Audit Report on Consolidated Financial Statements issued by an Independent Auditor

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

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

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the Shareholders of Codere, S.A.:

Audit report on the consolidated financial statements

Opinion

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

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

Basis for opinion

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

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

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

Key audit matters

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

Revenue recognition and management of cash takings

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

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

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

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

Description Goodwill, other intangible assets and property, plant and equipment

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

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

Deferred tax assets

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

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

Our response

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

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

In addition, and in relation with deferred tax assets:

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

Provisions and contingent liabilities

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

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

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

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

Other information: consolidated management report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Additional report to the audit committee

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

Term of engagement

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

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

ERNST & YOUNG, S.L.

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Jose Enrique Quijada Casillas

February 28, 2020

CODERE, S.A. AND SUBSIDIARIES

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

CODERE, S.A. AND SUBSIDIARIES

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

CONTENTS

CODERE, S.A. AND SUBSIDIARIES

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

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

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

CODERE, S.A. AND SUBSIDIARIES

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

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

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

CODERE, S.A. AND SUBSIDIARIES

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

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

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

CODERE, S.A. AND SUBSIDIARIES

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

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

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

CODERE, S.A. AND SUBSIDIARIES

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

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

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

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

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

CODERE, S.A. AND SUBSIDIARIES

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

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

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

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

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

CODERE, S.A. AND SUBSIDIARIES

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

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

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

1. GENERAL INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of presentation

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

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

a.1) Going concern

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

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

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

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

a.2) New and amended standards and interpretations issued

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

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

IFRS 16 *Leases*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRIC 23 *Uncertainty over income tax treatments*

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

Annual Improvements to IFRSs, 2015-2017 Cycle

The IASB has introduced the following amendments to its standards:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revised Conceptual Framework for Financial Reporting

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

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

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

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

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

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

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

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

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

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

a.3) Comparison of information

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

Classification of Argentina as a hyperinflationary economy

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

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

- The cost of non-monetary assets and liabilities and the various items of equity, since their acquisition or recognition on the statement of financial position, is restated at year-end to reflect the change in the purchasing power of the currency as a result of hyperinflation.
- The gain or loss corresponding to the impact of inflation for the year on the net monetary position is reflected in profit or loss.
- The various items of the statement of profit or loss and the statement of cash flows are adjusted by the change in the price index from the dates the items of income and expense were originally recorded with a balancing entry in net finance costs and a reconciliation item in the statement of cash flows, respectively.
- All of the components of the financial statements of the Argentine entities have been translated at the closing exchange rate, specifically 67.28 Argentine pesos per euro as at December 31, 2019.

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

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

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

a.4) Inconsistencies

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

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

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

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

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

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

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

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

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

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

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

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

b) Accounting policies

b.1) Basis of consolidation

- *Subsidiaries and business combinations*

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

- *Joint ventures*

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

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

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

- *Investments in associates*

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

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

- *Disposal of subsidiaries*

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

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

b.2) Segment reporting

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

b.3) Foreign currency translation

b.3.1) Functional and presentation currency

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

b.3.2) Transactions and balances

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

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

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

these are recognized under “Translation differences” in consolidated equity.

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

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

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

b.3.3) Group companies

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

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

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

b.4) Intangible assets

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

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

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

(Thousands of euros)

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

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

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

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

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

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

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

b.5) Property plant and equipment

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

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

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

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

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

(Thousands of euros)

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

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

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

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

b.5.1) Investment properties

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

b.6) Goodwill

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

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

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

b.7) Impairment of non-financial assets

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

b.8) Financial assets

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

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

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

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

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

b.9) Inventories

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

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

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

b.10) Impairment of financial assets

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

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

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

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

b.11) Derivative financial instruments and hedging activities

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

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

b.12) Trade receivables

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

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

b.13) Cash and cash equivalents

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

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

b.14) Share capital

Ordinary shares are classified as equity.

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

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

b.15) Trade payables

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

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

b.16) Borrowings

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

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

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

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

b.17) Current and deferred tax

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

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

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

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

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

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

b.18) Employee benefits

- Termination benefits

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

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

- Bonuses

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

- Provision for retirement bonuses

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

- Long-term incentives

Overview of the plan:

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

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

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

Plan type and measurement:

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

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

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

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

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

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

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

b.19) Provisions and contingent liabilities

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

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

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

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

b.20) Revenue recognition

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

The Group recognizes its revenue as follows:

- Gaming machines: at the net win collected.

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

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

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

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

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

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

b.21) Leases

Group as lessee

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

• *Right-of-use assets*

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

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

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

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

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

• *Lease liabilities*

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

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

• *Short-term and low-value leases*

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

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

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

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

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

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

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

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

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

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

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

Group as lessor in operating leases

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

b.22) Earnings per share

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

3. FINANCIAL RISK MANAGEMENT TARGETS AND POLICIES

a) Group sources of financing and leverage policy.

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

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

- Funding the Group companies' business operations.

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

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

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

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

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

b) Key Group risks

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

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

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

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

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

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

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

c) Financial risk factors

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

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

c.1) Market risk

Foreign currency risk

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

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

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

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

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

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

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

Price risk

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

Interest rate risk

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

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

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

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

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

c.2) Credit risk

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

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

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

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

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

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

Maximum exposure

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

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

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

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

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

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

c.3) Liquidity risk

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

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

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

(Thousands of euros)

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

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

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

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

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

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

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

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

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

d) Capital management

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

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

- Internal cash flow generation across its core businesses.

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

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

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

e) Fair value estimation

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair value of investment properties.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

a) Estimated impairment losses on non-financial assets

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

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

b) Income tax

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

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

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

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

c) Fair value of derivatives and other financial assets

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

d) Provisions for litigation and other contingencies

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

e) Complaints and claims

(i) Tax lawsuits in Mexico

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

- Exchange losses

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

- Exclusivity rights

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

- Duty on production and services, 2013 and 2014

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

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

- Draws and sweepstakes - Jalisco (2013 and 2014)

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

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

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

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

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

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

(ii) Tax lawsuits in Italy

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

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

- VAT - Codere Italy (2014 and 2015)

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

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

(iii) Tax lawsuits in Argentina

- Tax on debits and credits

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

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

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

(iv) Tax lawsuits in Panama

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

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

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

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

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

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

(vi) Arbitration proceedings.

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

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

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

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

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

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

(vii) Perella Weinberg Partners lawsuit.

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

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

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

h) Non-controlling interests

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

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

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

		Thousands of euros
Summarized financial information for subsidiaries with material non-controlling interests at December 31, 2018	**Administradora Mexicana Hipódromo S.A. de 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
Operating income	222,031	64,048
Profit/(loss) for the year	30,871	50

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

5. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

- Holdcos: Management and business support services.

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

(Thousands of euros)

a) Operating segments

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

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

(Thousands of euros)

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

(Thousands of euros)

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

(Thousands of euros)

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

6. BUSINESS COMBINATIONS AND CHANGES IN THE SCOPE OF CONSOLIDATION

a) Business combinations

a.1) 2019

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

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

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

a.2) 2018

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

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

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

b) Changes in the scope of consolidation

2019

The main changes in the consolidation scope included:

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

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

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

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

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

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

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

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

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

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

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

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

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

b.2) 2018

The main changes in the consolidation scope included:

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

7. INTANGIBLE ASSETS

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

2019 — Thousands of euros

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

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

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

2018 — Thousands of euros

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

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

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

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

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

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

7.a) Other disclosures

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

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

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

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

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

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

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

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

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

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

8.a) Property, plant and equipment

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

2019 — Thousands of euros

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

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

2018 — Thousands of euros

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

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

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

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

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

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

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

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

8.b) Investment properties

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

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

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

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

Banamex Convention City Center Lease Agreement

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

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

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

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

9. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

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

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

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

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

(Thousands of euros)

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

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

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

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

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

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

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

10. GOODWILL

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

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

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

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

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

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

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

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

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

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

11. NON-CURRENT FINANCIAL ASSETS

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

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

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

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

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

a) "Loans and receivables"

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

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

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

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

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

b) Held-to-maturity investments:

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

12. DEFERRED TAX

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

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

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

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

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

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

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

    - The provision of corporate services.

    - Returns on loans extended.

    - Dividends receivable.

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

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

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

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

Thousands of euros

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

Cash flow projections

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

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

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

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

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

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

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

Key assumptions

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

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

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

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

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

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

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

Cantabria, Melilla, Asturias and the Balearics.

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

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

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

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

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

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

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

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

Sensitivity analysis - 2019

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

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

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

14. INVENTORIES

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

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

15. RECEIVABLES

a) Trade receivables:

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

b) Current tax assets:

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

c) Sundry receivables:

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

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

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

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

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

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

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

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

d) Accrued tax receivable:

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

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

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

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

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

16. OTHER CURRENT FINANCIAL ASSETS

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

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

Thousands of euros

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

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

Thousands of euros

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

"Other credit" breaks down as follows:

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

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

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

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

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

17. EQUITY

a) Issued capital

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

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

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

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

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

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

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

b) Share premium

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

c) Own shares

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

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

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

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

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

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

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

d) Legal reserve

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

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

e) Revaluation reserves

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

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

f) Restrictions on the distribution of dividends

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

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

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

g) Disclosures by company

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

18. PROVISIONS

18.1. Non-current provisions

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

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

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

a) Provision for retirement bonuses

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

b) Other provisions

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

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

18.2. Current and other provisions

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

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

19. FINANCIAL LIABILITIES

a) Non-current financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a.2) Non-current bank borrowings

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

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

The most significant arrangements are as follows:

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

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

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

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

a.3) Other non-current borrowings

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

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

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

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

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

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

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

b) Current liabilities

b.1) Notes

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

b.2) Bank borrowings

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

Current loans

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

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

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

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

b.3.1) Taxes payable

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

b.3.2) Deferred gaming taxes

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

b.3.3) Other payables

This heading includes:

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

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

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

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

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

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

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

c) Loans secured by the Group

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

d) Current liabilities by currency

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

20. DERIVATIVE TRANSACTIONS

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

(Thousands of euros)

21. TAX MATTERS

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

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

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

Spanish tax group, 2019:

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

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

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

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

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

(Thousands of euros)

Spanish tax group, 2018:

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

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

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

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

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

Italian tax group, 2019:

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

Italian tax group, 2018:

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

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

The rest of the Group companies file their taxes separately.

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

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

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

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

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

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

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

- Positive Permanent differences in the amount of 14.5 million euros in terms of tax payable at year-end 2019 (13 million euros in terms of tax payable at year-end 2018:
    - The permanent differences of the various Group companies, calculated applying the statutory rate prevailing in the corresponding country, resulting from the differences between the accounting criteria applied and the applicable tax legislation in each country.

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

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

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

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

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

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

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

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

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

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

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

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

The temporary differences correspond mainly to:

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

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

The breakdown of income tax expense is as follows:

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

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

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

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

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

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

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

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

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

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

22. GUARANTEES EXTENDED TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

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

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

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

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

Gaming sureties and guarantees

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

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

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

Other guarantees

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

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

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

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

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

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

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

23. INCOME AND EXPENSES

a) Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

(Thousands of euros)

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

(Thousands of euros)

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

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

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

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

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

a) Consumables used and other external expenses

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

c) Other operating expenses

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

d) Employee benefits expense

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

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

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

e) Headcount

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

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

f) Basic earnings per share

Basic earnings per share

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

Basic earnings per share attributable to equity holders of the parent

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

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

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

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

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

g) Finance income and costs

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

Contractual interest expense and finance charges

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

Unwinding of discount on provisions and other liabilities

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

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

Net exchange (losses)/gains

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

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

Breakdown of cash and cash equivalents

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

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

Additional disclosures for reconciliation purposes

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

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

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

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

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

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

As for the cash used in investing activities, during the year ended December 31, 2018, the Group incurred 103,094 thousand euros of capital expenditure, incurred a cash outflow of 239 thousand euros in connection with long-term loans, specifically: a net outflow of 978 thousand euros in respect of loans extended to hospitality establishment owners in Spain (loan payments of 3,808 thousand euros, net of proceeds of 2,830 thousand euros) and a net inflow of 739 thousand from long-term loans recovered from establishment owners in Italy (loan payments of 18,524 thousand euros, net of proceeds of 19,263 thousand euros). The Group paid 7,157 thousand euros for acquisitions, including payments for the acquisition of certain companies in Italy (500 thousand euros) and Spain (6,752 thousand euros), offset by balance-sheet cash at the acquisition date in the amount 95 thousand euros. The increase in proceeds from bank borrowings (27,452 thousand euros) corresponded to loans obtained in Spain (5.458 thousand euros), Uruguay (10,340 thousand euros) and by Codere Newco (11,654 thousand euros). The outflow of 30,209 thousand euros to repay bank loans was concentrated in Mexico, Uruguay, Colombia and Italy. The movement in other financial borrowings reflected an outflow of 2,024 thousand euros in respect of deferred gaming taxes and expenses of 542 thousand euros associated with borrowings arranged in Mexico.

