84.8%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V. & IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V.	84.8%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V. & IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Name	Business activity	Consolidation method	2018		2017	
			%	%		
			Shareholding	Held through	Shareholding	Held through
Mexico City.						
CALLE DE ENTRETENIMIENTO LAS AMÉRICAS, S.A. de C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Development, construction, organization, operation and acquisition of and equity investments in other companies	Full	84.8%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO VIRTUAL S.A DE C.V.	84.8%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO VIRTUAL S.A DE C.V.
CALLE ICELA, S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Development, construction, organization, operation and acquisition of and equity investments in other companies	EM	49%	CODERE MÉXICO, S.A. DE C.V.	49%	CODERE MÉXICO, S.A. DE C.V.
CENTRO DE CONVENCIONES LAS AMÉRICAS, S.A de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Administration, operation and development of exhibitions and conventions	EM	49%	HOTEL ICELA, S.A.P.I. DE C.V. & CALLE ICELA, S.A.P.I. DE C.V.	49%	HOTEL ICELA S.A.P.I. DE C.V. & CALLE ICELA S.A.P.I. DE C.V.
CODERCO, S.A. DE C.V., SOFOM, E.N.R. Av. Conscripto 311, Puerta 4 Caballerizas 6 D 102, Lomas de Sotelo Mexico City	Other business support services	Full	100%	CODERE LATAM, S.A. & NIDIDEM, S.A.U.	100%	CODERE LATAM, S.A. & NIDIDEM, S.A.U.
CODERE MÉXICO, S.A. DE C.V. Av. Conscripto 311, Puerta 4 Caballerizas 6 D 102, Lomas de Sotelo Mexico City	Holding company	Full	100%	CODERE LATAM, S.A., NIDIDEM, S.A.U., CODERCO, S.A. DE C.V., SOFOM, E.N.R. & PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	100%	CODERE LATAM, S.A., NIDIDEM, S.A.U., CODERCO, S.A. DE C.V., SOFOM, E.N.R. & PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.
COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Other business support services	Full	84.8%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO VIRTUAL S.A. DE C.V.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO VIRTUAL S.A. DE C.V.
ENTRENIMIENTO RECREATIVO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo	Operation of legally-permitted gaming activities	Full	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. & ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. & ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Name	Business activity	Consolidation method	2018		2017	
			%	%	%	%
			Shareholding	Held through	Shareholding	Held through
Mexico City						
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Development, construction, organization, operation and acquisition of and equity investments in other companies	Full	84.8%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.
HOTEL ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Construction and management of tourist and sports complexes	EM	49%	HOTEL ICELA S.A.P.I. DE C.V. & CALLE ICELA S.A.P.I. DE C.V.	49%	HOTEL ICELA S.A.P.I. DE C.V. & CALLE ICELA S.A.P.I. DE C.V.
HOTEL ICELA, S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Development, construction, organization, operation and acquisition of and equity investments in other companies	EM	49%	CODERE MÉXICO, S.A. DE C.V.	49%	CODERE MÉXICO, S.A. DE C.V.
IMPULSORA DE CENTROS DE ENTRETENIMIENTO DE LAS AMÉRICAS, S.A.P.I. de C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming room operation	Full	84.80%	CODERE MÉXICO, S.A. DE C.V.	84.80%	CODERE MÉXICO, S.A. DE C.V.
IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming hall management	Full	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. & COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V.	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. & COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V.
JUEGAMAX DE LAS AMÉRICAS, S.A. DE CV Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo	Gaming room operation	Full	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. & COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V.	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. & COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
Mexico City						
LIBROS FORÁNEOS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Organization of all manner of games, bets and draws	Full	100.00%	CODERE MÉXICO, S.A. DE C.V. & PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	100.00%	CODERE MÉXICO, S.A. DE C.V.
MIO GAMES, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming	Full	100.00%	CODERE MÉXICO, S.A. DE C.V. & PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	100.00%	CODERE MÉXICO, S.A. DE C.V.
OPERADORA CANTABRIA, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Organization of all manner of games, bets and draws	Full	100.00%	CODERE MÉXICO, S.A. DE C.V. & PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	100.00%	CODERE MÉXICO, S.A. DE C.V.
OPERADORA DE ESPECTÁCULOS DEPORTIVOS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Organization of all manner of games, bets and draws	Full	100.00%	CODERE MÉXICO, S.A. DE C.V. & PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	100.00%	CODERE MÉXICO, S.A. DE C.V.
PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Advice, operation, administration and activities related with remote gaming	Full	100%	CODERE MÉXICO, S.A. DE C.V. & NIDIDEM S.A.U.	100%	CODERE MÉXICO, S.A. DE C.V. & NIDIDEM S.A.U.
PROMOJUEGOS DE MÉXICO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming	Full	100.00%	CODERE MÉXICO, S.A. DE C.V. & PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	100.00%	CODERE MÉXICO, S.A. DE C.V.
RECREATIVOS CODERE, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming	Full	100%	CODERE MÉXICO, S.A. DE C.V. & NIDIDEM S.A.U.	100%	CODERE MÉXICO, S.A. DE C.V. & NIDIDEM S.A.U.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
RECREATIVOS MARINA, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming	Full	100%	CODERE MÉXICO, S.A. DE C.V. & PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	100%	CODERE MÉXICO, S.A. DE C.V. & PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.
SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Provision of staff administration, hiring, labour advisory and assistance and payroll services	Full	84.80%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.	84.80%	ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.
SERVICIOS COMPARTIDOS EN FACTOR HUMANO HIPÓDROMO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Provision of staff administration, hiring, labour advisory and assistance and payroll services	Full	84.80%	SERVICIOS ADMINISTRATIVOS DE HIPÓDROMO, S.A. DE C.V. & ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V.	84.80%	SERVICIOS ADMINISTRATIVOS DE HIPÓDROMO, S.A. DE C.V. & ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V.
PANAMA:						
ALTA CORDILLERA, S.A. Calle 50 & Calle Elvira Méndez, Torre Financial Center Piso 40 – 41. Corregimiento de Bella Vista, Republic of Panama	End-to-end casino operation	Full	75%	CODERE CHILE, LTDA. Y CODERE AMÉRICA, S.A.U.	75%	CODERE CHILE, LTDA. Y CODERE AMÉRICA, S.A.U.
COMPAÑÍA DE RECREATIVOS DE PANAMÁ, S.A. Calle 50 & Calle Elvira Méndez, Torre Financial Center Piso 40 – 41. Corregimiento de Bella Vista, Republic of Panama	Financial services	Full	100%	CODERE CHILE, LTDA.	100%	CODERE CHILE, LTDA.
HÍPICA DE PANAMÁ, S.A. Vía José Agustín Arango, Corregimiento de Juan Díaz, Apdo 1, Zona 9ª Panama	Racetrack and slot machines	Full	75%	ALTA CORDILLERA, S.A.	75%	ALTA CORDILLERA, S.A.

URUGUAY:

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

Name	Business activity	Consolidation method	2018		2017	
			%		%	
			Shareholding	Held through	Shareholding	Held through
CARRASCO NOBILE, S.A. Rambla República de México 6451 Montevideo (Uruguay)	Operation, administration and management of hotels, casinos, gaming rooms, slot machine rooms and related activities	Full	100%	CODERE MÉXICO, S.A. DE C.V.	100%	CODERE MÉXICO, S.A. DE C.V.
CODERE URUGUAY, S.A. 25 de Mayo 455, 2º piso (reg. office) Mones Roses 6937 (tax residence)	Installation, administration and operation of bingo halls and the provision of complementary services	Full	100%	CODERE LATAM, S.A.	100%	CODERE LATAM, S.A.
HRU, S.A. José María Guerra 3540 Montevideo (Uruguay)	Operation of racetrack and slot machines	Full	100%	CODERE URUGUAY, S.A.	100%	CODERE URUGUAY, S.A.

Legend:

Full: Full consolidation method EM.: Equity method of consolidation

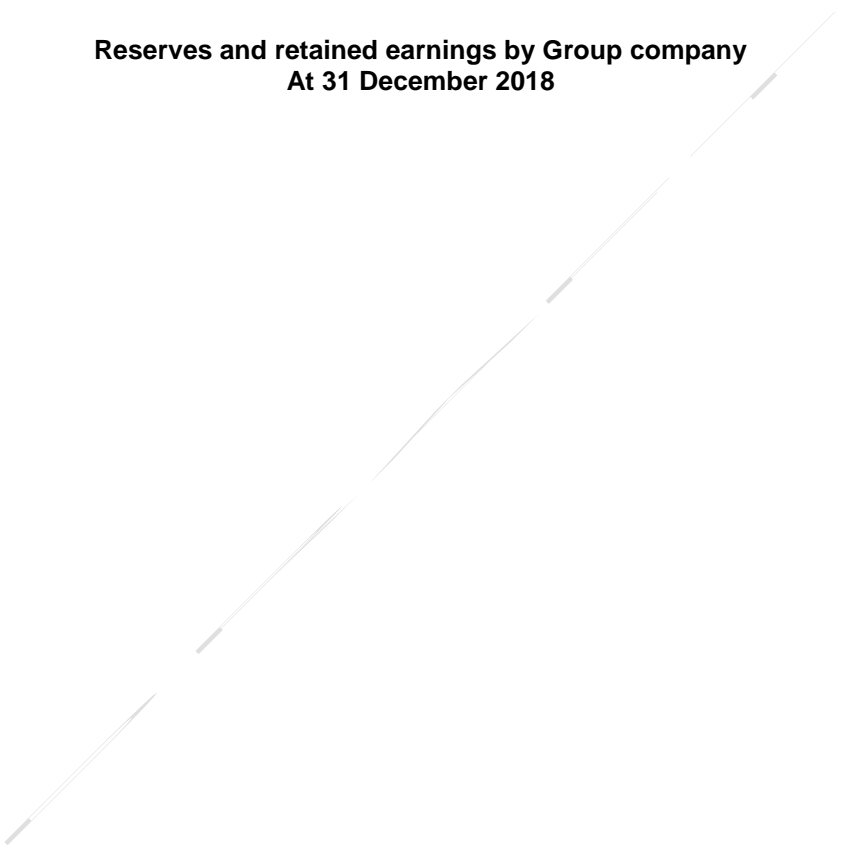
PC: Proportionate consolidation method % shareholding: held directly and indirectly

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

APPENDIX II

Reserves and retained earnings by Group company
At 31 December 2018



CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

The breakdown of the various reserve and retained earnings accounts at December 31, 2018 is provided below (in thousands of euros):