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

(Thousands of euros)

	Balance at Jan. 1, 2019	**Cash flows**	**Movement in foreign currency**	**Changes in fair value**	**New borrowings (*)**	**Reclassifications**	**Other**	**Balance at Dec. 31, 2019**
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (current)	12,540	(65,610)	(661)			10,735	54,735	**11,737**
Current bank borrowings	40,004	(62,456)	(2,134)			(34,219)	11,012	**20,645**
Current finance lease liabilities and forward contracts	74,587	(75,204)	(806)		39,118	24,591	40,268	**102,554**
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (non-current)	761,985	29,134	5,066			(10,735)	2,481	**787,931**
Non-current bank borrowings	37,337	71,454	2,418		-	(34,219)		**76,990**
Non-current finance lease liabilities and forward contracts	46,979	(7,334)	(922)		224,673	(24,591)		**238,805**
Derivatives								
Total liabilities arising from financing activities	**973,432**	**(110,018)**	**2,961**	**-**	**263,791**	**-**	**108,496**	**1,238,662**

(*) Includes debts related to application of IFRS 16 as of January 1, 2019 amounting to 316,320 thousand euros.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

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

25. RELATED-PARTY TRANSACTION DISCLOSURES

In 2019, the Board of Directors of Codere, S.A., ratified the following resolutions, among others:

- On June 26, 2019, the Parent's shareholders resolved in general meeting to name Alberto Manzanares Secades and Fernando Sempere Rodriguez proprietary directors for the bylaw-stipulated term of 10 years, in replacement of José Antonio Martínez Sampedro and Luis Javier Martínez Sampedro.

- Alberto Manzanares and Fernando Sempere resigned from their positions as proprietary directors (in representation of Masampe S.L.) on October 7 and November 6, 2019, respectively. Both substantiated their decisions with strictly personal reasons (difficulty in reconciling their professional obligations with their directorships) in their letters of resignation.

In 2018, the Board of Directors of Codere, S.A., ratified the following resolutions, among others:

- To remove Mr. José Antonio Martínez Sampedro as Executive Chairman of the Board of Directors and Mr. Luis Javier Martínez Sampedro as Executive Deputy Chairman of the Board of Directors, who remained as proprietary directors until June 26, 2019, on which date they were not re-elected to those posts.

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

The transactions entered into with related parties that are not part of the Group in 2019 and 2018 and the resulting balances at the respective reporting dates are as follows:

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

		Thousands of euros	
December 31, 2018	**Nature of the relationship**	**Other**	**Services provided**
Luis Javier Martínez Sampedro	Director	11	-
Jose Antonio Martínez Sampedro	Director	5	-
Pro TV, S.A.	Advisor	-	62
Jusvil, S.A	Advisor	-	1,840
G3M, S.R.L.	Advisor	-	419
		16	**2,321**

2. Transactions with significant shareholders

In 2018, a loan, in the amount of 11,655 thousand euros (of which 8,300 thousand euros was outstanding at year-end 2019- 10,861 at December 31, 2018), was arranged between three subsidiaries of M&G Investment Management Limited (Prudential PLC) (two subsidiaries of M&G Investment Management Limited (Prudential PLC) at December 31, 2018).

The interest accrued at year-end 2018 on loans to related parties amounted to 42 thousand euros.

There are no balances pending payment to related parties at either reporting date.

Transactions with related parties were made on terms equivalent to an arm's length transaction. At December 31, 2019, the accumulated interest accrued on loans to executives, in the amount of 733 thousand euros, had been provided for in full (December 31, 2018: 764 thousand euros, similarly fully provided for). The Group had also written down the principal on loans extended to certain executives totaling 1,734 thousand euros (1,918 thousand euros at year-end 2018).

In 2019, the Company paid a law firm fees and expenses in connection with the defense of its independent directors in connection with the proceedings brought by the former Executive Chairman and Vice-Chairman of the Board and Masampe S.L. before the Court of Arbitration of the International Chamber of Commerce (ICC) and another associated case, both of which remain ongoing. In 2019, the director & officer liability insurance provider began to reimburse the Company for those payments and as of the date of authorization of these financial statement for issue, it had reimbursed the Company for all of the amounts paid to the law firm in that respect. In addition, at year-end, the Company had recognized invoices pending payment to the above-mentioned law firm in that same connection.

a) Director and key management personnel remuneration

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

	Thousands of euros	
	2019	**2018**
Director remuneration	1,414	1,154
Services rendered (*)	-	62
Fixed and variable remuneration	-	85
	1,414	**1,301**

The fixed remuneration received by the Company's directors in the first half of 2019 for membership of the Board of Directors and its various committees (Audit Committee, Compliance Committee and Corporate Governance Committee) was as follows:

Director	**Fixed remuneration in his/her capacity as director**	**Total**
José Antonio Martínez Sampedro	49	49
Luis Javier Martínez Sampedro	49	49
Pío Cabanillas Alonso (Masampe, S.L.)	200	200
David Reganato	150	150
Timothy Lavelle	150	150
Manuel Martínez-Fidalgo Vázquez	150	150
Fernando Sempere Rodriguez	36	36
Alberto Manzanares Secades	28	28
Norman Sorensen	350	350
Matthew Turner	252	252
	1,414	**1,414**

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

Director	Fixed remuneration in his/her capacity as director	Total
José Antonio Martínez Sampedro	100	100
Luis Javier Martínez Sampedro	100	100
Masampe, S.L.	150	150
David Reganato	150	150
Timothy Lavelle	150	150
Manuel Martínez-Fidalgo Vázquez	150	150
Norman Sorensen	150	150
Matthew Turner	150	150
Joseph Zappala	54	54
	1,154	**1,154**

(*) Joseph Zappala stepped down as director on May 10, 2018

In 2019, the Group's key management personnel accrued 5,538 thousand euros of remuneration (5,341 thousand euros in 2018). Some of the Group's executives are also beneficiaries of a long-term incentive plan, arranged in September 2017, for a term of five years and with a maximum size of 6,833 thousand euros (figures included within the 13.8 million euro measurement of the Group's long-term bonus plan).

Several Spanish members of Codere's management team have employment contracts that include provisions for special termination benefits that go beyond the mandatory payments stipulated in applicable legislation. The overall amount of termination payments payable under these contracts amounted to 0.5 million euros at December 31, 2019 and 2018.

No advances had been extended to members of the Board at either reporting date. Nor had the Group assumed pension plan obligations on behalf of former or serving members of the Board of Directors.

There was no remuneration corresponding to the natural persons who represent the Company on the boards on which the Company is a legal person director in either 2019 or 2018.

In 2019, the Company paid 296 thousand euros of civil liability insurance premiums on behalf of its directors to cover potential damages caused in the course of carrying out their duties (2018: 131 thousand euros).

Neither the directors nor persons acting on their behalf engaged in transactions with the Company outside the latter's ordinary course of business or other than on an arm's length basis.

For the purposes of article 229 of Spain's Corporate Enterprises Act, the Directors have stated that they are not party to conflicts with respect to the Company's interests.

b) Balance with Grupo CIE

The Codere Group recognizes an account receivable of 1,571 thousand euros at December 31, 2019 (3,786 thousand euros at December 31, 2018) from a subsidiary of the CIE Group (a minority shareholder in Mexico), Make Pro, S.A. de C.V., for advertising and sponsorship services.

26. AUDITOR FEES

The fees accrued by the Group's audit firms break down as follows:

				Thousands of euros
	EY	Other EY network firms	Other auditors	Total
2019				
Audit services	557	1,059	-	1,616
Other services	143	614	-	757
	700	**1,673**	**-**	**2,373**

	EY	Other EY network firms	Other auditors	Total
2018				
Audit services	536	1,083	-	1,619
Other services	280	429	-	709
	816	**1,512**	**-**	**2,328**

27. ENVIRONMENTAL ISSUES

Environmental activity refers to any transaction, the main purpose of which is to minimize damage to the environment or enhance environmental protection efforts.

The Codere Group did not make any major environmental investments in either 2019 or 2018.

The consolidated statement of financial position does not recognize any provisions of an environmental nature as, at year-end, the Group had no material future obligations, arising from its actions, to mitigate or repair environmental damage.

28. EVENTS AFTER THE REPORTING DATE

Lawsuit brought by Carrasco Nobile's shareholders: Carrasco Nobile: On February 19th, 2020 Carrasco has been notified of the request filed by Sikeston S.A., before the Mercantile Court, in order to resume the jurisdictional proceeding requesting the declaration of nullity of certain shareholder's meetings resolutions. Mentioned procedure had been initiated by Sikeston in 2015 but the Mercantile Court declared initially not competent for the decision, due to the arbitration clause included in the shareholder's agreement. Taking into account thai t e arbitration already has issued its award in favor of Sikeston, now Sikeston has requested the Mercantile Court to resume the jurisdictional proceeding where Sikeston sought the declaration of nullity of certain shareholders meetings resolutions.

New gaming advertising regulations in Spain. On February 24, 2020, Spain's Ministry of Consumption published, for public consultation, draft legislation on commercial messages for gaming activities; the draft royal decree contains 37 articles including 100 measures with a series of limitations on gaming advertising, such as:

- A restriction on TV and radio advertising to a timeframe between 1am and 5am, except for live sports events starting after 8pm;
- A ban on having celebrities or public figures participate in gaming advertising campaigns;
- Restrictions on free-play offers, welcome vouchers, and other promotions designed to capture new customers;
- Limitations on promotions on social media and website banner ads.

2019 GROUP MANAGEMENT REPORT

The Codere Group's business performance

In 2019, as outlined in note 2.a.2 of the consolidated financial statements, the Group began to apply IFRS 16. First-time application of this new standard has had an impact on its consolidated statement of profit or loss, specifically on lease expenses, within other operating expenses, depreciation charges, finance costs and income tax, all with a negative net impact of 19.9 million euros on the net income and a net positive impact of 69.8 million euros at the EBITDA[1] level. It also impacted its consolidated statement of financial position: at year-end 2019, the Group recognized right-of-use assets in the amount of 254.7 million euros.

Elsewhere, the Group has been applying IAS 29 since 2018 on account of the hyperinflation affecting the Argentine economy. As a result, the figures in the Argentine companies' statements of profit or loss and the non-monetary items on their balance sheets have been restated for the inflation accumulated since the items were recognized for accounting purposes and were then translated into euros using the closing exchange rate. Application of IAS 29 had the effect of reducing revenue by 8.9 million euros (2018: by 41 million euros) and had an adverse impact on Group EBITDA[2] of 2.3 million euros (2018: 12.2 million euros).

Due to the initial application of IFRS 16, the analysis of the movement in EBITDA and Adjusted EBITDA[2] strips out the impact of the new lease accounting standard.

For a better comparison, we have provided the *pro forma* impact of the new standard in 2018, as well as an Adjusted EBITDA figure for 2019, i.e., EBITDA before application of IFRS 16 and therefore comparable with that of 2018.

Adjusted EBITDA[2] amounted to 249.1 million in 2019, down 11.9% from 2018- as a consequence of the growth in EBITDA in the Online, Spanish (thanks to capacity fine-tuning and continuous operational improvements) and Uruguayan businesses, offset by lower EBITDA in Argentina (23.5 million euros due to the weakness of the peso and the impact of the new tax on winnings), Italy (affected by higher gaming taxes), Mexico and Panama.

The Adjusted EBITDA margin was 17.9% in 2019, down 1.3 percentage points from 2018, due to higher gaming taxes and the loss of relative weight of our higher-margin Argentine business, coupled with margin contraction in Mexico.