Company	Share capital	Share premium	Reserves	Profit/(loss)	Interim dividend	Equity
CODERE APUESTAS ANDALUCÍA, S.A.U.	2,000	-	(1,449)	(3,177)	-	(2,627)
CODERE APUESTAS ASTURIAS, S.A.U.	1,000	-	(451)	(279)	-	270
CODERE APUESTAS BALEARES, S.A.U.	500	-	(388)	(509)	-	(397)
CODERE APUESTAS CANTABRIA, S.A.U.	60	-	(445)	(401)	-	(786)
CODERE APUESTAS CATALUÑA, S.A.U.	600	-	(1,062)	(161)	-	(623)
CODERE APUESTAS CEUTA, S.L.U.	250	-	37	(18)	-	269
CODERE APUESTAS CASTILLA LEÓN, S.A.U.	1,000	-	(867)	(404)	-	(271)
CODERE APUESTAS CASTILLA LA MANCHA, S.A.U.	500	-	604	225	-	1,329
ALTA CORDILLERA, S.A.	26,114	-	9,652	(2,690)	-	33,075
RED AEAM, S.A.	60	-	9	2	-	71
ASOCIACIÓN EN PARTICIPACIÓN	222,187	-	666,438	83,098	-	971,723
CODERE APUESTAS GALICIA, S.L.U.	2,000	-	484	741	-	3,225
CODERE APUESTAS MELILLA, S.A.U.	60	-	(54)	(41)	-	(34)
ADMINISTRADORA MEXICANA DE HIPÓDROMO II, S.A. DE C.V.	24,002	-	52,082	25,096	-	101,180
ADMINISTRADORA MEXICANA DE HIPÓDROMO III, S.A. DE C.V.	24,818	-	(13,569)	7,188	-	18,437
ADMINISTRADORA MEXICANA DE HIPÓDROMO, S.A. DE C.V.	1,801,332	93,643	3,067,535	605,185	-	5,567,694
CODERE APUESTAS MURCIA, S.L.U.	1,000	-	(1,824)	(306)	-	(1,130)
CODERE APUESTAS EXTREMADURA, S.A.U.	1,000	-	(870)	(506)	-	(376)
CODERE APUESTAS LA RIOJA, S.A.U.	1,000	-	(563)	(340)	-	97
CODERE ARGENTINA, S.A.	1,639	9,005	(9,235)	243,804	-	245,214
CODERE APUESTAS ESPAÑA, S.L.U. SUCURSAL URUGUAY	-	-	(1,179)	(429)	-	(1,608)
BINGOS CODERE, S.A.	-	-	-	-	-	-
BINIPATRIMONIAL, S.L.U.	53	-	352	46	-	452
BINGOS DEL OESTE, S.A.	1,367	106,630	(20,542)	52,500	-	139,954
BINGOS PLATENSES, S.A.	-	-	(766)	209,381	-	208,615
PALACE BINGO, S.R.L.	60	280	49	2,145	-	2,534
CODERE APUESTAS ARAGÓN, S.L.U.	1,000	-	(1,034)	(308)	-	(342)
CODERE APUESTAS ESPAÑA, S.L.U.	662	32,286	(76,591)	(9,244)	-	(52,887)
CODERE ALICANTE, S.L.	875	-	(432)	413	-	856
CODERE CASTILLA LEÓN, S.L.U.	3	-	1	4	-	8
CODERE AMÉRICA, S.A.U.	16,367	-	13,255	(264)	-	29,359
CODERE APUESTAS NAVARRA, S.A.U.	2,000	-	(1,884)	(246)	-	(130)

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

The breakdown of the various reserve and retained earnings accounts at December 31, 2018 is provided below (in thousands of euros):

Company	Share capital	Share premium	Reserves	Profit/(loss)	Interim dividend	Equity
CARRASCO NOBILE, S.A.	4,118	-	7,341	(6,141)	-	5,317
OPERADORA CANTABRIA, S.A. DE C.V.	196,658	-	(318,908)	(61,534)	-	(183,784)
CARTAYA, S.A.U.	120	-	131	7	-	258
CODERE APUESTAS, S.A.U.	60	-	(15,683)	(3,354)	-	(18,977)
CODERE APUESTAS VALENCIA, S.A.U.	2,000	-	(3,993)	(1,429)	-	(3,421)
CODERE DO BRASIL ENTRETENIMIENTO, LTDA.	11,130	-	(259)	(10,062)	-	809
CODERE COLOMBIA, S.A.	-	-	-	-	-	-
CENTRO DE CONVENCIONES LAS AMÉRICAS, S.A. DE C.V.	14,680	-	(46,122)	(12,220)	-	(43,662)
CODERE DISTRIBUCIONES, S.L.U.	3	-	(118)	(1)	-	(116)
CODERE ONLINE, S.A.U.	100	-	(12,294)	(3,883)	-	(16,077)
CODERE SERVICIOS, S.L.U.	3	-	(683)	(819)	-	(1,499)
CALLE ICELA, S.A.P.I. DE C.V.	22,187	-	(3,452)	(6,459)	-	12,275
CALLE DE ENTRETENIMIENTO, S.A. DE C.V.	58	-	(8,073)	(1,442)	-	(9,457)
CODERE ESPAÑA, S.A.U.	2,613	5,185	(93,806)	(97)	-	(86,105)
CODERE FILIAL 8, S.L.	60	-	87	54	-	202
CODERE FINANCE 2 (LUXEMBOURG), S.A.	35	21,485	(7,277)	699	-	14,942
CODERE FINANCE (LUXEMBOURG), S.A.	35	24,344	(30,072)	(320)	-	(6,013)
CODERE GAMING ITALIA, S.R.L.	10	-	(320)	12,091	-	11,781
CODERE GIRONA, S.A.	126	-	9,432	867	-	10,425
CODERE GUADALAJARA, S.L.	3	-	133	158	-	294
CODERE CHILE, LTDA.	-	-	-	-	-	-
CODERE HUESCA, S.L.	5	-	575	287	-	867
CODERE INTERATIVA ITALIA SRL.	-	-	-	-	-	-
CODERE INTERNACIONAL DOS, S.A.U.	436	-	(162,297)	(7,990)	-	(169,852)
CODERE INTERNACIONAL, S.A.U.	85,727	25,270	78,416	2,809	-	192,223
CODERE ITALIA, S.P.A.	15,000	-	17,722	(6,504)	-	26,217
CODERE INTERACTIVA, S.L.	-	-	-	-	-	-
CODERE LATAM, S.A.	74	169,729	79,962	(2,948)	-	246,817
CODERE LATAM COLOMBIA, S.A.	-	-	-	-	-	-
CODERE LOGROÑO, S.L.	6	-	185	(42)	-	148
CODEMÁTICA, S.R.L.	10	-	272	173	-	455
CODERE MÉXICO, S.A. DE C.V.	8,002,372	536	(1,715,544)	(112,011)	-	6,175,353

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

The breakdown of the various reserve and retained earnings accounts at December 31, 2018 is provided below (in thousands of euros):

Company	Share capital	Share premium	Reserves	Profit/(loss)	Interim dividend	Equity
CODERE NEWCO, S.A.U.	60	-	986,852	(3,287)	-	983,626
CODERE, S.A.	509,715	563,178	(341,026)	(9,247)	-	722,620
COLONDER, S.A.U.	9,761	-	499,219	18,336	-	527,315
RECREATIVOS COSMICOS, S.L.	-	-	-	-	-	-
COMERCIAL YONTXA, S.A.	481	-	4,321	975	-	5,777
CODERE SAGUNTO, S.L.	-	-	-	-	-	-
CODERE SERVICIOS COMPARTIDOS, S.A.	-	-	-	-	-	-
CRISTALTEC SERVICE, S.R.L.	10	-	2,191	287	-	2,488
CODERE URUGUAY, S.A.	19,037	-	891	13,171	-	33,098
DESARROLLO ONLINE JUEGOS REGULADOS, S.A.U.	1,753	-	(2,208)	33	-	(422)
DP SERVICE, S.R.L.	90	315	834	(25)	-	1,214
OPERADORES ELECTRÓNICOS DE ANDALUCÍA, S.A.	60	-	(1)	-	-	58
ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.	833,628	-	282,235	19,604	-	1,135,467
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	396,282	-	761,833	(45,428)	-	1,112,687
FG SLOT SERVICE, S.R.L.	116	-	(902)	(168)	-	(954)
GAP GAMES, S.R.L.	21	-	(1,807)	169	-	(1,617)
GAMING RE, S.R.L.	10	-	(1,252)	180	-	(1,062)
GARAIPEN VICTORIA APUSTUAK, S.L.	12,229	-	(26,971)	(2,639)	-	(17,381)
GESTIONI MARCONI, S.R.L.	11	-	431	895	-	1,336
G.A.R.E.T., S.R.L.	110	-	1,427	187	-	1,725
HOTEL ICELA, S.A.P.I. DE C.V.	9,130	-	(1,040)	(978)	-	7,112
HOTEL ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V.	6,605	-	(20,744)	(4,615)	-	(18,754)
HIPPOBINGO FIRENZE, S.R.L.	10	-	11	3	-	24
HÍPICA DE PANAMÁ, S.A.	0	-	2,421	2,120	-	4,541
HRU, S.A.	10,254	-	15,943	7,740	-	33,938
IBERARGEN, S.A.	43,344	-	(52,678)	629,910	-	620,576
IMP. DE CENTROS DE ENTRE. DE LAS AMÉRICAS, S.A.P.I. DE C.V.	2,818,199	56,190	1,000,813	506,955	-	4,382,158
INTERSARE, S.A.	0	-	-	-	-	-
IPM MÁQUINAS, S.L.U.	12	-	306	LM	-	217
IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V.	81	24,818	(1,085)	(38)	-	23,777
ITAPOAN, S.A.	4,247	-	10,939	10,698	-	25,884
CODERE INTERACTIVA, S.L.(Antigua CITR).	30	-	(766)	(7)	-	(743)

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

The breakdown of the various reserve and retained earnings accounts at December 31, 2018 is provided below (in thousands of euros):

Company	Share capital	Share premium	Reserves	Profit/(loss)	Interim dividend	Equity
JUEGAMAX DE LAS AMÉRICAS, S.A. DE C.V.	81	24,002	(637)	19	-	23,466
J.M.QUERO ASOCIADOS, S.A.U.	97	-	(1,025)	(303)	-	(1,231)
JOLUGAR 41, S.L.	0	-	-	-	-	-
JPV MATIC 2005, S.L.U.	3	-	6,392	330	-	6,724
RECREATIVOS JUVASA, S.L.	12	-	313	45	-	370
KING BINGO, S.R.L.	10	-	(1,315)	465	-	(840)
KING SLOT, S.R.L.	100	-	1,077	(350)	-	827
LIBROS FORÁNEOS, S.A. DE C.V.	2,673,312	-	(2,563,013)	33,248	-	143,546
CODERE LUXEMBOURG 1, S.A.R.L.	13	707,594	(28)	(61)	-	707,517
CODERE LUXEMBOURG 2, S.A.R.L.	13	707,594	(113)	(73)	-	707,421
MILLENNIAL GAMING, S.A.	60	-	(905)	(894)	-	(1,740)
MIO GAMES, S.A. DE C.V.	173,517	5,158	(165,669)	(11,094)	-	1,911
MISURI, S.A.U.	2,542	-	7,534	3,150	-	13,226
CODERE NAVARRA, S.A.U.	90	-	(1)	(57)	-	32
NEW JOKER, S.R.L.	110	-	403	(266)	-	247
NIDIDEM, S.A.U.	380	-	(6,556)	811	-	(5,365)
NORI GAMES SERVICE, S.R.L.	100	-	358	(94)	-	364
CODERE OPERADORA DE APUESTAS, S.L.U.	12,009	-	(1,844)	(11)	-	10,154
OPERBINGO ITALIA, S.P.A.	10,180	-	10,265	5,707	-	26,152
OPERADORA DE ESPECTÁCULOS DEPORTIVOS, S.A. DE C.V.	803,641	-	(797,739)	35,132	-	41,034
OPEROESTE, S.A.	204	-	414	221	-	840
OPERIBÉRICA, S.A.	2,104	-	81,229	9,658	-	92,990
OPERSHERKA, S.L.U.	1,049	-	1,115	(59)	-	2,104
PROMOJUEGOS DE MÉXICO, S.A. DE C.V.	650,386	-	(641,107)	11,297	-	20,576
PORTALÓN, S.L.	3	-	194	27	-	224
PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	29,506	-	(86,405)	8,592	-	(48,308)
RECREATIVOS ACR, S.L.	24	-	5	87	-	116
RECREATIVOS CODERE, S.A. DE C.V.	44	-	(1,053)	(82)	-	(1,091)
COMPAÑÍA DE RECREATIVOS DE PANAMÁ, S.A.	3,792	-	-	-	-	3,792
RESTI Y CÍA., S.L.	3	-	117	80	-	200
CODERE NETWORK, S.P.A.	2,000	-	20,250	3,164	-	25,414
RECREATIVOS MARINA, S.A. DE C.V.	266,939	-	(93,123)	(68,347)	-	105,470