The highlights of the year:

- Real Madrid sponsorship. In April 2019, we renewed our sponsorship agreement with Real Madrid for another three seasons (with an option to extend for another two seasons). The new agreement has been expanded in scope to include new features in relation to intellectual property, promotional, advertising and events rights. We are thereby forging ahead with our strategy for raising our brand profile and recognition which has built Codere up to be one of the 100 most valuable brands in Spain according to the latest survey by Brand Finance.

- Accounting inconsistencies. On October 7, 2019, the Company announced that in the course of carrying out its internal control tasks, the corporate finance department detected accounting inconsistencies at some of its Latin American operations. Those inconsistencies affected the Group's first-half earnings. The Board of Directors hired Alvarez y Marsal and Kroy Abogados, both of which independent and prestigious companies, to carry out an independent investigation of the inconsistencies uncovered, in addition to ordering a series of internal

[2] EBITDA is defined as earnings before interest, tax, depreciation and amortization and also before changes in provisions for bad debt, asset impairment losses and any gains or losses on asset disposals.
[2] EBITDA excluding non-recurring items and asset impairment charges and stripped of the impact of hyperinflation accounting.

(Miles de euros)

investigations. The conclusions of the forensic analysis notified by those independent experts to the Board of Directors confirmed the amounts identified during the controls performed by the financial team and following the internal audit reviews, specifically a downward adjustment to Adjusted EBITDA of 16.5 million euros in the first half of 2019, which was in line with the estimated range announced to the market in a significant event on October 7, 2019. The inconsistencies did not affect other countries or other reporting periods.

The inconsistencies were intentional and were coordinated by a small group of individuals in Mexico, without the knowledge of the corporate head offices in Madrid. The Company has taken steps to introduce organizational changes and reinforce the internal control environment in order to strengthen its operating systems and render the accounting and reporting processes more robust.

- Tax suspension in Argentina On December 7, 2018, the Senate and Parliament of the Province of Buenos Aires approved Law 15,079, articles 137-139 of which introduced a new tax on gamers, specifically levying winnings from machines by 3%, with effect from February 1, 2019. Following a court order, that tax was temporarily suspended at the end of September.

- **Tax changes in Italy.** The Italian government passed its general budget for 2020 on December 31, 2019, introducing gaming tax hikes, to be implemented in accordance with the following schedule:

Date of effectiveness	AWPs	VLTs
January 2020	23.85%	8.50%
January 2021	24.00%	8.60%

The new legislation also provides for reductions in payouts from 68% to 65% for AWPs and from 84% to 83% for VLTs. It further stipulates an increase in withholdings from VLT winnings of over 200 euros (formerly the threshold was 500 euros) from 12% to 20% with effect from January 15, 2020. Lastly, the government has introduced rules for identifying gamers in the VLT segment via their national health identity cards. The above changes have prompted a reduction in amounts wagered of around 30% in the weeks following their effectiveness, which is in line with the decline experienced by other players in Italy.

- **New financing raised locally.** On November 27, 2019, our Uruguayan subsidiary, HRU S.A., issued $30m of notes due 2029. They were issued locally. The proceeds were used to prepay the 8 million euros outstanding on notes issued in 2011. In addition, on November 28, 2019, our Mexican subsidiary, Administradora Mexicana del Hipódromo, S.A. de C.V., arranged a MXP200 million credit line.

Group earnings performance

Operating income

Revenue declined by 46 million euros (3.2%) to 1,389 million euros in 2019, due mainly to the adverse effect of hyperinflation in Argentina (8.9 million euros) and the devaluation of the Argentine peso against the euro, which eroded revenue in Argentina by 90 million euros. In addition, revenue in Mexico decreased by 9.5 million, due to a far more complex macroeconomic and competitive environment. Those weaker performances were offset by revenue growth in the Online (15.4 million euros), Italian, Spanish and Uruguayan (13.4 million euros) businesses.

Operating expenses

Operating expenses, excluding depreciation and amortization charges and the change in provisions for non-performance, decreased by 102 million euros to 1,104 million euros, due mainly to the impact of application of IFRS 16, which had the effect of reducing operating expenses by 15.1 million euros. Stripping out that impact, the biggest change took place in Argentina, where costs declined by 65.8 million euros on account of peso devaluation, which had the effect of reducing gaming taxes and staff costs.

Operating profit

The Group's operating profit decreased by 14 million euros in 2019 to 82.1 million euros. The operating profit margin declined to 5.9% (from 6.6% in 2018), due mainly to the adverse impact of the devaluation of the Argentine peso. Stripping out the impact of hyperinflation accounting (IAS 29), which had a significant impact on depreciation charges, and of the first-time application of the new lease accounting standard, IFRS 16, operating profit would have been 66.9 million euros (2018: 96.8 million euros), and the margin would have been 4.8% (2018: 6.7%).

Net finance costs

Net finance costs increased by 15 million euros to 114.9 million euros in 2019. That increase is primarily attributable to the impact of application of IFRS 16 (which increased this heading by 38.3 million euros), partially offset by the significant improvement in net exchange differences, which decreased by 19 million euros in 2019. Lastly, the effect of hyperinflation, specifically the loss of the currency's purchasing power, implied a financial loss of 3.4 million euros, compared to 1.3 million euros in 2018.

Income tax

Income tax was largely stable, declining 800 thousand euros to 29.6 million euros, due to the effect of hyperinflation in Argentina, which increased tax expense by 15.5 million euros (2018: 8 million euros), offset by a reduction in tax expense as a result of lower accounting and tax profits in Argentina (mainly due to the effect of the peso weakness) and Mexico.

Profit/(loss) attributable to non-controlling interests

The profit attributable to non-controlling interests decreased by 7 million euros in 2019 to 1 million euros, driven mainly by the loss reported by the Panamanian business and the decline in profits at the Mexican operations.

Profit/(loss) attributable to equity holders of the parent

Primarily as a result of the developments described above, the loss attributable to equity holders of the parent amounted to 61.7 million euros in 2019, compared to a loss of 40.4 million euros in 2018. Stripping out the negative effects of application of IFRS 16 - 18.5 million euros (*) - and of IAS 29 - 24.3 million euros (2018: 10.1 million de euros in 2018), the loss attributable to equity holders of the parent would have been 18.9 million euros, compared to a loss of 30.3 million euros in 2018.

Consolidated equity declined by 45 million euros: the drop in earnings was offset by the impact on equity of hyperinflation, which had the effect of reducing negative translation differences by 20.5 million euros.

The equity of the Group parent, Codere S.A., amounted to a positive 715.1 million euros at year-end 2019, including share capital of 509.7 million de euros.

(*) Net of Hyperinflation effect

Disclosures on deferral of trade accounts payable

The Group's average payment term vis-a-vis Spanish suppliers is 37 days. For a more detailed description of the deferral of supplier payments, refer to note 19 of the consolidated financial statements.

Headcount

At December 31, 2019, the Group employed 11,702 people, 439 fewer than at year-end 2018.

Environmental disclosures

The environmental management policies implemented in 2019 are described in detail in the Non-Financial Statement which forms part of this Management Report.

R&D expenditure

The Group did not incur any R&D expenditure in 2019.

Own shares

At December 31, 2019, the Company held 189,519 own shares (year-end 2018: 154,941) that were carried in equity at 721 thousand euros (year-end 2018: 678 thousand euros).

Group outlook

Although 2020 presents major challenges on the regulatory, tax and macroeconomic fronts, the outlook for our Group is positive. We are very confident in our teams and our strategic initiatives for driving revenue and profit growth. Those initiatives are focused primarily on the online business and on the retail segments in Spain and Mexico. We also remain alert to possible new opportunities in online gaming and sports-betting in Latin America.

We expect renewed growth over the course of the year and anticipate being able to refinance our debt so as to gain the flexibility needed to look at the growth opportunities that may emerge.

Meanwhile, the Company will continue to push forward on all of the drivers underpinning its strategy, paying special attention to its customer-centric focus, development of a multi-channel gaming offering and digitalization. Based on that strategy, profitable growth, efficiency and operational excellence, we are determined to continue to work hard to meet all of our stakeholders' expectations.

Key Group risks

The key risks to which the Group is exposed include, but are not limited to, risks related to the gaming sector. The gaming industry is closely regulated (those regulations extend to the gaming business itself and the gaming formats and channels permitted; management of the risks associated with gaming; gaming advertising; data protection; anti-money laundering; and anti-fraud, among others). Gaming operators are required to fulfil a number of technical and compliance-related obligations in order to operate under licenses that either need to be renewed at certain intervals or are subject to ongoing oversight. The failure to comply with any of these regulations or requirements or the inability to renew our gaming licenses could have an adverse impact on our business. In addition, new regulations in the future could imply additional restrictions on already-regulated activities that could reduce our ability to offer products and services to our customers.

The industry is also exposed to the formulation of new and interpretation of existing gaming tax regulations in every market. Any increase in the gaming tax burden or changes in tax calculation methodologies could affect the viability of our business. The gaming industry is often in the spotlight and the public perception of what we do can also have an adverse impact on our performance. Moreover, regulatory changes in the various markets could pave the way for the entry of new competitors or new gaming formats that could have an adverse impact on our business. Lastly, the Group is and will remain exposed to lawsuits related with the above-mentioned tax regulations and compliance rules.

Elsewhere, the markets in which the Group does business expose it to political, macroeconomic and monetary risks that affect its international operations. The market conditions and socio-economic variables in each of our markets affect our customers' purchasing power and, by extension, our business performance. The Group is also affected by political and monetary risks (including exposure to currency devaluations and changes in company law in our operating markets).
The Group is exposed to risks deriving from its growth and financing strategies. Indeed, its indebtedness could curtail management of the business, whereas conditions in the capital markets or the undertaking of unprofitable investments could affect the Group's performance. Moreover, financial market circumstances and the Group's financial situation could affect the ability to secure the guarantees or sureties needed to operate most of the gaming licenses it manages in its various business markets.

In addition, the Group is exposed to the risk that its customers' tastes and preferences could change and shift, as well as the risk that technology could lead to alternative leisure pursuits. It also faces risks deriving from supplier or competitor concentration in certain formats or products and the ability or inability of the former to create safe gaming products that are attractive to customers and comply with prevailing legislation in every market. Lastly, the impact of technology developments on how the business and product are managed (digitalization and interconnection) implies risks with respect to the integrity of our IT systems and platforms which the Group needs to manage proactively in order to avoid potential contingencies.

As for the use of financial instruments, the Group's financial risk management policy is described in the notes of the consolidated financial statements. The Group's business activities expose it to various types of financial risk: market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

For a more detailed description of the Group's key risks, refer to the corresponding notes of the consolidated financial statements, particularly note 3, which provides information about the Group's risk management objectives and policies.

EVENTS AFTER THE REPORTING PERIOD

Lawsuit brought by Carrasco Nobile's shareholders: Carrasco Nobile: On February 19th, 2020 Carrasco has been notified of the request filed by Sikeston S.A., before the Mercantile Court, in order to resume the jurisdictional proceeding requesting the declaration of nullity of certain shareholder's meetings resolutions. Mentioned procedure had been initiated by Sikeston in 2015 but the Mercantile Court declared initially not competent for the decision, due to the arbitration clause included in the shareholder's agreement. Taking into account thai t e arbitration already has issued its award in favor of Sikeston, now Sikeston has requested the Mercantile Court to resume the jurisdictional proceeding where Sikeston sought the declaration of nullity of certain shareholders meetings resolutions.

New gaming advertising regulations in Spain. On February 24, 2020, Spain's Ministry of Consumption published, for public consultation, draft legislation on commercial messages for gaming activities; the draft royal decree contains 37 articles including 100 measures with a series of limitations on gaming advertising, such as:

- A restriction on TV and radio advertising to a timeframe between 1am and 5am, except for live sports events starting after 8pm;
- A ban on having celebrities or public figures participate in gaming advertising campaigns;
- Restrictions on free-play offers, welcome vouchers, and other promotions designed to capture new customers;
- Limitations on promotions on social media and website banner ads.

IDENTIFYING DATA OF THE ISSUER

Year end date:	31/12/2019
Tax ID:	A-82110453

Corporate Name:

CODERE, S.A.

Registered Office:

AVENIDA DE BRUSELAS, 26 (ALCOBENDAS) MADRID

A. OWNERSHIP STRUCTURE

A.1. Complete the following table regarding company share capital:

Date of most recent change	Share Capital (€)	Number of shares	Number of voting rights
16/10/2017	509,714,801.80	118,538,326	118,538,326

Indicate whether or not there are different types of shares with different associated rights:

[ ] Yes
[√] No

A.2. List the direct and indirect holders of significant shareholdings in your company at year-end, excluding directors.

Shareholder name or corporate name	% voting rights attributed to the shares		% voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
ALDEN GLOBAL OPPORTUNITIES MASTER FUND L.P.	1.84	0.00	0.00	0.00	1.84
Mr. DAVID ABRAMS	0.00	8.79	0.00	0.00	8.79
Mr. EDWARD ARNOLD MULE	0.00	23.36	0.00	0.00	23.36
Mr. JON R. BAUER	0.00	7.27	0.00	0.00	7.27
DEBT INVESTMENT OPPORTUNITIES III DESIGNATED ACTIVITY COMPANY	0.00	5.24	0.00	0.00	5.24
M&G DEBT OPORTUNITIES FUND II LIMITED	0.00	3.35	0.00	0.00	3.35
VR GLOBAL PARTNERS L.P	2.48	0.00	0.00	0.00	2.48
SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	21.79	0.00	0.00	0.00	21.79
EVERMORE GLOBAL ADVISORS LLC	0.00	5.24	0.00	0.00	5.24
DEBT INVESTMENT OPPORTUNITIES IV	0.00	6.57	0.00	0.00	6.57

Shareholder name or corporate name	% voting rights attributed to the shares		% voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
DESIGNATED ACTIVITY COMPANY					
ABRAMS CAPITAL PARTNERS II LP	7.01	0.00	0.00	0.00	7.01
AGBPI FUND LTD	1.11	0.00	0.00	0.00	1.11
M&G PLC	0.00	20.97	0.00	0.00	20.97
Mr. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	0.01	14.06	0.00	0.00	14.07

Details of indirect interests:

Name or corporate name of indirect owner	Name or corporate name of the direct owner	% voting rights attributed to the shares	% voting rights through financial instruments	Total % of voting rights
Mr. EDWARD ARNOLD MULE	SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	21.79	0.00	21.79
Mr. DAVID ABRAMS	ABRAMS CAPITAL PARTNERS II LP	7.01	0.00	7.01
Mr. EDWARD ARNOLD MULE	SPCP GROUP III LLC	1.56	0.00	1.56
Mr. JON R. BAUER	CONTRARIAN CAPITAL MANAGEMENT L.L.C.	7.27	0.00	7.27
EVERMORE GLOBAL ADVISORS LLC	EVERMORE GLOBAL ADVISORS LLC	5.24	0.00	5.24
Mr. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	MASAMPE, S.L.	14.06	0.00	14.06
DEBT INVESTMENT OPPORTUNITIES IV DESIGNATED ACTIVITY COMPANY	STATE STREET BANK & TRUST CO	6.57	0.00	6.57
M&G DEBT OPORTUNITIES FUND II LIMITED	M&G PLC	3.35	0.00	3.35
M&G PLC	DEBT INVESTMENT OPPORTUNITIES IV DESIGNATED ACTIVITY COMPANY	6.57	0.00	6.57

M&G PLC	DEBT INVESTMENT OPPORTUNITIES III DESIGNATED ACTIVITY COMPANY	5.24	0.00	5.24
M&G PLC	M&G DEBT OPORTUNITIES FUND II LIMITED	3.35	0.00	3.35
DEBT INVESTMENT OPPORTUNITIES III DESIGNATED ACTIVITY COMPANY	STATE STREET BANK & TRUST CO	5.24	0.00	5.24
M&G DEBT OPORTUNITIES FUND II LIMITED	CUSTODIO	3.35	0.00	3.35

Indicate the most significant movements in shareholder structure which have taken place during the year:

Most significant movements

In 2019, Turnpike Limited reduced its direct shareholding in Codere to below the 1% threshold.

The controlling fund of Debt Investment Opportunities III Designated Activity Company, Debt Investment Opportunities IV Designated Activity Company and M&G Debt Opportunities Fund II Limited, is now M&G Plc as a result of the demerger of that company from Prudential Plc.

As a result of certain movements in Abrams Capital, the ACPII Europe SARL fund transferred its direct shareholding to Abrams Capital Partners II L.P., the controlling shareholder in both cases being David Abrams.

Data on significant holdings as declared to the CNMV.

David Abrams is the majority owner of Abrams Capital Management, LLC (ACM LLC”). ACM LLC is the general partner of Abrams Capital Management LP (ACM LP) and controls ACM LP.

Edward A. Mulé controls Silver Point Capital Management LLC, which in turn controls (i) the company SPCP Group III LLC (direct shareholder of Codere SA holding 1,564% of the voting rights) and (ii) Silver Point Capital L.P who holds the voting rights of the shares of Codere S.A. owned by Silver Point Luxembourg Platform S.a.R.L. (direct shareholder of Codere SA holding 21,795% of the voting rights).

Jon Bauer is the majority owner of Contrarian Capital Management LLC, which is the Investment Manager of the shareholder.

Shares in M&G Debt Opportunities Fund II Limited are held by an unidentified custodian bank.

Evermore Global Advisors is the investment advisor to 5 accounts that hold the Codere shares.

A.3. Complete the following tables regarding members of the Board of Directors of the company holding share voting rights in the company:

Name or corporate name of the directors	% voting rights attributed to the shares		% voting rights through financial instruments		Total % of voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr. MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ	0.01	0.01	0.00	0.00	0.02	0.00	0.00
Mr. NORMAN RAUL SORENSEN VALDEZ	0.07	0.00	0.00	0.00	0.07	0.00	0.00
Mr. MATTHEW CHARLES TURNER	0.02	0.00	0.00	0.00	0.02	0.00	0.00
MASAMPE, S.L.	14.06	0.00	0.00	0.00	14.06	0.00	0.00

Total % of voting rights held by the Board of Directors	14.17

Details of indirect interests:

Name or corporate name of the directors	Name or corporate name of the direct owner	% voting rights attributed to the shares	% voting rights through financial instruments	Total % of voting rights	% voting rights that can be transmitted through financial instruments;
Mr. MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ	LESNAM LTD	0.01	0.00	0.01	0.00

A.4. Indicate, if applicable, any family, commercial, contractual or corporate relations existing between the significant shareholders, to the extent to which the company is aware of them, unless said relations are insignificant or are the result of ordinary business activity, except those included in section A.6.:

Name of related parties	Type of relation	Brief description
No data		

A.5. Indicate, if applicable, any commercial, contractual or corporate relations existing between the significant shareholders and the company and/or its group, unless said relations are insignificant or are the result of ordinary business activity:

Name of related parties	Type of relation	Brief description
MASAMPE, S.L.	Corporate	Masampe S.L. significant shareholder of the company, is also a Director of Codere S.A.
M&G DEBT OPORTUNITIES FUND II LIMITED	Contractual	M&G Plc., the entity that indirectly holds 20.9% of the share capital of Codere, S.A., is the managing and controlling entity of certain funds that, acting as lenders, have signed a loan agreement with the Codere Group.

A.6. Describe the relationships, unless they are scarcely relevant for the two parties, that exist between the significant shareholders or those represented on the Board of Directors and the directors, or their representatives, in the case of legal entity administrators.

Explain, where appropriate, how significant shareholders are represented. Specifically, indicate those directors who have been appointed on behalf of significant shareholders, those whose appointment would have been promoted by significant shareholders, or who are linked to significant shareholders and/or entities of their group, with a specification of the nature of such relationships. In particular, mention shall be made, where appropriate, of the existence, identity and position of Board members, or representatives of directors, of the listed company, who are, in turn, members of the administrative body, or their representatives, in companies that hold significant stakes in the listed company or in entities of the group of such significant shareholders:

Name or corporate name of the linked director or representative	Name or corporate name of the linked significant shareholder	Company name of the group company of the significant shareholder	Description relationship/position
Mr. PÍO CABANILLAS ALONSO	MASAMPE, S.L.	MASAMPE, S.L.	Pío Cabanillas Alonso is the natural person representative of the Director and significant shareholder Masampe S.L. In accordance with the shareholder agreements signed by the company on 6 April 2016, art. 4.1. "Board Formation" was appointed at the proposal of the so-called "Key Executives Parties".
Mr. MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ	ABRAMS CAPITAL PARTNERS II LP	ABRAMS CAPITAL PARTNERS II LP	Pursuant to the shareholders' agreements signed by the company on 6 April 2016, art. 4.1. "Board Formation", Manuel Martínez-Fidalgo Vázquez was appointed director of Codere S.A. at the joint proposal of the "First Investor Shareholder" (Silver Point Luxembourg Platform SARL) and the "Second and Third Investor Shareholders" (Abrams Capital and M&G Investments).
Mr. DAVID ANTHONY REGANATO	SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	Pursuant to the shareholders' agreements signed by the company on 6 April 2016, art. 4.1. "Board Formation", Mr. David Reganato was appointed Director of Codere S.A. at the proposal of the "First Investor Shareholder", the company

Name or corporate name of the linked director or representative	Name or corporate name of the linked significant shareholder	Company name of the group company of the significant shareholder	Description relationship/position
			Silver Point Luxembourg Platform S.A.R.L..
Mr. TIMOTHY PAUL LAVELLE	SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	Pursuant to the shareholders' agreements signed by the company on 6 April 2016, art. 4.1. "Board Formation", Timothy Lavelle was appointed Director of Codere S.A. at the proposal of the "First Investor Shareholder", the company Silver Point Luxembourg Platform S.A.R.L..
MASAMPE, S.L.	MASAMPE, S.L.	Mr. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	Masampe S.L. has the double condition of Director (represented by Mr. Pío Cabanillas Alonso) and significant shareholder (holding a direct participation of 14.06% in the share capital). Mr. José Antonio Martínez Sampedro is the controller of the company Masampe S.L. In accordance with the shareholders' agreements signed by the Company on 6 April 2016, are included in section 4.1. "Formation of the Board", was appointed on the proposal of the so-called "Key Executive Parties".

A.7. Indicate whether or not the company has been informed of any quasi-corporate agreement affecting it, pursuant to articles 530 and 531 of the Spanish Capital Companies Act. If so, briefly describe such pacts and list the shareholders related through the agreement:

[√] Yes
[ ] No

Parties to the quasi-corporate agreement	% of share capital affected	Brief description of the agreement	Expiration date of the agreement, if any
INVESTOR SHAREHOLDERS, JOSÉ ANTONIO MARTÍNEZ SAMPEDRO, SILVER POINT FINANCE LLC, LUIS JAVIER MARTÍNEZ SAMPEDRO, CODERE, S.A., MASAMPE, S.L.	97.00	In connection with the agreement reached by the Company for the restructuring of the debt and the capital of the Group, the shareholders' agreements of 6 April 2016 (Relevant Event 237,456), duly communicated to the CNMV and published on the corporate website, was signed in order to regulate the relations between the Company and its shareholders, including, among others, the principles of governance of the Company and the terms and conditions governing the transfer of shares and the exit mechanisms that could be activated at the time.	The quasi-corporate agreement does not contain an expiration date, although in clause 18 it establishes various causes for its termination.

The list that includes all the participants in the above-mentioned shareholder agreements is publicly available in the "Shareholder agreements" section of the website www.grupocodere.com, as well as in the Relevant Fact sent to the CNMV on 15 April 2016 (Schedule 1).

Indicate whether or not the company is aware of the existence of concerted action among its shareholders. If so, briefly describe such action:

[ ] Yes
[√] No

In the case whereby any change or break in said agreements or concerted action has taken place during the year, expressly indicate said circumstance:

A.8. Indicate whether any natural or legal person exercises or is able to exercise control over the company pursuant to article 5 of the Spanish Securities Act. If so, identify said person:

[ ] Yes
[√] No

A.9. Complete the following tables regarding company treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
189,516		0.15

(*) Held through:

Name or corporate name of the direct shareholder	Number of direct shares
No data	

Explain the significant variations during the year:

Explain the significant variations

In 2019, treasury stock increased by 34,578 shares, or 0.02%. This increase was due to the difference between purchases (745,670 shares) and sales (713,136 shares) made under the liquidity agreement, and the return of 2,044 shares of certain employees and executives to cancel the loan granted to them at the time for the purchase of shares.