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Thousands of euros)

The breakdown of the various reserve and retained earnings accounts at December 31, 2018 is provided below (in thousands of euros):

Company	Share capital	Share premium	Reserves	Profit/(loss)	Interim dividend	Equity
RECREATIVOS OBELISCO, S.L.	37	703	(80)	275	-	935
SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.	44	-	(37,268)	3,000	-	(34,225)
SPORT BET EXTREMADURA, S.L.	203	-	(6)	(38)	-	159
CODERE SCOMMESSE, S.R.L.	10	-	160	(160)	-	10
CODERCO, S.A. DE C.V., SOFOM, E.N.R.	2,395,311	-	(219,033)	(66,586)	-	2,109,692
SE.BI.LOT, S.R.L.	50	-	(550)	(139)	-	(639)
SERV. COMPARTIDOS EN FACTOR HUMANO HIP., S.A. DE C.V.	44	-	(50,666)	350	-	(50,272)
SEVEN CORA SERVICE, S.R.L.	20	-	1,120	(250)	-	890
SIMULCASTING BRASIL SOM E IMAGEM, LTDA.	-	-	232	(232)	-	-
SIGIREC, S.L.	-	-	-	-	-	-
SAN JAIME, S.A.	1,079	-	4,697	7,744	-	13,520
SOMPORT 24, S.L.	-	-	-	-	-	-
COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V.	480	-	72,958	(15,793)	-	57,645
SPEED PLANCH, S.L.	-	-	-	-	-	-
INTERBAS, S.A.	7,585	41,532	(13,792)	459,291	-	494,616
INTERJUEGOS, S.A.	24	17,210	254	174,780	-	192,268
INTERMAR BINGOS, S.A.	87	-	936	68,533	-	69,557
VASA E AZZENA SERVICE, S.R.L.	10	-	820	410	-	1,240
ISRAEL MARKETING SUPPORT SERVICES LTD	-	-	-	(973)	-	(973)
CODERE ONLINE MANAGEMENT, S.L.	40	-	-	(46)	-	(6)
CODERE ONLINE OPERATOR LIMITED	100	-	-	-	-	100

GROUP MANAGEMENT REPORT

The Codere Group's business performance

In 2018, as explained in note 2.a.3 of the consolidated financial statements, the Group began to apply IAS 29 following Argentina's classification as a hyperinflationary economy. As a result, the figures in the Argentine companies' statements of profit or loss and the non-monetary items on their balance sheets have been restated for the inflation accumulated since the items were recognized for accounting purposes and were then translated into euros using the closing exchange rate. Application of IAS 29 had the effect of reducing revenue by 41 million euros and had an adverse impact on Group EBITDA² of 12.2 million euros.

In 2018, operating income declined by 9.9% to 1,476 million euros, factoring in the effect of hyperinflation in Argentina, due to a drop of 30% in revenue from Argentina, as a result of the depreciation of the Argentine peso against the euro, partially offset by revenue growth in Spain. In constant-currency terms, Group revenue would have increased by 9.3% compared to 2017. Adjusted EBITDA³, meanwhile, amounted to 282.9 million euros, growth of 3.4% from 2017, again factoring in the effect of hyperinflation in Argentina. That growth in profits is remarkable in light of the increased gaming tax burden in Italy and Argentina compared to 2017 and the significant volatility in exchange rates, particularly in Argentina, where the currency depreciated 92.3% against the euro; other Latin American currencies also depreciated against the dollar.

The highlights of the year:

- Tax changes in Argentina. As for the change in tax rates and the introduction of new taxes in 2017, the implementation of the 20 peso charge for visiting gaming halls at the provincial level continues to be analyzed by the various implicated authorities. We expect testing to begin during the second quarter of 2019 at certain halls for subsequent deployment.

Elsewhere, the implementation of systems to permit the collection by operators of the tax of 0.95% on amounts wagered began in our gaming halls in February; at the date of this report, virtually all of our Argentine facilities were operating under the upgraded system. Thanks to the rollout of these systems we have gradually stopped paying for that tax on behalf of our customers.

- Closure of the Temperley Hall. In a resolution dated March 22, 2018, the gaming regulator for the Province of Buenos Aires, the IPLyC, turned down the request to renew the license for the Temperley Bingo Hall for 15 years and ordered its closure on April 3, 2018. The license to operate that bingo facility had expired on August 17, 2016; the hall had remained open under an extension with no defined end date. The reasons given for the closure related to the failure by the beneficiary holder of the license to comply with the IPLyC's regulations. Despite the fact that that entity had been replaced by a new beneficiary, the license renewal application was not granted. Against this backdrop, the Group plans to lodge an appeal with the courts.

Nevertheless, the closure has not had a significant impact on earnings as it is a relatively small facility (91 machines, just 1.3% of the Argentine stock of machines); in fact it had been generating a loss at the EBITDA of close to 0.5 million euros a year. The Temperley was the only hall with a temporary license extension. All of the other facilities are currently operating under duly-documented 15-year licenses that fall due between 2021 and 2024 (eight licenses) and 2028-2029 (five licenses).

- Reduction in machine numbers in Italy: On September 1, 2017, the Italian government issued a decree confirming the reduction in the number of licenses for AWP machines foreshadowed in the Stability Act of 2016. Codere has reduced its fleet of machines to 7,704 AWP's under operation and 15,292 connected up to the network.
- Business restructuring in Brazil. During the third quarter of 2018, we concluded the restructuring of horse-racing betting activity in Brazil in order to minimize losses, while maintaining our agreement with the Jockey Club Rio Grande Do Sul (JCRGS) for the

² We define EBITDA as earnings before interest, tax, depreciation and amortisation and also before changes in provisions for bad debt, asset impairment losses and any gains or losses on asset disposals.

³ EBITDA excluding non-recurring items and asset impairment charges stripped of the impact of hyperinflation accounting.

rollout of gaming capacity other than race bets at the racetrack in the event that this activity is regulated.

- Management changes. At a meeting held on January 12, 2018, the Board of Directors of Codere S.A. resolved to: i) discontinue José Antonio Martínez Sampedro and Luis Javier Martínez Sampedro as Chairman and Vice-Chairman of the Board, respectively, and to terminate their executive services agreements; ii) appoint Norman Sorensen as Non-Executive Chairman of the Board of Directors; and iii) appoint Vicente Di Loreto as the Company's Chief Executive Officer.

Group earnings performance

Revenue

Revenue declined by 203 million euros (12.4%) to 1,435 million euros in 2018, due mainly to the adverse effect of hyperinflation in Argentina (41 million euros) and the devaluation of the Argentine peso against the euro, partially offset by growth in revenue in Spain (31.9 million euros).

Operating expenses

Operating expenses declined by 173 million euros (11.5%) to 1,333 million euros, also due mainly to the adverse effect of hyperinflation in Argentina (22.2 million euros) and the devaluation of the Argentine peso against the euro, in addition to cost-cutting elsewhere at the Group, particularly in Mexico (24.6 million euros).

Operating profit

The Group's operating profit decreased by 34 million euros in 2018 to 96.7 million euros. The operating profit margin declined to 6.6% (from 8% in 2017), due to the adverse impact of hyperinflation in Argentina on operating profit (19.5 million euros) and the devaluation of the Argentine peso.

Net finance costs

Net finance costs increased by 53 million euros to 99 million euros. That increase is primarily attributable to the impact of net exchange differences: net exchange losses of 28.6 million euros in 2018 compared to net gains of 22.6 million euros in 2017, again due primarily to the trend in the rate of exchange of the Argentine peso. In addition, the 2018 numbers include the impact of hyperinflation, specifically the loss of the currency's purchasing power, in the amount of 4.1 million euros.

Income tax

Income tax expense decreased by 34 million euros to 30.4 million euros, due to the impact of hyperinflation in Argentina (8 million euros); devaluation of the Argentine peso; and the positive impact on tax expense of the decision to avail of the one-time asset revaluation option in Argentina (16.3 million euros).

Profit/(loss) attributable to non-controlling interests

The profit attributable to non-controlling interests decreased by 10 million euros in 2018 to 6.8 million euros due mainly to the acquisition in March 2017 of the non-controlling interests held by Grupo Caliente in the Mexican operations.

Profit/(loss) attributable to equity holders of the parent

CODERE, S.A. AND SUBSIDIARIES

GROUP MANAGEMENT REPORT

Primarily as a result of the developments described above, the loss attributable to equity holders of the parent amounted to 40.4 million euros in 2018, compared to a profit of 2.7 million euros in 2017.

Group equity (negative) improved by 87 million euros: the drop in earnings was offset by the impact on equity of hyperinflation, which had the effect of reducing negative translation differences by 125.4 million euros, mitigated by a 20.9 million euro deterioration in reserves due to the deferred tax generated as a result.

The equity of the Group parent, Codere S.A., amounted to a positive 722.5 million euros at year-end 2018, including share capital of 509.7 million de euros.

Disclosures on deferral of trade accounts payable

The Group's average payment term vis-a-vis Spanish suppliers is 33 days. For a more detailed description of the deferral of supplier payments, refer to note 19 of the consolidated financial statements.

Headcount

At December 31, 2018, the Group employed 12,141 people, 909 fewer than at year-end 2017.

Environmental disclosures

The environmental management policies implemented in 2018 are described in detail in the Non-Financial Statement which forms part of this Management Report.

R&D expenditure

The Group did not incur any R&D expenditure in 2018.

Own shares

As indicated in note 17, at the Annual General Meeting of June 27, 2018, the Board of Directors was authorized to proceed with the derivative acquisition, at any time and as often as deemed necessary, by Codere, S.A., either directly or through any of the subsidiaries of which it is parent, of fully paid own shares, by way of purchase or any other form of acquisition for valuable consideration. The minimum acquisition price or consideration is the par value of the own shares acquired, and the maximum acquisition price or consideration is the amount equivalent to the quoted share price on the day of acquisition plus a premium of 20%. The Board of Directors was empowered to execute this resolution.

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

Group outlook

In 2019, the Group plans to continue to execute the universe of financial measures designed to maximize its free cash flow. It will earmark its capital expenditures mainly to gaming room maintenance and specific product updates, as well as to ongoing development of the Group's online business, mainly in Latin America.

Key Group risks

The key risks to which the Group is exposed include, but are not limited to, risks related to the gaming sector. The gaming industry is closely regulated (those regulations extend to the gaming business itself and the gaming formats and channels permitted; management of the risks associated with gaming; gaming advertising; data protection; anti-money laundering; and anti-fraud). Gaming operators are required to fulfil a number of technical and compliance-related obligations in order to operate under licenses that either need to be renewed at certain intervals

or are subject to ongoing oversight. The failure to comply with any of these regulations or requirements or the inability to renew our gaming licenses could have an adverse impact on our business. The industry is also exposed to the formulation of new and interpretation of existing gaming tax regulations in every market. Any increase in the gaming tax burden or changes in tax calculation methodologies could affect the viability of our business. The gaming industry is often in the spotlight and the public perception of what we do can also have an adverse impact on our performance. Moreover, regulatory changes in the various markets could pave the way for the entry of new competitors or new gaming formats that could have an adverse impact on our business. Lastly, the Group is and will remain exposed to lawsuits related with the above-mentioned tax regulations and compliance rules.