A.10. Detail the conditions and term of authorization in force for the Board of Directors' Meeting to acquire and transfer treasury stock

The General Meeting of Shareholders held on 27 June 2018 approved point Five of the agenda, as follows:

1. Rendering null and void, in the part thereof which has not been used, the authorization for the acquisition of treasury stock granted under point four of the agenda of the General Meeting of Shareholders held on 27 June 2013, to authorize the Board of Directors, in accordance with applicable law, for the derivative acquisition, at any time and as often as Codere, S.A. deems advisable, either directly or through any of the subsidiaries of which it is the parent, of treasury stock, fully paid up, by means of purchase-sale or by any other legal title for valuable consideration.

The minimum purchase price or consideration will be the face value of the own shares acquired, and the maximum will be the result of increasing by 20% the market value of the shares on their purchase date.

This authorisation will be granted for a term of five years, counted as of the date of this Meeting, and is expressly subject to a limitation consisting of the face value of the own shares acquired pursuant to this authorisation, to be added to the value of those already held by Codere, S.A. and any of its subsidiaries, and in no event being able to exceed the maximum allowed by law at the purchase date.

It is expressly noted that this authorisation may be used wholly or partially for the purchase of own shares for sale or retirement to be delivered or transmitted to employees or directors of the company, or upon exercise of stock options held thereby.

2. Empower the Board of Directors, in the widest terms possible, in order to exercise the authorisation conferred by this resolution and to carry out the remaining provisions foreseen therein; said powers may be delegated by the Board of Directors to any Director, to the Secretary or Vice Secretary of the Board of Directors, or to any other person whom the Board of Directors expressly empowers for this purpose.

A.11. Estimated free float:

	%
Estimated free float	14.69

Most of the free float indicated is subject to the shareholder agreement.

A.12. Indicate, if applicable, any legal or statutory restrictions in regard to the exercise of voting rights. In particular, indicate whether that are any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares on the market, as well as those authorization or prior notice systems that, over acquisitions or transfers of instruments of the company, will be communicated, are applicable by sectoral regulations.

[√] Yes
[ ] No

Description of the restrictions

The Articles of Association contemplate under article 11 that "each share will be entitled to one vote, although in no case may the same shareholder, the companies belonging to the same group or those acting in concert with the previous, issue in a General Shareholders' Meeting a number of votes greater than those corresponding to shares that represent a percentage of 44% of the share capital, even when the number of shares held exceeds said percentage of the share capital, without prejudice to the provisions of article 527 of the Spanish Capital Companies Act.

This limitation does not affect the votes corresponding to the shares in respect of which a shareholder holds the representation as a consequence of the provisions of article 13 below, although, in relation to the number of votes corresponding to the shares of each represented shareholder, the previously established limitation shall also apply."

The Articles of Association do not include restrictions on the transfer of securities. However, the shareholder agreement mentioned in the answer to question A.6. in Chapter 10, establishes certain obligations between the parties regarding the transfer of the securities (obligation for the purchaser to adhere to the shareholders' agreement and the prohibition that before 1 January 2017 no person or group of people may concertedly have a proportional share of more than 44%).

A.13. Indicate whether the General Meeting of Shareholders has agreed to adopt neutralization measures with respect to a takeover bid pursuant to Act 6/2007.

[ ] Yes
[√] No

If 'yes', explain the measures approved and the terms in which the restrictions will become ineffective:

A.14. Indicate whether the company has issued securities that are not traded on an EU regulated market.

[ ] Yes
[√] No

Where applicable, indicate the different classes of shares and, for each class of shares, the rights and obligations conferred.

B GENERAL MEETING OF SHAREHOLDERS

B.1. Indicate and, if applicable, detail, if there are differences with the minimum regime established in the Spanish Capital Companies Act with respect to the quorum for the constitution of the general meeting:

[ ] Yes
[√] No

B.2. Indicate and, if applicable, detail if there are differences with the regime established in the Spanish Capital Companies Act for the adoption of corporate resolutions:

[√] Yes
[ ] No

	Different qualified majority from that established under Article 201.2 in said Act in those cases specified in Article 194.1 thereof	Other cases of qualified majority
% established by the company for adoption of resolutions	50.10	50.10

The Articles of Association establish in article 21 that, in general, the resolutions will be taken by an absolute majority of the votes of the shareholders present or represented.

However, the following resolutions will be adopted by absolute majority of the votes corresponding to the totality of the shares in which the Company's share capital is divided (instead of an absolute majority of those present or represented established in the Capital Companies Act):

i) the agreements referred to in article 19 of the Articles of Association (increase or reduction of capital, any amendment to the Articles of Association, the issuance of bonds convertible into shares or that attribute to the bondholders a participation in the corporate profits, the elimination or limitation of the right of preferential acquisition of new shares, as well as the transformation, merger, spin-off or global assignment of assets and liabilities, and the transfer of domicile abroad) and ii) the approval of the annual accounts, the appointment of the auditors of accounts, the voluntary dissolution and liquidation and the reactivation of the company. In any case, the majority required for the exercise of the action of liability against the directors (article 238 of the Capital Companies Act), the quorum and the majority required for the purpose of the dissolution of the Company (article 364 of the Capital Companies Act) and also any other majority that has an imperative nature.

B.3. Indicate the rules applicable to the amendment of the articles of association. In particular, indicate the majorities needed for the amendment of the articles of association and, where appropriate, the rules laid down for the protection of the rights of the shareholders in the modification of the said bylaws.

Art. 19 of the Articles of Association provides as follows: "... so that the Regular or Extraordinary General Meeting of Shareholders can validly agree on the increase or reduction of the capital, and, in general, any amendment to the Articles of Association, the issuance of convertible bonds or participation in corporate profits attributed to bondholders, the elimination or limitation of the right of preferential acquisition of new shares, as well as the transformation, merger, spin-off or global assignment of assets and liabilities and transfer of registered office abroad, shall require, on first call, the concurrence of shareholders, present or represented, who own at least 50% of the subscribed capital with the right to vote. At second call, the attendance of 25% of said capital shall suffice. This same provision is established in article 20.2 of the Regulations of the General Meeting of Shareholders of Codere S.A.

In addition, article 21 establishes that for resolutions for the amendment of the Articles of Association, the majority of the shares in which the Company's share capital is divided will be adopted by an absolute majority of the votes.

Additionally, article 7 of the Rules of Procedure of the General Meeting of Shareholders of the Company provides that the following is the competence of the General Meeting: "h) The transformation, merger, spin-off or global assignment of assets and liabilities and the transfer of the registered office outside of Spain and dissolution of the Company, and, in general, any amendment of the Articles of association".

As for the voting on resolutions, Article 24.3. b) of the Rules of Procedure of the General Meeting of Shareholders states that "In the case of the amendment of the bylaws, each item or group of items that are materially different" shall be voted on separately.

B.4. Indicate, the attendance data for the general meetings held during the year of reference of the present report and those for the previous year:

	Attendance Data				
Date of General Meeting	% of those Physically Present	% of Proxy Holders	% of Remote Vote		Total
			Electronic Vote	Other	
11/05/2017	16.64	0.64	0.00	68.68	85.96
Of which free float	0.20	0.60	0.00	2.66	3.46
29/06/2017	16.51	0.63	0.00	75.34	92.48
Of which free float	2.33	0.58	0.00	0.02	2.93
16/10/2017	16.54	2.91	0.00	73.93	93.38
Of which free float	0.04	2.43	0.00	0.72	3.19
27/06/2018	15.77	2.43	0.00	66.10	84.30
Of which free float	0.01	2.43	0.00	0.70	3.14
26/06/2019	0.25	91.01	0.00	0.21	91.47
Of which free float	0.08	5.87	0.00	0.21	6.16

B.5. Indicate whether at the general meetings held during the year there was any item on the agenda that, for any reason, has not been approved by the shareholders:

[√] Yes
[ ] No

Agenda items that have not been approved	% votes against (*)
In relation to point Ten of the Agenda, introduced as a Complement to the Call at the request of the significant shareholder Masampe S.L., which proposed to the Meeting the exercise of the corporate responsibility action against the Chairman of the Board Mr. Norman Raúl Sorensen Valdez and his dismissal, it was not approved, as the vote against this point reached 78% of the present or represented capital with voting rights.	N/A

(*) If the non-approval of the point is for a cause other than the vote against, it will be explained in the text part and in the column of "% vote against" will be "n/a".

B.6. Indicate whether the Articles of Association contain any restriction regarding the minimum number of shares required in order to attend the General Meeting or remote voting:

[√] Yes
[ ] No

Number of shares required to attend the General Meeting	100
Number of shares required to vote remotely	100

B.7. Indicate whether it has been established that certain decisions, other than those established by law, involving an acquisition, transfer, contribution to another company of essential assets or other similar corporate operations, must be submitted for approval by the general meeting of shareholders:

[ ] Yes
[√] No

B.8. Indicate the address and means of access to the company website for information on corporate governance and other information on general meetings to be made available to shareholders via the website of the Company.

The address of the Company's website is www.grupocodere.com.

From this address clicking on the link named "Shareholders and Investors", multiple options are displayed, the link to this information is named "Corporate Governance". When you click on this link, you will find information about the Corporate Governance of Codere S.A., such as its Articles of Association, the rules of procedure of the General Meeting of Shareholders, the composition of the Board of Directors, the Regulations of the Board of Directors, and a specific one on General Meetings. In this tab, all the information related to the General Shareholders 'Meeting held since the date of listing on the stock exchange, as well as information on the Electronic Shareholders' Forum, is published.

C. ADMINISTRATIVE STRUCTURE OF THE COMPANY

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors provided for in the Articles of Association and the number set by the AGM:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the AGM	9

C.1.2 Complete the following table with respect to members of the Board:

Name or corporate name of the directors	Representative	Category of the director	Position on the Board	Date of first appointment	Date of last appointment	Procedure for appointment
Mr. MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ		Nominee	DIRECTOR	28/04/2016	27/06/2018	AGREEMENT ANNUAL GENERAL MEETING OF SHAREHOLDERS
MASAMPE, S.L.	Mr. PÍO CABANILLAS ALONSO	Nominee	DIRECTOR	07/05/2008	25/06/2014	AGREEMENT ANNUAL GENERAL MEETING OF SHAREHOLDERS
Mr. NORMAN RAUL SORENSEN VALDEZ		Independent	CHAIRMAN	28/04/2016	27/06/2018	AGREEMENT ANNUAL GENERAL MEETING OF SHAREHOLDERS
Mr. DAVID ANTHONY REGANATO		Nominee	DIRECTOR	28/04/2016	27/06/2018	AGREEMENT ANNUAL GENERAL MEETING OF SHAREHOLDERS
Mr. TIMOTHY PAUL LAVELLE		Nominee	DIRECTOR	28/04/2016	27/06/2018	AGREEMENT ANNUAL GENERAL MEETING OF SHAREHOLDERS
Mr. MATTHEW CHARLES TURNER		Independent	DIRECTOR	28/04/2016	27/06/2018	AGREEMENT ANNUAL GENERAL MEETING OF SHAREHOLDERS

Total number of directors	6

Indicate the removals that, whether due to resignation, dismissal or for any other reason, have occurred in the Board of Directors during the period subject to information:

Name or corporate name of the directors	Category of the director at the time of termination	Date of the last appointment	Date of resignation	Specialized commissions of which he/she was a member	Indicate if the removal has occurred before the end of the mandate
Mr. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	Nominee	25/06/2015	26/06/2019		NO
Mr. LUIS JAVIER MARTÍNEZ SAMPEDRO	Nominee	25/06/2015	26/06/2019		NO
Mr. ALBERTO MANZANARES SECADES	Nominee	26/06/2019	07/10/2019		YES
Mr. FERNANDO SEMPERE RODRÍGUEZ	Nominee	26/06/2019	07/10/2019		YES

Cause of termination and other observations
The Directors Mr. Manzanares Secades and Mr. Sempere Rodríguez sent letters to the Board of Directors, stating strictly personal reasons for their resignations, mainly due to difficulties which involved reconciling the dedication required by their position as Nominee Director of Codere S.A. with their other professional obligations.