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

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

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

As for the use of financial instruments, the Group's financial risk management policy is described in the notes of the consolidated financial statements. The Group's business activities expose it to various types of financial risk: market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

For a more detailed description of the Group's key risks, refer to the corresponding notes of the consolidated financial statements, particularly note 3, which provides information about the Group's risk management objectives and policies.

Events after the reporting period

As detailed in note 28 of the consolidated financial statements, regulations implying certain tax increases were passed in Argentina and Italy in January and February of 2019. The Group is already collecting the new taxes as from the dates of effectiveness stipulated in the corresponding regulations and has factored them into its assessments of its assets and investments.

The Group began to apply IFRS 16 *Leases* on January 1, 2019, the date of this new standard's effectiveness. IFRS 16 addresses the accounting treatment of leases, prescribing a single balance sheet model for all leases. The details of how the Group has applied the new standard and the main impacts thereof are described in note 2.a.2).b of the consolidated financial statements.

NON FINANCIAL STATEMENT

Non-financial statement

About this chapter

This present Non- financial statement has been written according to Spanish Law 11/2018 (of December 28, 2018), which amends the Code of Commerce, the consolidated text of the Corporate Enterprises Act enacted by means of Royal Legislative-Decree 1/2010, and Spain's Audit Act (Law 22/2015) with respect to non-financial and diversity reporting.

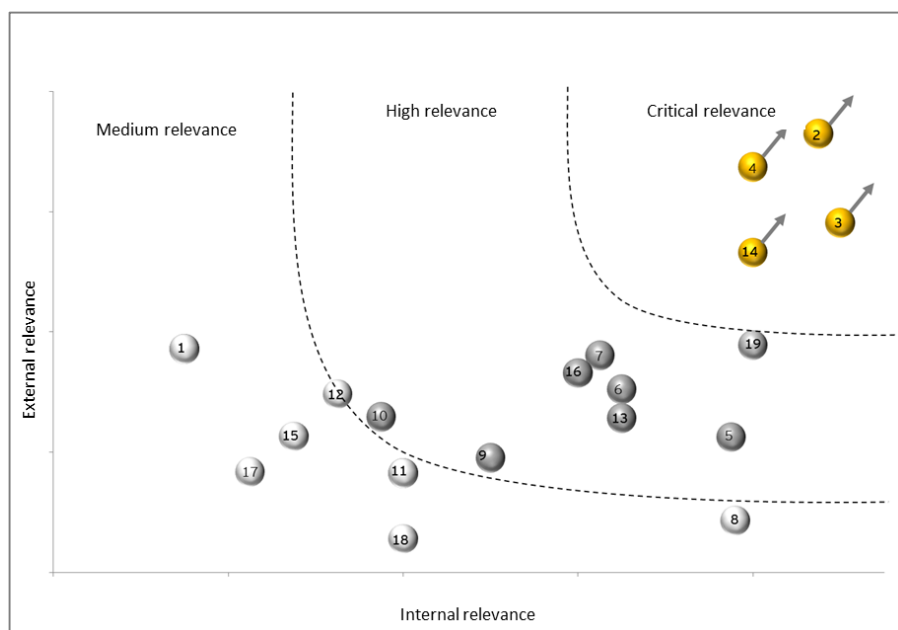
It was also drawn up taking into consideration the guidelines on non-financial reporting issued by the European Commission (2017/C 215/01) in response to Directive 2014/95/EU. It also takes into account the contents of the Global Reporting Initiative's sustainability reporting guidelines (GRI Standards).

In this context, the purpose of the Non-financial statement is to report on the environmental, social, employee and human rights and anti-corruption issues of relevance to the Codere Group in the course of carrying out its business activities.

To draw up this report, the Codere Group identified and prioritized the non-financial topics of greatest relevance internally and externally by means of a materiality assessment performed in 2017 following the methodology prescribed in the Global Reporting Initiative's sustainability reporting guidelines and the principles for materiality determination processes set out in the AA1000 AccountAbility Principles Standard (2008). That assessment, conducted in 2017, was updated in 2018 by means of internal meetings with the various areas comprising the company.

This analysis enables the company to understand the significance and relevance of the topics related with its business strategy and identify the trends, drivers and risks shaping the private gaming sector. To conduct that analysis, the company took into consideration the perceptions of the various areas comprising the firm and of its external stakeholders. It also reviewed the corporate reports published by sector peers in detail. Lastly, it consulted information sources of reference in the sustainability arena, including the European Directive as regards disclosure of non-financial and diversity information, the *"Sustainability Accounting Standards Board's sector guide for the Casinos & Gaming industry"*, guidance from relevant authorities including Spain's securities market regulator and the gaming sector regulator and a review of press coverage throughout 2017.

That assessment gave rise to the materiality matrix presented below which prioritizes the areas of greatest relevance for the company:



LEGEND MATERIAL TOPIC

1	Environmental performance
2	Responsible gaming
3	Regulatory pressure
4	Anti-money laundering and policies for combating organized crime
5	Political risk
6	Customer relationship management
7	Corporate governance
8	Brand management
9	Operational efficiency
10	Stakeholder engagement
11	Human rights
12	Community engagement
13	Tax contribution
14	Personal data protection
15	Diversity
16	Talent: training, development and management
17	Workplace health and safety
18	Innovation

Business model

Codere, a multinational based in Spain, is a leading player in the private gaming industry with over 35 years' experience and a presence in seven countries in Europe and Latin America. It is Spain's only listed gaming company. It does business in this sector with the utmost transparency and responsibility, fully committed to its customers, shareholders, the regulators and other stakeholders.

The company has 12,141 employees and an established presence in multiple business segments: gaming machines, gaming halls, sports-betting, racetracks and online gaming.

Since 2018, the company is organized in three geographic regions and the online division: Europe, which encompasses the operations in Spain and Italy; Northern Cone, which includes the businesses in Colombia, Mexico and Panama; and Southern Cone, which groups together the company's activities in Argentina and Uruguay. The company's central services, located in Madrid, are responsible for overall strategy, corporate policies, institutional relations, management of shared activities and coordination of the activities of the geographical business units and the online division.

Ever since it started life as a gaming machine operator in 1980, the Codere Group has been diversifying its activities within the gaming industry, a strategy that has enabled it to become a benchmark player in the various markets it operates in. Today, the Codere Group is:

- One of the leading operators of AWP machines in Spain.
- The leading player in gaming halls operation in the Province of Buenos Aires (Argentina), Mexico and Uruguay.
- A prominent player in Italy.
- The leading casino operator in Panama.

In 2018, the company underwent internal and external transformation, seeking new brand positioning. In parallel, it has developed a complete internal exercise to define Group's culture that has to deliver distinctive value within the private gaming industry. For that purpose, workshops have been conducted gathering more than 120 officers and as a result, a new corporate purpose, values and vision is being defined.

The initial results out of this reflection shape the fundamental direction of the Group and may be presented as follows:

Purpose: Provide emotions to those who choose an entertainment experience based on gambling in a safe environment. Betting, emotion, excitement, fun, proximity, safety, confidence and social commitment.

Vision: Be leaders, referents and trend setters; bring transparency to our sector, dignifying it; offer our people opportunities to grow and develop; exceed the expectations of our shareholders.

Values: Put the customer in the center; with integrity and transparency; working in teams committed to excellence; with innovative attitude leveraged in technology; with focus on efficiency to ensure our viability.

The Codere Group is strategically committed to delivering sustainable growth in order to ensure a healthy earnings performance and a robust business, framed by strong ethics, environmental protection and community development. The Codere Group's corporate social responsibility

strategy is therefore a fundamental part of its transparency, excellence and competitiveness policy, which in turn is articulated around four cornerstones:

- Responsible gaming.
- Human capital development.
- Corporate governance and transparency.
- Firm commitment to society and the environment.

Business lines

With a track record dating back over 35 years, the company's success lies with its ability to adapt to evolving market circumstances time after time and to diversify its activities within the private gaming industry. Today, the company is focused on five business lines - gaming machines, gaming halls, racetracks, sports-betting and online gaming – carried out in seven countries in Europe and Latin America.

Gaming machines

The management of gaming machines is the origin of the Codere Group's activities and remains one of its main business lines. Gaming or amusement machines pay out cash prizes as a function of user bets. In 2018, the company operated 57,130 machines in Mexico, Spain, Colombia, Italy, Argentina, Panama and Uruguay. Those machines are installed in leisure venues, arcades, bingo halls, casinos, hospitality establishments, etc.

Sports-betting

Sports-betting or bookmaking can take place in a range of establishments, such as casinos, bingo halls, sports venues, etc. The company boasts extensive experience in this segment with 7,659 betting outlets in 2018 between Spain, Mexico, Panama and Uruguay (5,581 in 2017)

Thanks to its know-how as a sports-betting operator and its reputation for transparent management, Codere has been Real Madrid's official bookmaker since it entered into a sponsorship deal in 2016 which runs until 2019, with an option to extend it to 2020

In 2013, Codere reaffirmed its alignment with the values of sport when it was the first gaming sector company to endorse a Spanish initiative called *Companies committed to fair play in sports* which promotes best practices in sponsorship and urges zero tolerance of doping worldwide.

Gaming halls

The Codere Group is a benchmark international gaming hall operator. It runs 149 gaming halls in Europe and Latin America and is the number-one operator of bingo halls in Italy, casinos in Panama, bingo halls in the Province of Buenos Aires in Argentina and machines halls in Uruguay.

Online gaming

With the aim of becoming a leading and benchmark player in the online gaming segment and meeting its customers' emerging demands, the Codere Group continues its digital analysis and development work in the countries in which the national regulations permit online gaming. The company has had a nationwide online gaming license in Spain since 2014 as well as regional licenses in Madrid and the Basque regions. The company is also active in the online gaming segment in Colombia, Panama and Mexico and is planning to continue to deploy its online strategy in new markets.

Racetrack

Since the end of the 1990s, the racetrack segment has been contracting, particularly in Latin America. Thanks to its experience in the gaming industry, coupled with its flexibility and ability to adapt, the company has come up with successful formulae for invigorating and developing this business line. Codere has been operating racetracks in Uruguay, Mexico and Panama since 2002 under a *racino* formula which combines horse-racing with gaming facilities, permitting the installation of gaming machines at equestrian centers or racetracks. These gaming machines provide financial support for the horse-racing activity.

Codere's global footprint

Mexico

Codere is Mexico's number-one gaming operator with one racetrack and 95 gaming halls with 21,896 machines, 91 sports-betting outlets and an online platform. The company also holds licenses to build and operate additional gaming halls in this market and a concession, renewed in 2018, to operate a leisure complex in Mexico City which encompasses the Las Américas racetrack, an amusement park and Mexico's largest convention center (which is being operated by CIE under an outsourcing agreement executed on June 1, 2013).

Argentina

The Codere Group is the largest gaming room operator in the Province of Buenos Aires, with 13 halls and 6,854 slot machines.

Spain

In 2018, the company has 10,218 terminals located in bars, restaurants, gaming arcades and gaming halls, three gaming halls, in addition to 6,844 sports-betting terminals and online activity.

Italy

Codere is a top player in Italy, with eleven gaming halls and 8,436 machines.

Other operations

At 31 December 2018, the company had eleven casinos, one racetrack, eight sports-betting outlets and 2,965 machines deployed together with online activity in Panama; nine gaming halls, 690 sports-betting outlets and 4,504 machines in Colombia; Casino Carrasco and HRU that includes six gaming halls with 2,257 machines, Maroñas and Las Piedras racetracks in Montevideo and 26 sports-betting outlets in Uruguay.

Strategy

Codere's transformation strategy is being executed via the *2018-2021 Business plan*, which sets out the long-term roadmap for the business and defines Codere's competitive positioning and management priorities by market. The plan is structured into master initiatives based on sustainable development, operational excellence and continuous improvement.

CUSTOMER-CENTRIC business operations

Migration to a new operating management model: understanding customers' gaming journeys and encouraging greater employee involvement to trigger changes in customer follow-up, retention and interaction. Focus on customer experience and satisfaction.

OMNI-CHANNEL

The combination of offline and online gaming products and services as an essential source of value, to provide a complete, satisfactory entertainment experience to our customers.

DIGITALIZATION

Adaptation to emerging trends in offline and online gaming: shift in the corporate culture. New backgrounds and skills needed; techplayers, systems and data mining related jobs; predictive analysis. Simplification, digitalization and automation of back office processes.

SINGLE BRAND

Rollout of the new Codere brand began in February 2018: channeling of the 'We are Codere' cultural message to reinforce other changes and generate a new identity and sense of belonging.

EFFICIENCY AND SUSTAINABILITY

The need to create efficient and simple structures and processes that require little supervision, entail low costs and are open to continuous change.

Outlook

The gaming industry has reaffirmed its growth and maturity in recent years, despite an increasingly regulated environment (although the majority of countries have still to define regulations for online betting). Generally speaking, last year in Spain alone, the amount gambled off line represented 487.7 million euros while the amount gambled online was 573.2 million euros. Innovation has emerged as the major trend in product development despite growing regulatory restrictions such as those imposed via data protection and anti-money laundering regulations. Products based on financial wagers have become an established part of the sector offering, carving out a presence in both player services and digital solutions for gaming companies. Assuming that regulatory conditions don't change, this activity is expected to register significant growth in several markets around the world.

New technologies

The private gaming sector is not immune to the advent of new technologies that are similarly shaping development in other industries. Specifically, big data analysis via automation and the development of artificial intelligence and the growing notoriety of crypto currencies and other blockchain systems are throwing up major near-term opportunities, as well as challenges, for the gaming sector in general and the online segment in particular.

Another source of technological innovation is that of open software which is creating the opportunity to continually upgrade IT processes that otherwise run the risk of becoming obsolete.

Codere, as a sector leader, is already working on projects based on those technologies. In this manner it is looking not only to enhance its customers' experience but also to further tighten regulations, security and control. For example, the company is working on innovative facial recognition systems in gaming halls with a view to reinforcing access controls.

Greater transparency and regulation

Despite the fact that private gaming is tightly regulated, the online gaming segment has yet to be regulated in several markets. Some governments in Latin America, including the governments of Argentina Brazil, Paraguay or the Province of Buenos Aires, are evaluating the possibility of adapting the legal regime introduced in Colombia. Moreover, the need to establish responsible gaming guidelines is becoming more and more important to regulators and society in general, as is evident in the multi-million euro fine received by a European private gaming company for violating anti-money laundering regulations in 2018.

Codere, true to its commitment to society and to responsible gaming, would like to see tighter regulation of online gaming. The company is also seeking to reinforce its stakeholder relations by publishing more relevant and targeted information. In this manner, it hopes to continue to lay the foundations for greater transparency in the gaming sector, ultimately enhancing the public perception of the business and thus helping to boost its earnings and deliver its strategic targets.

New markets

Since its beginnings as a gaming machine operator in 1980, Codere has been diversifying its activities in the gaming industry, proving its ability to adapt to new scenarios. The emergence of new markets, channels and forms of gaming on the horizon provides the group with an opportunity to further its international diversification in an increasingly global world.

Non-financial aspects management

The following chapters explain in greater detail the relevance for the company for the five dimensions required by Law 11/2018 on non financial information and diversity.

The Codere Group drew up a *Corporate social responsibility policy* in 2016. It is designed to foster a culture - global in nature - that is conducive to creating value sustainably for society and its citizens and for the group's customers, shareholders and business communities. It also has a *Code of ethics and conduct*, which enshrines Codere's commitment to behaving ethically and transparently in everything it does.

Non-financial risks management

Everything the Codere Group does to control and mitigate risks is framed by the basic guidelines established by the Board of Directors in the *General Risk Management and Control Policy* and the *Risk Tolerance Document*. These basic principles include:

- Consideration of risk-reward criteria.
- Segregation at the operating level of risk-taking areas and the areas responsible for risk analysis, control and oversight.
- Safeguards to ensure correct utilization of risk-hedging instruments.
- Transparent reporting on the group's risks and effectiveness of the corresponding control systems.
- Due compliance with the corporate governance rules and corporate values established in the *Code of ethics and conduct*.

That policy defines the key lines of management action and eight classes of risk identified by the company: corporate governance risks; operational risks, regulatory risks; tax risks; financial risks; country risks; technological risk; and reputational risk. The key stages and activities of the Group's risk control and management system are:

Responsibilities of Codere's risk control and management system
<ol style="list-style-type: none"> 1. Definition of risk tolerance thresholds by the Board of Directors. 2. Annual identification and analysis of the key risks by the heads of each business unit and/or department at the local level. 3. Annual updating of the company's various risk maps (tax, local, technological and corporate). 4. Reporting about the main risks, particularly any exposures that overstep the limits set by the Board of Directors. 5. Implementation of policies, guidelines and limits and control over their enforcement by means of the procedures and systems needed to mitigate the impact of risk materialization. 6. Regular assessment and communication of the results of the risk control and management effort. 7. The system audit by the senior managers in the Internal Audit Department.

The Codere Group also has a Tax Policy at the corporate level which is reviewed by the Audit Committee and approved by the Board of Directors.

At the local level, each business unit prepares a regular report on the activities performed and the risks materializing in each country. That information is consolidated by the Internal Audit Department and used to update the risk maps and prepare the *Integrated Report* which must be presented to the Audit Committee.

By updating the company's risk maps, Codere's Internal Audit Department defines its annual work plan, which includes all of the year's findings, and the risk management process. To prepare that plan it reviews all of the internal processes and procedures and implementation of the improvements identified during the year. The plan identifies the risks materializing for the company and the gaming industry during that year.

Also, the various business units are subjected to an annual internal assessment procedure called the *Audit Quality Review*. In this way, the Internal Audit Department organizes external validation for each country's projects so that the subsidiary managers are evaluated by their peers, thus generating synergies and ensuring uniform processes across the entire group.

Internal Audit milestones in 2018

1. Performance of operational audits focused on the main risks, in keeping with the specific plans for each country.
2. Continued operation of the early alert system for the prevention of revenue loss and monitoring of the *Revenue Assurance* project in Mexico, which was also extended to Panama and Spain.
3. Follow up implementation of the auditor recommendations through monitoring committees.
4. Verification of due compliance in the halls and of tax controls.
5. Transformation of the team structure in the country units.
6. Improvements to the gaming IT tools.
7. Opening of a specific line for online business activities.
8. Performance of a number of due diligence processes for corporate acquisitions.

Risk management and control procedure at the Codere Group

A number of residual risks (i.e., risks that persist following implementation of the corresponding controls) materialized in 2018:

Regulatory risk

The gaming industry is closely regulated all around the world. The activities carried out by the company in the offline as well as online Gaming channels are regulated by a number of laws and regulations, depending on the country in question. In some instances, the company has to face iron-clad controls, limits on permits and high taxation; in other markets it faces steep competition and lax taxation. In all cases there is tax, compliance and data protection specific regulations that are relevant to operators. As a result, flexibility and the ability to adapt to its surroundings are key at Codere. In Spain alone, each of the country's 17 regions has its own offline gaming regulations (the regional governments have this jurisdiction). In the online gaming arena, in contrast, there is only one set of laws at the national level.

Moreover, the regulation of matters related (but not intrinsic) to the gaming industry (such as smoking, opening hours or location restrictions, etc.) can also have an adverse effect on the group's revenue and ability to expand its business. Finally, the authorities can deny, revoke, suspend or refuse the renovation of the Group's existing licenses as license renewals are subject to regulatory uncertainty to the extent regulation might be unclear, modified or subject to interpretation.

Reputational risk

In every sector there is a clear connection between regulatory risk and reputational risk, particularly in the current era of information and communication. This reality is even more critical in a sector in which the applicable regulations and legislation are constantly being updated and the public perception has not always been benevolent.

The gaming industry is complex and society is not always aware of its importance both in Spain and internationally, in terms of job creation and tax generation. As a result, the sector has set up a gaming business board - *Cejuego* - which represents companies accounting for roughly 75% of sector turnover in Spain, with the aim of making its voice heard and improving the industry's

image. In 2018, *Cejuego*, of which Codere is a member, met with over 96 Spanish politicians and established lines of communication with their stakeholders in order to set up constant dialogue with them.

Country risk

The company has been diversifying geographically and currently operates in several regions to limit its exposure to political and economic risk. Like any other company, however, is exposed to macroeconomic and political tensions in the markets it is present. Note however, adjusted EBITDA registered in 2018 was 282.9 million euros, increasing its gross operating profit despite macroeconomic difficulties in Argentina thanks to its geographical diversification and its capacity to continuously deliver operational enhancements and efficiencies

Risk of corruption and bribery

Corruption and bribery are among the main risks arising from the Codere Group's business activities. On February 27, 2017, with the aim of taking additional steps to avoid these issues and adopting a preventative stance, the Board of Directors approved a group-wide [*Anti-Corruption and Prevention of Irregular Conduct Manual*](#), which is available on the corporate website.

That manual is accompanied by a *Practical Anti-Corruption Guide* which identifies the main forms of corruption that could affect the Codere Group's business and a series of preventative measures, including the existence of a whistle-blowing channel and due diligence procedures for suppliers, business partners, customers and staff.

Risk of security breaches of its gaming platforms

Vulnerabilities in the company's gaming platforms could lead to unauthorized access and/or system overrides, with potential loss of income or sensitive data for the firm.

As soon as threats and risks of this nature are detected by the Codere Group, mitigation plans are set in motion in an attempt to recover previously estimated profits, by means of:

- Group participation in the corresponding sector associations.
- Appropriate institutional relations efforts.
- The establishment of process streamlining and operational efficiency plans.

People

The firm's new People Department is structured into five main areas: Organization and Compensation; Labor Relations; Talent Selection; Career Development and Special Projects of Peoples Area. The Human Resources function is managed regionally: there are teams on the ground in each country which receive support from the headquarters specialists.

This structural change reflects the company's desire to make this area an agent of change capable of generating value efficiently and sustainably for the various businesses and the different stakeholders of the company. As a result, the People Department has gained prominence in the firm with the idea of maximizing the value of Codere's human capital as a source of competitive advantage. To this end, it is vital to get to know each region's employees

better and to identify their skills and attitudes to enable better decision making in the Company context of continuously changing scenarios that demand a greater responsibility and create new challenges in the future.

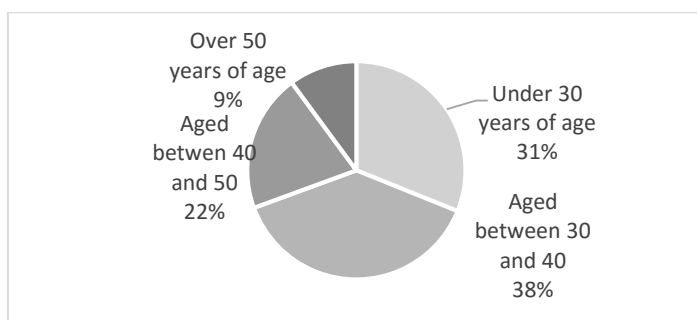
To achieve this ambitious goal, it is necessary to upgrade the organization's capabilities and competitive positioning. To this end, the *Transformation project* being executed by Codere is based on three pillars: business and strategy; organization; and operating model, with the aim of achieving a more competitive and attractive positioning.