C.1.3 Complete the following tables regarding members of the Board of Directors and their type of directorship:

EXECUTIVE DIRECTORS		
Name or corporate name of the directors	Position in company organization chart	Profile
No data		

EXTERNAL NOMINEE DIRECTORS		
Name or corporate name of the directors	Name of significant shareholder which this director represents, or which proposed the director's appointment	Profile
Mr. MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ	ABRAMS CAPITAL MANAGEMENT LP	Manuel Martínez-Fidalgo Vázquez holds a degree in Economic and Business Sciences from the University of Oviedo. Master's Degree in Business Administration (MBA) from Duke University. Currently Mr. Manuel Martínez-Fidalgo Vázquez is Managing Director in the financial restructuring department at Houlihan Lokey. Prior to joining Houlihan Lokey Manuel Martínez Fidalgo was an Associate at Deutsche Bank, having also worked at Merrill Lynch and at Cajastur (current Liberbank)
MASAMPE, S.L.	Mr. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	Mr. Pío Cabanillas Alonso is the natural person representative of Masampe SL on the Board of Directors of Codere S.A. Mr. Cabanillas holds a degree in Law from the Complutense University of Madrid, and a Master of Arts in Law and Diplomacy, from the Fletcher School of Law and Diplomacy (Tufts-Harvard). Mr. Cabanillas was General Director of Corporate Image and Marketing of Acciona from 2007 to 2016 and Minister spokesman of the government from 2000 to 2002.
Mr. DAVID ANTHONY REGANATO	SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	Mr. Reganato holds a degree in Finance and Accounting from Stern School of Business at the University of New York. He currently works as a Partner at Silver Point Capital LP, an investment advisory firm he joined in November 2002 and has extensive experience as an advisor in the North American and Asian gambling market, media and medical equipment. Prior to joining Silver Point Capital LP Mr. Reganato worked in the Investment Banking division of Morgan Stanley.
Mr. TIMOTHY PAUL LAVELLE	SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	Mr. Lavelle holds a degree in Finance and Psychology from the University of Notre Dame. Until September 2019 Mr. Lavelle worked at Silver Point Capital LP, specializing in Investments in Special Situations, an investment advisory firm he joined in 2008, and has extensive experience as an advisor in the gaming market, medical equipment and real estate. Prior to joining Silver Point Capital LP, Mr. Lavelle worked for two years in the Investment Banking division of Credit Suisse Securities, LLC.

Total number of external nominee directors	4
% of total Board	66.67

In accordance with the shareholders' agreement, Mr. Manuel Martínez-Fidalgo was also co-nominated by the shareholders Silver Point and M&G Investments.

Between 26 June 2019 and 7 October 2019, Mr. Alberto Manzanares Secades was also a member of the Board of Directors, as a Nominee Director, who resigned for the reasons indicated above. His appointment was proposed by Masampe S.L., Mr José Antonio Martínez Sampedro and Mr Luis Javier Martínez Sampedro.

Between 26 June 2019 and 6 November 2019, Mr. Fernando Sempere Rodríguez also sat on the Board of Directors as a Nominee Director, who resigned for the reasons indicated above. His appointment was proposed by Masampe S.L., Mr José Antonio Martínez Sampedro and Mr Luis Javier Martínez Sampedro.

EXTERNAL INDEPENDENT DIRECTORS	
Name or corporate name of the directors	Profile
Mr. NORMAN RAUL SORENSEN VALDEZ	Mr. Norman Raúl Sorensen Valdez holds a degree in Chemical Engineering from the US Air Force Academy (USAFA, Colorado Springs, Colorado), having studied a Program for Senior International Directors at the University of Columbia. In the past, Norman Raúl Sorensen Valdez served for 14 years as Chairman of the Board and Chief Executive Officer of Principal International, having previously held Senior Management positions at American International Group (NYSE: AIG) Citigroup and American Express.
Mr. MATTHEW CHARLES TURNER	Mr. Matthew Charles Turner holds a law degree in the United Kingdom. In the past Mr. Matthew Charles Turner served as Managing Director at Bank of America Merrill Lynch, in the International Global Private Equity division, and was previously the Director of Private Equity for Europe, Middle East & Africa at Merrill Lynch. He previously held senior management positions at Palamon Capital Partners and at PPM Ventures Ltd. Additionally, Mr. Turner has been a member of the Board of other companies dedicated to gaming such as the RAL Group, the Gala Group and the Moliflor Group.

Total number of independent directors	2
% of total Board	33.33

Indicate whether any director qualified as an independent director of the company or its group, receives any amount or benefit other than for the concept of directors fees, or holds or has held a business relationship with the company or any group company during the last financial year, either on their own behalf or as a significant shareholder, director or senior manager of a company that has or has had such a relationship.

In this case, provide a reasoned statement of the Board on the reasons why it considers that the director can perform his or her functions as an independent director.

Name of Director	Description of the relationship	Reasoned statement
Mr. NORMAN RAUL SORENSEN VALDEZ	No.	N/A
Mr. MATTHEW CHARLES TURNER	No.	N/A

OTHER EXTERNAL DIRECTORS			
Identify the other external directors and describe the reasons why they cannot be considered nominee or independent and their links, either with the company, its directors, or its shareholders:			
Name or corporate name of the directors	Reasons	Company, executive or shareholder maintaining the link	Profile
No data			

Total number of other independent directors	N/A
% of total Board	N/A

Indicate, if applicable, any changes which may have taken place during the period in regard to the type of directorship:

Name or corporate name of the directors	Date of change	Previous category	Current category
No data			

C.1.4 Complete the following table with the information regarding the number of female directors at the close of the last 4 fiscal years, as well as the category of such directors:

	Number of female directors				% of total of each type of director			
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executive					0.00	0.00	0.00	0.00
Sunday papers					0.00	0.00	0.00	0.00
Independent					0.00	0.00	0.00	0.00
Other External					0.00	0.00	0.00	0.00
Total					0.00	0.00	0.00	0.00

Between January and May 2016, two female directors formed part of the Board of Directors, one as an executive and the other as a representative of Masampe S.L.

C.1.5 Indicate whether the company has diversity policies in relation to the Board of Directors of the company with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized entities, in accordance with the definition contained in the Accounts Auditing Law, will have to inform, at least, of the policy they have established in relation to gender diversity.

[ ] Yes
[ ] No
[√] Partial policies

If yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results in the exercise. The specific measures adopted by the Board of Directors and the appointments and remuneration committee should also be indicated in order to achieve a balanced and diverse presence of directors.

In case the company does not apply a diversity policy, explain the reasons why it does not.

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained

The Board of Directors of Codere S.A. does not have a Diversity Policy. However, the objective pursued by the Policy of Selection of Directors currently in force and approved by the Board of Directors in November 2016, is that there is diversity in the composition of the Board in a broad sense of knowledge, experience, origin and gender.

For the two vacancies on the Board during the 2019, the Appointments, Remuneration and Corporate Governance Committee reported favourably on the appointment of two new nominee directors, taking into account both their training and experience.

C.1.6 Explain the measures, if any, agreed by the appointments committee to ensure that the selection procedures are not implicitly biased against the selection of female directors and that the company makes a conscious effort to include potential female candidates which meet the desired professional profile and that would allow achieving a balanced presence of females and males:

Explanation of the measures

The Regulations of the Board of Directors of Codere S.A. establish as an obligation of the Appointments, Remuneration and Corporate Governance Committee, to ensure that when new vacancies are filled in the Board, the selection procedures do not suffer from implicit biases that hinder the selection of female directors, and for the Company to deliberately look for, and include among the potential candidates, women who meet the professional profile sought.

In this sense, The Regulations of the Board of Directors of the Company empowers the Appointments, Remuneration and Corporate Governance Committee to assess the skills, knowledge and experience required on the Board and to define the roles and capabilities required of the candidates to fill each vacancy and evaluate the time and dedication needed to perform their duties. Additionally, it has the competence to establish a representation objective for the less represented gender on the Board of Directors and to elaborate guidelines on how to reach the objective.

In this context, the Appointments, Remuneration and Corporate Governance Committee analysed and reported favourably to the Board, on the Codere, S.A. Selection Policy for Directors, approved at a meeting of the Board of Directors on 10 November 2016. This Policy establishes that gender and age diversity will be promoted as much as possible, and that the candidate selection process will always avoid, in any case, the existence of implicit biases that could lead to discrimination, with meritocracy as the main criterion and the search for the most suitable candidate for the position to be filled.

When, despite the measures, if any, taken there are few or no female directors, explain the reasons why:

Explanation of reasons

The process of election and re-election of directors is detailed in a very precise manner in the shareholders' agreement signed by the company, making it difficult to modify the composition of the Board with respect to that initially agreed.

C.1.7 Explain the conclusions of the appointments committee regarding the verification of compliance with the director selection policy. And in particular, on how this policy is promoting the goal that in 2020 the number of female directors represents at least 30% of the total number of members of the Board of Directors.

At the General Meeting of Shareholders held on 26 June 2019, two new directors were appointed at the proposal of the Key Executive Parties (Masampe S.L., José Antonio Martínez Sampedro and Luis Javier Martínez Sampedro) who exercised the power granted by the shareholders' agreement of 6 April 2016 to appoint two nominee directors. The Appointments, Remuneration and Corporate Governance Committee issued a favourable report to the Board of Directors on the suitability, experience, training and merits of such persons.

C.1.8 Explain, if applicable, the reasons for appointing nominee directors at the request of shareholders holding less than 3% of the share capital:

Shareholder name or corporate name	Justification
No data	

Indicate whether formal requests for appointment to the Board have been denied to shareholders having a shareholding equal to or greater than that of other shareholders at whose request nominee directors were appointed. If applicable, explain the reasons why these requests were not honoured.

[ ] Yes
[√] No

Name or corporate name of the director or committee	Explanation
Mr. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	Mr. José Antonio Martínez Sampedro, Mr. Luis Javier Martínez Sampedro y Masampe S.L, in their capacity as "Key Executive Parties" under the Codere S.A. shareholders' agreement dated 6 April 2016, requested the Appointments, Remuneration and Corporate Governance Committee and the Board of Directors of Codere S.A. to renew the positions of nominee directors held by Mr. José Antonio Martínez Sampedro and Mr. Luis Javier Martínez Sampedro, prior to the expiration of their positions in June 2019. The Appointments, Remuneration and Corporate Governance Committee informed the Board of Directors unfavourably on the proposal for renewal received, as it considered that the proposed directors had failed to fulfil their respective duties of loyalty and fidelity towards the Company, causing certain economic damage to the Company.
Mr. LUIS JAVIER MARTÍNEZ SAMPEDRO	Mr. José Antonio Martínez Sampedro, Mr. Luis Javier Martínez Sampedro y Masampe S.L, in their capacity as "Key Executive Parties" under the Codere S.A. shareholders' agreement dated 6 April 2016, requested the Appointments, Remuneration and Corporate Governance Committee and the Board of Directors of Codere S.A. to renew the positions of nominee directors held by Mr. José Antonio Martínez Sampedro and Mr. Luis Javier Martínez Sampedro, prior to the expiration of their positions in June 2019. The Appointments, Remuneration and Corporate Governance Committee informed the Board of Directors unfavourably on the proposal for renewal received, as it considered that the proposed directors had failed to fulfil their respective duties of loyalty and fidelity to the Company, causing certain economic damage to the Company

C.1.9 Indicate, in the event that they exist, the powers and faculties delegated by the Board of Directors to Board members or Board committees:

Name or corporate name of the director or committee	Brief description
Mr. NORMAN RAUL SORENSEN VALDEZ	The Board mandated, instructed and empowered the Chairman of the Board in the broadest terms, so that, in the context of the filing of certain proceedings against the Company by certain shareholders, he could organize, decide, exercise and implement as he deems appropriate. for the corporate interest: i) the defence of the Company in relation to said procedures, as well as any others that may be filed by the same persons; ii) the exercise of any right or action that may correspond to the company against such persons or others related to them; iii) seek corporate legal advice to prevent and, where appropriate, mitigate the risk of litigation.