In this context of transformation in the digital era, defined by ever faster and more disruptive changes, the traditional Human Resources Department has designed a new people-centric management ecosystem. One of its priorities is the so-called *2020 People Plan*, which sets out the guidelines to achieve these transformation and efficiency objectives and focuses on the proximity to the company employees; talent management and retention; and the commitment to customers. The main lines of action encompassed by the *2020 People Plan* are:

1. Better organizational models
2. More management talent and expertise
3. Alignment and commitment
4. Motivation
5. Organizational and transactional solidity
6. Business support
7. Digitalization
8. Excellence

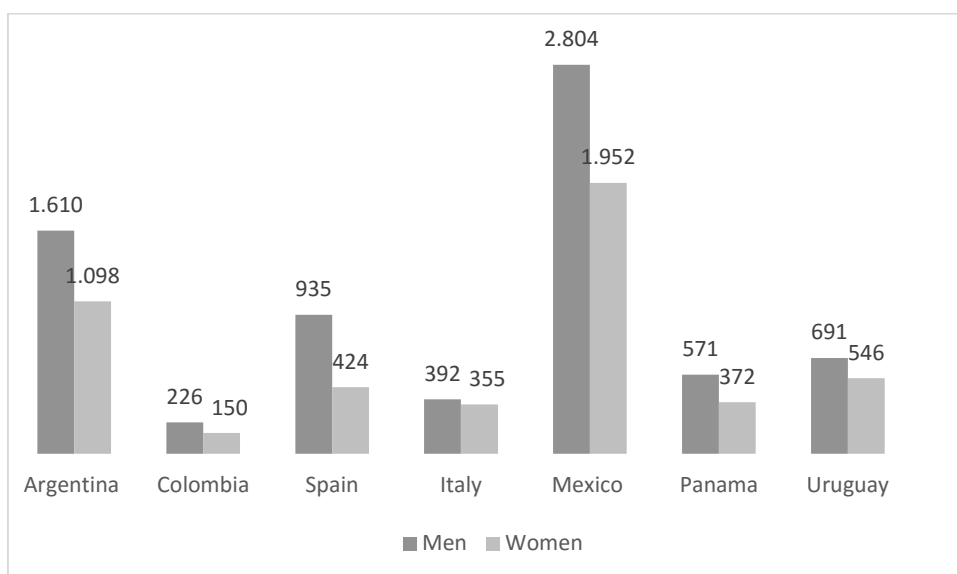
At year-end 2018, the Codere Group had a global headcount of 12.250 people with an average age of 35, 38% of them were female and 90,87% have indefinite contracts while 69 are disabled.

Breakdown of the workforce by age

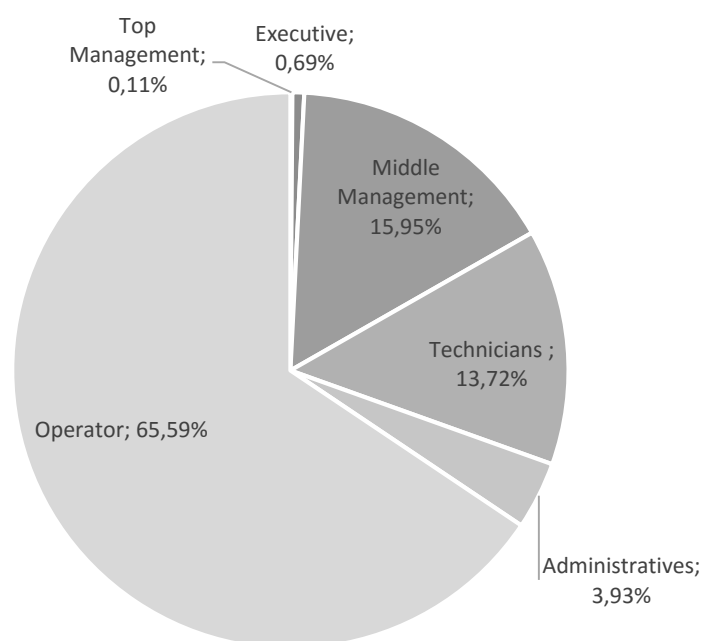


CODERE S.A. AND SUBSIDIARIES
NON FINANCIAL STATEMENT

Breakdown of the workforce by gender



Breakdown of the workforce by category



Breakdown of the workforce by type of contract

Temporary			Indefinite		
Men	Women	Total	Men	Women	Total
597	528	1,125	6,699	4,426	11,125

CODERE S.A. AND SUBSIDIARIES
NON FINANCIAL STATEMENT

	2018	
	Temporary	Indefinite
Top management	0	14
Executive	0	84
Middle management	22	1.932
Technicians	32	1.649
Administratives	38	444
Operators	1.033	7.002

	2018
	Part time
Top management	0
Managers	0
Middle management	15
Technicians	112
Administratives	67
Operators	1.274

In 2018, 2,977 people were dismissed at the Codere Group, broken down as follows: nine members of key management personnel; 20 managers; 389 middle managers; 192 skilled professionals; 91 clerical staff; and 2,276 unskilled workers. 1,280 were women and 1,697 men.

Gender salary gap⁴

Ratio of basic salary of women to men by employee category	2018	
	Directors	N/A
	Key management personnel	89%
	Managers	77%
	Middle managers	83%
	Skilled professionals	115%
	Clerical staff	105%
	Unskilled workers	87%

⁴ Calculated as the proportion of the average remuneration of women to the average remuneration of men in December. For this calculation only December payrolls were used. The average compensation comprises the Annual fixed compensation (theoretical gross salary) + Incentive compensation received during the year based on objectives + another type of variable remuneration that is not based on objectives (commercial commissions, etc.) + annual social benefits (for managers).

Average remuneration

Average remuneration	Men	Directors	137,500
		Key management personnel	289,174
		Managers	120,683
		Middle managers	22,632
		Skilled professionals	16,144
		Clerical staff	16,251
		Unskilled workers	10,179
	Women	Directors	0
		Key management personnel	256,112
		Managers	92,690
		Middle managers	18,880
		Skilled professionals	18,526
		Clerical staff	17,121
		Unskilled workers	8,892

The Codere Group does not have any specific policies regarding the right to disconnect from work. For the organization of the operation that requires personnel in continuous schedules (such as bingo halls or gaming centers, outside of administrative tasks), work shifts are designed to distribute the holidays and night working hours among the entire workforce unless a worker have medical impediments to face these tasks.

For the economic compensation for working holidays and nights Grupo Codere follows the current local legislation and the guidelines established in the corresponding union agreements of each geography.

Employee well-being is one of the People Department's top priorities and one singled out for particular emphasis in 2019. This translates into initiatives such as flexible working hours, help to balance work and family life, assistance with work commutes, the provision of space for employee lunchrooms, as is the case in Mexico and Spain. In 2019, the People Department plans to study and begin to deploy a series of initiatives oriented at:

- Fostering management diversity.
- Studying labor conciliation (teleworking, flexible timetable, ect).
- Developing an equality plan.
- Enhancing flexibility in working hours.

Workplace health and safety

Management of employees' health and safety at work requires education and training as well as identification of the main risks and mitigating measures to reduce the incidence of workplace accidents. The company has several tools for promoting its employees' health and preventing accidents in the workplace. It applies its *Workplace health and safety policy*, on the one hand, and rolls out training and education plans, on the other.

Health and safety is managed locally in each of the countries Codere does business in. Indeed, in 2018, the inauguration of new gaming premises and rooms drove the need to expand the corporate health and safety service and ensure coordination among the various geographical units.

In Spain, health and safety is outsourced and coordinated by the corporate Health and Safety Department. The Group also takes an interest in its employees' health and promotes prevention by means of several initiatives, including:

- The launch of the ***CuidArte*** ('Take care of yourself', pun on the word 'art') program in Colombia to ensure healthy and safety work environments for employees.
- **Annual medical check-up** for Codere employees (Italy, Spain, etc.).
- **Annual workplace air quality assessment** report.
- **Annual meeting with the Supervisory Body** at Codere Italy to report on accident prevention initiatives. Annual assessment of action plans.
- Work is underway on a **National health and safety management model** in Spain aiming to having it certified under the new international occupational health and safety standard ISO 45001.
- Bilateral health and safety committee which meets bi-monthly to monitor safety conditions in the company's various workplaces in Uruguay.
- **Installation of defibrillators in several workplaces in Spain** (Bingo Canoe, Alcobendas local and global headquarters).
- Planning and rollout of a *Road Safety Plan* in Spain.

In addition to helping employees look after themselves by offering annual check-ups, Codere offers scanning for the early detection of certain illnesses. Specifically, it offers complementary tests to employees going for a medical check-up such as PSA tests to screen men for prostate cancer and blood cholesterol tests.

The company identifies the activities that could put its employees' health at risk, including manual lifting (moving machines, heavy weights, etc.), driving and postural and vision problems related with office work, etc. In 2018, the number of attempted assaults on centers operated or jointly operated by the group increased slightly, so that the Health and Safety Department is also factoring in this risk factor. In all instances the actions needed to mitigate and eliminate the risks have been carried out (training, education, protective equipment, etc.), and the company has conducted exhaustive analysis of the employees affected by each risk.

The job-specific health and safety training programs were fine-tuned in 2018 to include a procedure for preventing assault in betting locations and the targeting of activities explaining what to do in the case of a fire or other emergencies addressed to our evacuation, intervention and security teams.

Workplace accidents rates (including in itinere accidents)							
Country	Accidents H	Accidents M	Accidents fatal H	Accidents fatal M	Lost days ⁵	Injury frequency rate ⁶	Serious injury rate**
Spain and Headquarters	37	15	0	0	1.348	18	47,5%
Argentina	59	37	0	0	1.586	96	
Colombia	18	13	0	0	5.908	1,96	35,46%
Italy	8	9	0	0	5.031	16	36,52%
Mexico	87	115	0	0	2.676	14,33	18,98%
Panamá	8	8	0	0	6.432	1,36	19,37%
Uruguay	36	30	0	0	431	24,8	0,34 %

Labour relations

Engagement with unions

Codere protects and respects its employees' right to collective bargaining and union association, to which end it has relations with more than 30 unions in the various countries it operates in, including Suntracs and Conusi in Panama; CCOO, UGT and USO in Spain; UGL and CISL in Italy; Uthgra and Aleara in Argentina; Croc and Sintoled in Mexico; SUGHU and SIDETHRU in Uruguay and Fecode and Sumitac in Colombia.