C.1.10 Identify, if applicable, the members of the Board that assume positions of administrators, representatives of administrators or directors in other companies that are part of the group of the listed company:

Name or corporate name of the directors	Name of group company	Position	Has executive functions?
Mr. MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ	CODERE NEWCO S.A.U.	DIRECTOR	NO
Mr. NORMAN RAUL SORENSEN VALDEZ	CODERE NEWCO S.A.U.	DIRECTOR	NO
Mr. DAVID ANTHONY REGANATO	CODERE NEWCO S.A.U.	DIRECTOR	NO
Mr. TIMOTHY PAUL LAVELLE	CODERE NEWCO S.A.U.	DIRECTOR	NO
Mr. MATTHEW CHARLES TURNER	CODERE NEWCO S.A.U.	CHAIRMAN	NO

C.1.11 Detail, if applicable, the directors or representatives of directors who are legal persons of their company, who are members of the Board of Directors or representatives of legal persons of other companies listed on official securities markets other than their group, who have been communicated to the company:

Name or corporate name of the directors	Name of the listed company	Position
Mr. NORMAN RAUL SORENSEN VALDEZ	ENCORE CAPITAL GROUP INC	DIRECTOR
Mr. DAVID ANTHONY REGANATO	STUDIO CITY INTERNATIONAL HOLDINGS LTD	DIRECTOR
Mr. TIMOTHY PAUL LAVELLE	STUDIO CITY INTERNATIONAL HOLDINGS LTD	DIRECTOR

C.1.12 Indicate and, if applicable, explain if the company has established rules on the maximum number of company directors that can belong to your Board of Directors, identifying, where appropriate, where it is regulated:

[√] Yes
[ ] No

Explanation of the rules and identification of the document where it is regulated
Article 4.1.b) of the Rules of Procedure of the Board of Directors establishes that the Directors may not, except when expressly authorized by the Board, after a report by the Corporate Appointments, Remuneration and Governance Committee, form part of more than 8 Boards, excluding (i) the Boards of Companies forming part of the same group as that of the Company (ii) the Boards of familial or holding companies of the Directors or their families and (iii) the Boards which they are members of owing to their professional relation.

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the Board of Directors:

Total remuneration of the Board of Directors (thousands of euro)	1,413
Amount of the accumulated rights for the current directors in matters of pensions (thousands of euro)	
Amount of the rights accrued by the former directors on pensions (thousands of euro)	

C.1.14 Identify any members of senior management who are not executive directors, and indicate total compensation payable to them during the year:

Name or company name	Position(s)
Mr. LUCAS RAUL ALEMAN HEALY	COUNTRY MANAGER PANAMA
Mr. RODRIGO GONZALEZ CALVILLO	REGIONAL MANAGER MEXICO
Mr. ALVARO DE ANSORENA CAO	DIRECTOR OF PEOPLE
Mr. SERAFÍN GÓMEZ RODRÍGUEZ	CHIEF SAFETY OFFICER
Mr. JUAN BAUTISTA ORDOÑEZ	COUNTRY MANAGER ARGENTINA
Mr. FELIPE TORO ECHEVARRIA	COUNTRY MANAGER COLOMBIA
Mr. GABRIEL GURMENDEZ	COUNTRY MANAGER URUGUAY
Mr. OSCAR IGLESIAS SANCHEZ	DIRECTOR OF CORPORATE DEVELOPMENT
Mr. BERNARDO CHENA MATHOV	REGIONAL MANAGER LATAM EX. MEXICO
Mr. ANGEL CORZO UCEDA	CHIEF FINANCIAL OFFICER
Mr. ADOLFO CARPENA MANSO	INTERNAL AUDIT MANAGER
Mr. MOSHE EDREE	COO ONLINE
Mr. ALEJANDRO PASCUAL GONZALEZ	REGIONAL MANAGER EUROPE
Mr. VICENTE DI LORETO	CHIEF EXECUTIVE OFFICER
Mr. LUIS SANCHEZ SERRANO	CORPORATE DIRECTOR OF TECHNOLOGY AND DIGITALISATION.

Total senior management compensation (thousands of euro)	5,538

During the last month and a half of 2019, members of the Jusvil S.A. team have rendered specific functions in the organizational chart of the group to strengthen the management team. In no case these services have implied an increase in the consultant's remuneration as stated in the agreement with Jusvil.

C.1.15 Indicate whether any change has been made during the year in the rules of procedure of the Board:

[ ] Yes
[√] No

C.1.16 Indicate the procedures for selection, appointment, re-election and resignation of directors. Detail the competent organs, the steps to be taken and the criteria to be employed in each procedure:

The Rules of Procedure of the Board of Directors of the Company empower the Corporate Appointments, Remuneration and Governance Committee to make recommendations to the Board regarding its duties, appointments or nominations regarding the structure of the Board and its Committees. To this end the Rules of Procedure empower the said Committee to assess the skills, knowledge and experience required on the Board and to define the roles and capabilities required of the candidates to fill each vacancy and evaluate the time and dedication needed to perform their duties. In particular, the Corporate Appointments, Remuneration and Governance Committee shall ensure that the selection procedures for new vacancies are implicitly unbiased against the selection of female directors. (Articles 1.12 and 16.2.l of the Rules of Procedure of the Board of Directors establish a representation objective for the less represented gender on the Board of Directors and prepare guidelines on how to achieve the objective.

Additionally, during 2016 the Board of Directors approved the Policy for the Selection of Directors, whose objective is to achieve an adequate balance within the diversity of the composition of the Board. This Policy establishes a series of general requirements for the candidates of the selection process, as well as the way in which the selection process will be carried out. The process of selecting or re-electing directors will be carried out by the Board of Directors, with the prior report of the Appointments, Remuneration and Corporate Governance Committee, based on an analysis of the needs of the Company and its Group.

After this analysis, the Appointments, Remuneration and Corporate Governance Committee begins the process of selecting candidates, in which the existence of implicit biases that could involve discrimination will always be avoided, with meritocracy as the main criterion for the search for the most suitable candidate for the position to be filled.

In each and every one of the selection processes at least as one female candidate will be included until the aforementioned target of 30% is reached in the year 2020.

- Appointment:

The appointment of the members of the Board of Directors corresponds to the General Meeting of Shareholders (Art. 24.1 of the Articles of Association), notwithstanding the power of the Board to appoint, from among the shareholders, those persons who are to fill any vacancies produced, until the next General Meeting is held (art. 24.16 of the Articles of Association).

Those persons affected by any cause of incompatibility, disqualification, incapacity or legally established prohibition in any territorial sphere affecting the Company, both general causes as well as those applicable in terms of the object and activities of the Company (art. 24.4 of the Articles of Association) are prohibited from being directors or representing directors which are legal persons.

Furthermore, and in any event, the persons appointed as Directors are required to meet not only the conditions called for by law and the Articles of Association but also those established in the Rules of Procedure of the Board of Directors, formally undertaking at the time they take office to comply with the obligations and duties stated therein, it being highlighted that when the Board of Directors makes its proposals to the General Meeting for the appointment of Directors and makes the pertinent appointments under the system of co-option, it will do so at the proposal of the Appointments, Remuneration and Corporate Governance Committee, in the case of Independent Directors, and after a report by the Appointments, Remuneration and Corporate Governance Committee in the case of all other directors (art. 2 Rules of Procedure of the Board of Directors).

Re-election:

The Directors shall perform their duties for the term of two years, being eligible for re-election for further terms of the same duration (Article 24.3 of the Articles of Association).

As in the case of appointment, re-election must be preceded either by a proposal (in the case of Independent Directors) or by a report from the Appointments, Remuneration and Corporate Governance Committee (in the case of all other Directors).

- Evaluation:

Once a year, at the proposal of the Appointments, Remuneration and Corporate Governance Committee, the Board will evaluate its own functioning, as well as that of its Committees and that of the Chairman of the Board and based on the result thereof shall propose an action plan to correct any deficiencies noted. The result of the evaluation will be recorded in the minutes of the meeting (Article 12 of the Rules of Procedure of the Board of Directors).

- Resignation:

The Directors shall tender their resignation in the cases and for the reasons established by law or the bylaws (art. 3.1 Rules of Procedure of the Board of Directors).

C.1.17 Explain the extent to which the annual evaluation of the Board has led to major changes in its internal organization and the procedures applicable to its activities:

Description of changes

The results of the self-assessment carried out during the financial year 2019 gave rise to the following changes in the internal organization and applicable procedures:

a) In the interest of more efficient Board meetings, the calls for meetings have been modified to:

- establish the total duration of the meeting.
- establish a duration for each of the items on the agenda, indicating the times dedicated to the presentation and the times dedicated to questions and discussion by the directors.
- establish the persons responsible for tabling each of the items on the agenda.

The Secretary/Deputy Secretary will monitor the times to facilitate compliance.

b) In order to facilitate the use of the Director's portal (Virtual Data Room) and improve the quality of the documentation provided to the directors, measures have also been adopted to manage the sending of updated reports and documents.

c) Lastly, it has been agreed to contract an external legal firm to advise the Directors in relation to the fulfilment of the duties established in the Spanish Companies Act.

Describe the evaluation process and the areas evaluated by the Board of Directors assisted, where applicable, by an external consultant, regarding the operation and composition of the Board and its committees and any other area or aspect that has been subject to evaluation.

Description of the evaluation process and areas evaluated

The evaluation process that the Board of Directors has carried out during 2019 has been carried out internally, and without the help of an external consultant.

The evaluation process begins with the sending of a test type questionnaire, which each director completes individually, and anonymously if so desired. The questionnaire was divided into 5 groups of questions: on the functioning of the Board (33 questions); the functioning of the Committees (8 questions); on the work of the Chairman (12 questions) and on the work of the First Executive (8 questions); on the work of the Secretary of the Board (5 questions); and on the performance and work of each of the directors individually taken.

Upon receipt of the completed questionnaires, the conclusions are presented in a meeting of the Appointments, Remuneration and Corporate Governance Committee, which draws up a report proposal containing the result of the evaluation and proposes the Action Plan that corrects the deficiencies that may have been detected.

Both documents (evaluation report and action plan) are presented to the Board of Directors for, where appropriate, approval.

C.1.18 Breakdown, in those years in which the evaluation has been assisted by an external consultant, the business relationships that the consultant or any company of its group maintains with the company or any company of its group.

N/A

C.1.19 Indicate the cases in which directors are required to resign.

Nominee Directors are required to tender their resignation when the shareholder whom they represent sells its entire shareholding or when said shareholder reduces its holding to a level which requires a reduction in the number of Nominee Directors (art. 3.3 Rules of Procedure of the Board of Directors).

The Board shall not propose the resignation of any Independent Director prior to compliance with the statutory period for which said Director was appointed, unless the Board considers that there is just cause for so doing, after a report by the Corporate Governance Committee. In particular, just cause shall be understood to exist when the Director has failed to comply with the duties inherent to his or her position or is affected by any of the circumstances which prevent him or her from being classified as independent (art. 3.4 Rules of Procedure of the Board of Directors).

The dismissal of Independent Directors may also be proposed as a result of Takeover Bids, mergers or other similar corporate operations entailing a change in the corporate capital structure when said changes in the structure of the Board are made owing to the criterion of proportionality indicated in article 1.9 of these Rules (article 3.5 of the Rules of Procedure of the Board of Directors).

Directors are required to tender their resignation in those cases in which they may harm the trustworthiness and reputation of the Company (art. 3.6 Rules of Procedure of the Board of Directors). When, whether as a result of resignation or for any other reason, a director leaves his or her position before the term thereof finalizes, said director explains the reasons in a letter to be sent to all of the members of the Board (article 3.7 of the Rules of Procedure of the Board of Directors).

C.1.20 Are reinforced majorities, other than the legal ones, required for any type of decision?

[ ] Yes
[√] No

Where applicable, describe the differences.

C.1.21 Explain whether there are any specific requirements other than those pertaining to directors, in order to be appointed Chairman of the Board of Directors.

[ ] Yes
[√] No

C.1.22 Indicate whether the Articles of Association or the Rules of Procedure of the Board of Directors stipulate an age limit for directors:

[ ] Yes
[√] No

C.1.23 Indicate whether the Articles of Association or the Rules of Procedure of the Board of Directors stipulate a limited term of office for independent directors:

[ ] Yes
[√] No

C.1.24 Indicate whether the Articles of Association or the Rules of procedure of the Board of Directors establish specific rules for the delegation of the vote in the Board of Directors in favour of other directors, the manner of doing so and, in particular, the maximum number of proxies that a director may issue, as well as if any limitation that has been established regarding the categories in which it is possible to delegate, beyond the limitations imposed by applicable legislation. If so, briefly explain the rules.

Article 24.13 of the Bylaws provides that the Directors may delegate in writing their attendance and voting to any other Director, except non-executive directors, which may only delegate their vote to another non-executive director.