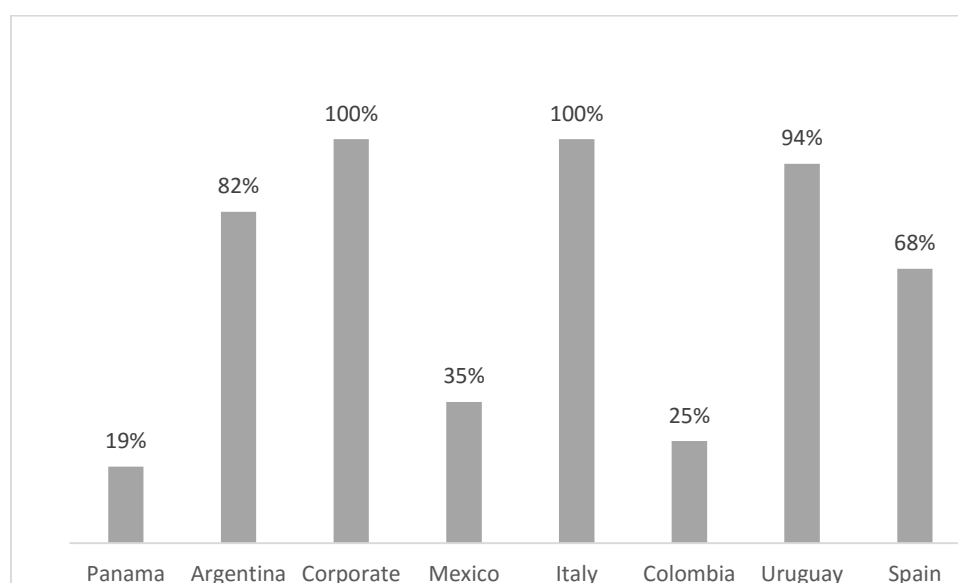
In 2013, Codere signed a commitment with UNI Global UNION to promote respect for the workforce decent and dignified employment and labor rights, under this agreement the company engages in constant dialogue and has regular meetings with this organization. That agreement commits Codere to protecting and respecting the rights not to be discriminated against, to a minimum wage, to and adequate working hours and to decent working conditions, etc.

In 2018, Codere was the only global gaming operator invited to participate in the UNI's annual meeting, held in Sao Paulo.

⁵ Codere is working on the collection and delivery of total number of lost hours.

⁶ Codere is working on the collection of the gender breakdown to frequency and gravity injury rates. Moreover, it is important to highlight that the actual information systems do not allow to distinguish the accidents happening on one's way to or from work. Therefore, this typology has not been included in the calculations.

Percentage of employees covered by collective bargaining agreements (%)



Staff training

The company's training and development ambitions have translated into a number of initiatives, including the provision of training during working hours at the company's head offices, the implementation of programs designed to detect employee capabilities and providing the training needed for career development purposes. Codere bases its training methodology on the '70/20/10' model, which attributes 70% of the learning process to specific on-the-job experiences and spontaneous problem-solving; 20% to the feedback received from superiors and peers and general learning from others; and the remaining 10% to formal training activities (offline and online).

Codere articulates its training around three main topics: responsible gaming; workplace health and safety; and corporate governance.

As part of Codere's commitment to responsible gaming, in 2018, it ran multiple training and awareness initiatives such as the "L'usura non è un gioco" (Profiteering is no game) driven in Italy and courses for operators and customer service staff dealing with legal and regulatory requirements and problematic gaming. In Argentina last year, the Group launched a pilot program coined "When gaming is no longer a game" in two of its biggest gaming halls for the provision of information to all hall employees with direct customer contact, so that they can in turn provide assistance and information about the problems and risks of gambling.

In the health and safety arena, the Codere Group trains all of its employees to **generate awareness about the need to maintain a healthy workplace** in the workplace. This training is adapted to each job area and specificity. Lastly, the company trains and educates all of its employees on how to prevent money laundering, terrorist financing, fraud and corruption and on its *Code of Ethics and Conduct*.

During 2018, total amount of training hours for Codere's employees were up to 17.562 as follows. Systems are being updated to deliver professional category breakdown during 2019.

Country	Training hours 2018	Hours/employee 2018
Argentina	6.177	2,5
Colombia	322	0,8
Headquarters	4.622	37
Spain	17.475	12,4
Italy	4.895	7,5
Mexico	-	-
Panama	4.007	4,3
Uruguay	2.161	2,3

Accessibility for people with disabilities

Almost all the administrative working centers of all the branches are equipped to give access to people with disabilities, and so all of those in which people with special access needs work are indeed equipped. Argentina, Headquarters and Mexico do not have employees with disabilities.

Equality

Codere has a *Talent Selection Policy* that sets out the process for attracting talent, which is uniform across the group, underpinned by a series of basic principles designed to ensure, among other things, non-discrimination on grounds of race, skin color, age, gender, religion, ideology or any other physical, personal or social condition.

It is an objective of the People's Group manager during 2019 to create an Equality Plan.

Human Rights

By means of its *Code of ethics and conduct*, *Corporate social responsibility policy* and *Human resources policy*, all approved at the Board level, Codere has committed to respecting the human rights and freedoms recognized in national and international legislation and in the United Nations Universal Declaration of Human Rights. In this context, the company embraces the basic rules of conduct prescribed in the International Labor Organization's Conventions and its Declaration on Fundamental Principles and Rights at Work, the OECD's Guidelines for Multinational Enterprises and the United Nations Global Compact, as well as any other document or text that may replace or complement the above.

In keeping with those commitments, the company has a *Workplace harassment prevention policy* which stresses its firm commitment to respecting the dignity of the people in the organization and its zero-tolerance stance towards any form of conduct that threatens the physical or psychological health of its employees. As stipulated in the *Code of ethics and conduct*, that policy places special emphasis on prevention, to which end the company is required to undertake as many initiatives as are necessary in order to create awareness and educate its workforce in respect.

In case a situation of workplace harassment (or mobbing) occurs, the company has a protocol which defines the situations that qualify for the presentation of claims, the channels employees can use to report these types of incidents and the processes for handling and resolving such claims.

Risk of corruption and bribery

Corruption and bribery are among the main risks arising from the Codere Group's business activities. On February 27, 2017, with the aim of taking additional steps to fight these issues and adopting a preventative stance, the Board of Directors approved a group-wide *Anti-Corruption and Prevention of Irregular Conduct Manual*, which is available on the corporate website.

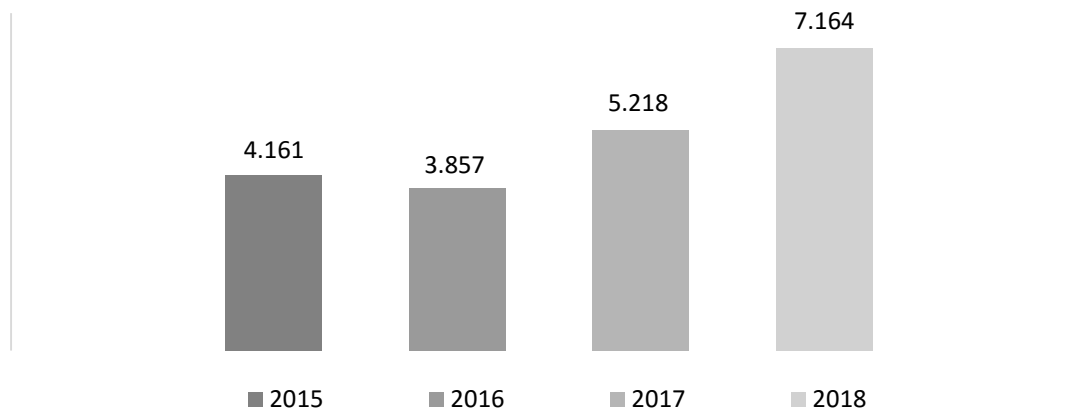
This manual is accompanied by a practical *Anti-corruption guide* which identifies the main forms of corruption that could affect the Codere Group's business and a series of preventive measures, including the existence of a whistle-blowing channel and due diligence procedures for suppliers, business partners, customers and staff.

The Codere Group's compliance strategy implies going beyond the regulatory and legislative requirements specific to each of its operating markets so as to uphold the true spirit of responsible gaming and fair play. As a result, Codere's compliance rules are an essential component of its business strategy. The Group is particularly engaged with stringent compliance with anti-money laundering and counter terrorist financing legislation, as well all the regulations applicable to gaming activities. To supervise these matters, Codere has a dedicated Compliance Area which reports to the General Counsel and coordinates the work of the regional compliance divisions (North Cone, South Cone, Europe and the online division) and is mandated to monitor and control application of the Group's *Code of ethics and conduct*, training employees on compliance matters and performing due diligence procedures on staff and third parties, among other duties.

Due diligence process in 2018		
Country	Employees	Third parties
Headquartes	9	12
Spain	49	1.144
Argentina	264	188
Colombia	193	221
Italy	0	79
Mexico	77	450
Panama	73	355
Uruguay	152	66
Total	813	2.514

Employee training is a matter of the utmost importance at Codere. The Compliance Area is in charge of training all of the professionals dealing with anti-money laundering, counter terrorist financing, anti-corruption, the *Code of Ethics and Conduct* and security at the Group. In 2018, of 3,939 employees were trained in the prevention of money laundering and terrorism financing, and 3,225 employees in the Code of ethics and anticorruption (19% more respectively than the total training in 2017). It is noteworthy that during 2018 trainings on *Code of ethics* and on anticorruption were unified in the same module.

Corporate Governance Training 2018



The Codere Group's Code of ethics and conduct, which is available for consultation by any of its stakeholders, embodies the company's commitment to acting ethically and transparency in everything it does. That code must be acknowledged and upheld by all Group employees and executives and all new hires.

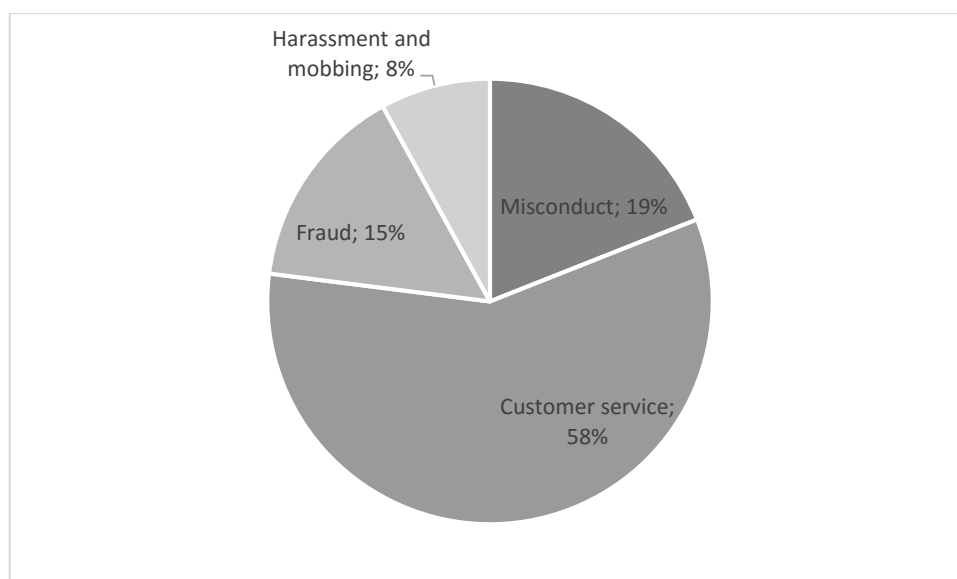
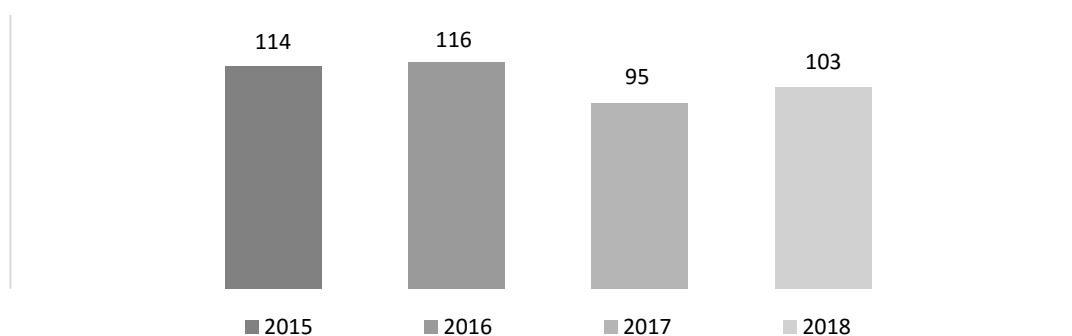
By coming to it, Codere undertakes to conduct its activities in accordance with the legislation prevailing everywhere it does business. It is based on the strictest international standards, such as the United Nations Universal Declaration of Human Rights, the International Labor Organization's Conventions and Declaration on Fundamental Principles and Rights at Work, the OECD's Guidelines for Multinational Enterprises and the United Nations Global Compact.

The company operates a whistle-blowing channel that can be used by any of its stakeholders to report any incident involving a breach of the code in any of its operating markets. As set down in the *Global Whistle-Blowing Channel Management Policies* approved by the Compliance Committee in February 2012, the channel is managed to ensure the confidentiality, independence and protection safeguards required in Spanish and international legislation so as not to harm or undermine the affected parties. The corporate services area and the various business units have their own whistle-blowing channels which are managed locally, albeit with the support of the Corporate Compliance and Security Areas and any other departments that need to be involved. In 2018, a total of 103 complaints were received, 12% of which were handled anonymously. Ninety-four per cent of the complaints received have been resolved satisfactorily and the outstanding 6% are still being addressed.

Complaints received in 2018	
Country	No. of complaints
Headquartes	1
Spain	31
Argentina	14
Colombia	11
Italy	0
Mexico	32
Panama	12
Uruguay	2
Total	103

The Compliance Area, once it receives a complaint, classifies the reports into one of five categories: misconduct; customer service; fraud; harassment or mobbing.

Whistleblowing channel



The Codere Group places special emphasis on the safety of its employees and customers. All of its gaming halls are equipped with permanent monitoring systems and crime prevention measures.

The mission of the Security Department is to protect the company's customers, employees and assets so as to guarantee business continuity via monitoring and supervision measures. Among those measures evacuation and fire extinction plans are included as well as the installation of security cameras, smoke alarms, safe-boxes and other security equipment.

The Compliance Area prepares a document regularly which must be approved by the Compliance Committee and compiles all of the year's documentation from each business unit, including legislative and regulatory developments and information about the key compliance risks detected. That document is submitted to external review by an expert who verifies the information reported and prepares a report with potential areas for improvement.

The gaming sector is regulated like few others. That is why the Compliance Area has to keep meticulous track of new legislation applicable to the industry country by country. Among other controls, when country regulations require it, Codere identifies the players that have won more than a specific amount (which varies by country). In these cases Codere identifies all of the players by means of a form which must be filled out in order to collect prize-money. Also, to create an online profile, players have to register on the website and upload a photo of their national identity cards. In this manner the company is able to check that its customers are adults and manage money laundering risks by reporting suspicious transactions to each country's pertinent authorities.

Society

As part of its commitment to giving back to its communities and contributing to local development in the cities in which it offers its services, the Codere Group has a *Corporate social responsibility policy* which articulates the rules of engagement with its stakeholders: shareholders and investors, customers, employees, communities, suppliers and the environment.

More specifically, shaped by the markedly international profile of the Group's footprint, it embraces the following principles in the various territories and business communities in which it operates:

- Forging strong ties with the community so as to build credibility and nurture the image of a committed company and excellent gaming operator.
- Blending in with the differing social and cultural realities in the various countries in which it operates.
- Reinforcing trust-based relations with the various communities with which it interacts by reaching out to, collaborating with and supporting the various public authorities and the leading associations, particularly those related directly with the Group's business sector and strategy, framed by its commitments to giving back to society and to responsible gaming.
- Promoting respect for the rights of minorities - national, ethnic, cultural, linguistic, religious or of any other kind - in all of its business communities.
- Developing corporate volunteering programs to encourage group employees to get involved in charity work with the aim of putting the tenets of Codere's mission, vision

and values into practice in relation to living standards, environmental protection and sustainable development, including fund-raising activities for charitable initiatives.

- Supporting the promotion and conservation of the cultural and artistic heritage of the territories and communities in which the group operates.

The company's commitment to society crystallizes in four areas of activity: education; transparency; solidarity; and environmental protection.

In 2018, the Codere Group continued to contribute to local development by means of philanthropy, specifically donations and the organization of activities designed to improve the living conditions and prospects of the people living in the communities nearest to the group's operating centers. In 2018, the company demonstrated its ability to execute previously planned initiatives in this arena; it also proved its philanthropic commitment in the face of unanticipated developments.

To highlight some of the initiatives undertaken in Codere's operating markets:

In Mexico, Codere reached an agreement with the Mayor of Azcapotzalco in Mexico City for collaboration on equipping the region's sports facilities. In addition to this project, Codere amplified its support for local development with direct donations to a series of charities.

In Panama, the Codere Group lent its support to the Relay for Life event to raise money for children with leukemia and other forms of cancer in collaboration with the Fanlyc Foundation.

In addition, during 2018, the Codere Group made contributions to foundations worth 211,267 euros in the countries in which it operates.

Country	Contributions to foundations (€)
Spain	80,000
Argentina	109,947
Italy	21,320
Total	211,267

Finally, Codere, as part of its determined commitment to promoting initiatives that provide greater transparency to the gaming sector through studies and generation of analytical information, published, in collaboration with the Universidad Carlos III - through its Institute of Politics and Governance (*Instituto de Política y Gobernanza*, IPOLGOB) -, "The yearbook of gaming in Spain 2018" (*El anuario del juego en España 2018*), which collects data related to the gaming sector in the country from a social and economic perspective. Likewise, in Mexico, the company presented, together with the Institute of Legal Research of the UNAM (*Instituto de Investigaciones Jurídicas de la UNAM*), the book entitled "About the good luck, the miracles and other hazards" (*De la suerte, los milagros y otros azares*), which analyzes gaming as a social activity and approaches the characteristics of gamblers, as to their behaviors and habits.

Customer

Satisfying its customers' expectations is a top priority for Codere and was one of the articulating lines of its transformation in 2018. Over the course of the year, Codere continued to promote communication and dialogue with its online and offline customers by means of its business websites in the its various operating markets, its sales outlets and using satisfaction surveys.

This priority is also evident in the Group's corporate object, vision and mission of meeting society's demand for entertainment underpinned by fair play so as to protect its clients and earn their trust and build solid and long-lasting relationships, framed by guaranteed respect for user privacy. To this end, ahead of the entry into effect of the General Data Protection Regulation (GDPR), the Codere Group embarked on specific projects to ensure it was both technically and legally ready for the new legislation. Specifically, it has named a data protection officer (DPO), who is in charge of the data protection function and reports directly to Codere's Management Committee through its Cybersecurity Committee.

As part of the legal readiness project in Spain, the company prepared and analyzed an inventory of each department's data processing activities; adapted all of the company's policies and websites for the GDPR; revised all contracts with suppliers, employees and gaming co-operators; prepared a registry of all data processing taking place at Codere; and defined and implemented a procedure for handling data protection related claims.

The company is also working on reviewing data protection regulations in all of the markets it operates in with a view to implementing the European procedure in Latin America.

Lastly, in early 2017, it launched a *Security master plan*, in effect until 2019, which includes quarterly training and awareness initiatives in the areas of data protection and the GDPR; the provision of security advice through the Security Expertise Office; and the rollout and application of access control and data loss prevention tools.

The whistle-blowing channel can be used by customers so that this stakeholder group has a channel for presenting complaints and claims.

As for the health and safety of users and the assumption of responsibility for the services offered, note that the most important aspect of the Codere Group's relationship with its customers is the promotion of responsible and healthy gaming. The local commitments to responsible gaming are framed by the legal requirements of each of the company's operating markets and are articulated around four main axes with which it attempts to reach its stakeholders and society in general: information, education, dissemination and self-exclusion. Codere understands that addiction to gambling is an undesired effect of its activity. As such, it takes advantage of its influence in this area and earmarks resources and efforts to the prevention of compulsive gambling.

Tax information

The various taxes paid by the group in the countries and territories it operates in constitute the company's biggest contribution to public finances and services and, by extension, to society. In the context of its *Corporate Tax policy*, the group has assumed the following general commitments:

- Compliance with prevailing tax legislation in the various countries and territories it does business in.
- Tax decisions and accounting based on reasonable interpretations of applicable law and closely aligned with the substance of the group's business.
- The fostering of relations with the authorities on the basis of trust, good faith, professionalism, collaboration, loyalty and reciprocity, notwithstanding the legitimate controversies which, framed by the above principles and guided by the Group's

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interests, may arise with those authorities over the interpretation or application of tax laws.

- Refraining from incorporating or making investments in entities domiciled in countries or territories considered tax havens, unless expressly authorized by the Company's Board of Directors following due analysis of the circumstances.

Euros	Corporate income tax or equivalents ⁷	WHT tax	Others	Total
Argentina	18.363.245	2.548.762	417.949	21.329.956
Mexico	13.977.754	1.575.063	0	15.552.817
Colombia	233.563	213.467	0	447.030
Spain	1.230.462	364.382	0	1.594.845
Italy	1.897.382	0	1.431.200	3.328.582
Panama	1.385.128	332.990	0	1.718.118
Uruguay	94.086	24.325	0	118.411
TOTAL	37.181.620	5.058.988	1.849.149	44.089.757

Tax Contribution from Codere Group is extremely relevant, especially due to the gaming taxes paid in each of the countries where Codere carries out its activity. During the preceding years tax contribution has been the following.

Million Euros	2016	2017	2018
Tax contribution	568,4	679,7	560,9
Tax	552,2	598,0	528,1
Corporate Income Tax	33,8	64,2	37,1
Other tax	(17,5)	17,6	(4,3)

Codere profits per country

Million Euros	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brasil	Panama	Holdcos
Earnings before taxes	(12.9)	18.5	54.6	(2.7)	4.2	0.6	(5.0)	1.9	(62.8)

In 2018, the Codere Group did not receive any government grants.

Environmental disclosures

The company views respect for the environment and sustainability all along its value chain as key to its long-term success. It is therefore committed to protecting the environment and natural resources in its operating communities. In 2018, the head offices renewed the silver LEED certification obtained in July 2017. LEED, which stands for Leadership in Energy & Environmental Design, is an internationally renowned quality seal awarded by the US Green Building Council. It is held by some of the most important companies in the world. It is the most prestigious building

⁷ It corresponds to the corporate income tax, or similar, paid by country, not accrued. They have been calculated in local currencies, using the year-end exchange rate.

green building certification and acknowledges the responsible use of buildings to maximize their operational efficiency and minimize their environmental impact.

	Consumptions 2018
Electricity(kW)	6,695,211 ^[1]
% Renewable	12% ^[2]
Fuel (l.)	1,000,000 ^[3]
Water (m ³)	35,795 ^[4]

	Tn CO ₂ 2018 ⁸
Scope 1 emissions	2.180
Scope 2 emissions	2,878.94

¹ The approximate consumption corresponds to the total number of branches, delegations, AADD stores (own network), salons and Bingos within the Spanish territory.

² The calculation of the percentage of renewable energies is not expressed in absolute terms, since the electricity supply is divided between more than 250 properties and the contract typologies alter that proportion due to the differences in the contracted power capacity and location.

³ Estimate corresponding to the Spanish and Headquarters operations fleet.

⁴ Calculation performed according to the invoices available as of the date of the report. Out of this amount, 6,628 m3 correspond to the Alcobendas headquarters. The remaining part corresponds to delegations and operating halls within the Spanish territory.

⁸ MAPAMA emission factors (April 2018 - Version 10).

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Social and employee matters			
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