Also, article 4.1.d. of the Rules of Procedure of the Board of Directors, establishes that Directors, notwithstanding their duty to attend the meetings of the organs which they form part of, and to reduce their absences to only the most essential instances, may delegate proxies to attend on their behalf, provided that said proxy is essential and is granted to another member of the Board in writing, is addressed to the Chairman of the Board, contains instructions and is exclusively for the meeting in question. Non-executive directors may only delegate their representation to another non-executive director.

Apart from the foregoing, there are no other rules on the delegation of votes.

C.1.25 Indicate the number of meetings held by the Board of Directors during the past year. Likewise, indicate, if applicable, the number of times that the Board has met without the attendance of its Chairman: This calculation shall consider proxies without specific instructions as cases of non-attendance:

Number of Board meetings	19
Number of Board meetings not attended by the Chairman	0

Indicate the number of meetings held by the coordinating director with the rest of the directors, without the assistance or representation of any executive director:

Number of meetings	0

Indicate the number of meetings which the various Board Committees have held during the year:

Number of meetings of the AUDIT COMMITTEE	12
Number of meetings of the COMPLIANCE COMMITTEE	9
Number of meeting of the APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	12

Additionally, the Audit Committee has once adopted agreements in writing and without a meeting.

C.1.26 Indicate the number of meetings held by the Board of Directors during the year and the data on the attendance of its members.

Number of meetings attended by at least 80% of the directors	18
% of absences with respect to total votes during the year	95.40

Number of meetings with face-to-face attendance, or representations made with specific instructions, of all the directors	14
% of votes cast with face-to-face attendance and representations made with specific instructions, on total votes during the year	95.80

C.1.27 Indicate whether the individual and consolidated annual accounts submitted for formulation by the Board have been previously certified:

[√] Yes
[ ] No

Identify, if applicable, the person/s who has/have certified the individual and consolidated annual accounts of the company, for the drafting thereof by the Board:

Name	Position
Mr. ANGEL CORZO UCEDA	CHIEF FINANCIAL OFFICER
Mr. VICENTE DI LORETO	CHIEF EXECUTIVE OFFICER

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated accounts drafted by it from being presented at the General Shareholders' Meeting with a qualified opinion in the auditors' report.

Pursuant to article 26.5 of the Articles of Association and art. 14.2. e) of the Rules of Procedure of the Board of Directors, the Audit Committee has among its competences that of maintaining relations with external auditors in order to receive information in regard to those matters which might jeopardize the independence of the latter, and any other matters related to the audit process, and likewise to receive information and maintain with the auditor the communications stipulated by law.

In accordance with article 9.4 of the Rules of Procedure of the Board of Directors, the relations of the Board with the external auditors of the company, which shall be channelled through the Audit Committee, shall conform to criteria of loyal collaboration and respect for their independence. It is endeavoured that the annual accounts drafted by the Board will be verified by the auditors without a qualified opinion. In the case whereby such qualified opinions are unavoidable, the Board, the Chairman of the Audit Committee and the auditors shall explain with clarity to the shareholders the content and scope of the reservations.

C.1.29 Is the secretary of the Board of Directors a director?

[ ] Yes
[√] No

If the secretary does not have the condition of a director, complete the following table:

Name or corporate name of the secretary	Representative
Mr. LUIS ARGÜELLO ÁLVAREZ	

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, as well as, if any, mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

With regard to the independence of the external auditors:

Pursuant to art. 9.4 of the Rules of Procedure of the Board of Directors, the relations of the Board with the external auditors of the company, which are to be channelled through the Audit Committee, shall obey criteria of loyal collaboration and respect for their independence. In addition, art. 14.2.e) of the same Regulation establishes that the Audit Committee shall have competence over the maintenance of relations with the external auditor, in order to receive information on those matters which may jeopardize the independence of the latter.

Also, the Rules of Procedure of the Board of Directors establishes, among other tasks entrusted thereto, that the Audit Committee shall present the following to the Board of Directors: the selection, appointment, reappointment and removal of the external auditor, and the terms of their employment and receive regular information from the external auditor on the audit plan and the results of its execution, and verify that Senior Management are acting on its recommendations (Article 14.3.2, a) and b)).

Also, art. 14.3.2 c) of the Rules of Procedure of the Board of Directors stipulates that it corresponds to the Audit Committee to ensure the independence of the external auditor, being required for said purpose to ensure that the Company communicates the change in auditor as a relevant fact to the Spanish Securities Commission (together with a declaration on the eventual existence of disagreements between the incoming and outgoing auditor), ensure that the Company and the auditor respect the regulations in effect regarding the provision of services other than auditing services, the limits on the concentration of the business of the auditor, and examine any circumstances which may have led to the resignation of the external auditor. The Audit Committee is informed promptly of the services contracted with the external auditor other than the audit of accounts for the approval of the Committee. Likewise, each year and prior to issuing the audit report on the annual accounts, the Audit Committee issues a report expressing its opinion on the independence of the auditors, analysing the fees paid to the auditor both by Codere S.A. and the rest of the Group for audit services, in relation to the fees paid for auditing and for other non-audit services, and finally assessing the amount that such fees represent for the auditor, in the total of its annual income.

Lastly, annually, and prior to the issuance of the Audit Report on the annual accounts of the Company and its group, the external auditors firm submits a signed letter to the Audit Committee, stating that throughout the year they have complied with the independence standards required by the legislation in force.

- With regard to the independence of financial analysts, investment banks and rating agencies:

Article 9.2 of the Internal Code of Conduct in the Securities Markets establishes that meetings of a general nature with analysts, investors or the media must be previously planned so that the persons participating in them do not disclose Inside Information that has not been previously disseminated to the market.

In January 2020 the Board of Directors approved the Policy on Communication and Contact with Shareholders, Institutional Investors and Voting Advisors, which has, in its general principles, transparency, truthfulness, immediacy and homogeneity in the dissemination of information, equal treatment and strict compliance in time and form with the legally established communication obligations. These principles are applicable to communication with investors but also with analysts, rating agencies, financial institutions and other stakeholders.

Based on the above Policy, the investor relations department channels the communication with the institutional shareholders and financial analysts that cover the share and/or the Company's bonds, taking care that they are not given information that could suppose a situation of privilege or advantage for them, in relationship with the rest of the shareholders, and in compliance with the provisions of article 11 of the Internal Code of Conduct in the Securities Markets, which provides as prohibited conduct the recommendation that third parties conduct transactions (acquisitions, transmissions or assignments of the affected securities) with Inside Information or induce them to do so.

C.1.31 Indicate whether during the year the Company has changed its external auditor. If so, identify the incoming and the outgoing auditor:

[ ] Yes
[√] No

In the event of any disagreement with the outgoing auditor, explain:

[ ] Yes
[√] No

C.1.32 Indicate whether the auditing firm does any work other than auditing for the company and/or its group, and, if this be the case, state the fees received for said work and the percentage this entails of the fees invoiced to the company and/or its group:

[√] Yes
[ ] No

	Company	Group companies	Total
Amount of work other than auditing (thousands of euro)	138	619	757
Amount of work other than auditing / Total amount invoiced by the auditing firm (as a %)	39.93	30.54	31.91

C.1.33 Indicate whether the audit report of the Annual Accounts for the preceding year shows any reservation or qualified opinion. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of said reservations or qualified opinions:

[ ] Yes
[√] No

C.1.34 Indicate the number of years that the current auditing firm has been auditing the individual and/or consolidated annual accounts of the company and/or its group without interruption. Likewise, indicate what percentage the number of years audited by the current auditing firm is with respect to the total number of years in which the annual accounts have been audited:

	Individual	Consolidated
Number of uninterrupted years	4	4

	Individual	Consolidated
Number of years audited by the current auditor firm / No. of years that the company has been audited (as a %)	66.60	66.60

C.1.35 Indicate and if so, detail whether there is any procedure allowing directors to have access to the information required to prepare the meetings of the organs of administration sufficiently in advance:

[√] Yes
[ ] No

Detail of the procedure
Article 12 of the Rules of Procedure of the Board of Directors of Codere, S.A. establishes that the notification of ordinary meetings of the Board shall be made by letter, fax, telegram or e-mail and shall carry the signature of the Chairman or that of the Secretary or Deputy Secretary by order of the Chairman. The notice will be made with the necessary time so that the Directors receive it no later than the five days prior to the date of the meeting. The notice of a meeting shall at all times include the agenda of the meeting together with any written information deemed suitable as stipulated in these Regulations. When, exceptionally for reasons of urgency, the chairman wishes to submit decisions or resolutions that do not appear on the

agenda to the approval of the Board of Directors, the prior and express consent of the majority of the directors present shall be required, which shall be duly recorded in the minutes.

Nevertheless, when the Chairman deems that there are exceptional circumstances so requiring, the meeting of the Board may be called by telephone, fax or email, without observing the term of advance notice mentioned above (at least 24 hours in advance), and without providing the aforesaid information, informing the Directors of the possibility of examining said information at the registered office.

Notwithstanding the foregoing, for those meetings of the Board of Directors in which the amendment of the Rules of Procedure is going to be discussed, Article 18 increases the aforementioned term, by stating that any proposal to amend the Rules of Procedure of the Board of Directors must be included in the agenda of the meeting to be submitted, which will be convened at least ten days in advance to facilitate its study and evaluation.

Since 2017, and as a result of the findings of the annual evaluation of the Board, the Company has eliminated as a procedure, the sending of information by email to the directors, regarding the meetings of the Board, a procedure that was replaced by a director's portal, where all the documentation and information necessary to prepare the meetings of the Board is uploaded.

C.1.36 Indicate, and if applicable, detail whether the company has established any rules requiring directors to report to the company any cases which may harm the trustworthiness and reputation of the company and, where appropriate, to resign:

[√] Yes
[ ] No

Detail of the procedure

Article 3.6 of the Rules of Procedure of the Board of Directors stipulates that Directors are required to resign in those cases which may harm the trustworthiness and reputation of the Company, and likewise to report to the Board any criminal action brought against them, as well as the subsequent procedural outcome. If a Director is prosecuted or is brought to trial for any of the crimes indicated in article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and in view of the specific circumstances, will decide whether or not the Director should remain in his post. The Board will report on the matter in the Annual Corporate Governance Report.

C.1.37 Indicate whether any member of the Board of Directors has informed the company that he or she has been accused or ordered to stand trial for any of the crimes indicated in article 213 of the Capital Companies Act:

[ ] Yes
[√] No

C.1.38 Detail the significant agreements entered into by the company and which will enter into force, be amended or concluded in the case of a change in the control of the company as the result of a takeover bid, and the effects thereof.

1. Super senior revolving facilities agreement of 24 October 2016 in the amount of EUR 95,000,000. In the event of a change of control, any of the lenders may within certain deadlines, cancel their financing commitments under the credit agreement and declare expired all their loans and advances, together with the interest accrued, and any other amounts accrued to those that they were entitled to under the agreement. The Company shall have the right to replace any lender that chooses to cancel its financing commitments under the agreement and declare the amounts described above expired as long as it complies with a series of terms and requirements.

2. Issuance of bonds of 8 November 2016 in US dollars with maturity in 2021 and annual interest of 7.625% for EUR 300 million with maturity in 2021 and annual interest of 6.75% for 500 million. In the event of a change of control, each of the bondholders would have the right to demand the Issuer Codere Finance 2 Luxembourg S.A. (or the Guarantor Codere S.A. in the event that the latter made the purchase offer referred to below), the repurchase of all or part (in the bonds in dollars equal to $200,000 or any multiple of $1,000 in excess of said figure, in the bonds in euro equal to €100,000 or any multiple of €1,000 in excess of said figure) of the series of Bonds that corresponds to said holder pursuant to an offer (a "Control Change Offer") under the terms of the issuance contract. In the Control Change Offer, the Issuer or the Guarantor will offer a cash payment equivalent to 101% of the total amount of the corresponding series of repurchased Bonds, plus accrued and unpaid interest, and other additional amounts, if any, up to the date of purchase. The Issuer and the Guarantor will not be required to make a Control Change Offer in the event of a change of control (i) if a third party does so instead, provided the offer is made in accordance with the terms of the issuance agreement and said third party purchases all the Bonds duly offered and not withdrawn under the Change Control Offer, or (ii) prior to the change of control, the Issuer notified the amortization of all the Bonds in accordance with the terms of the issuance contract and subsequently proceeds to the amortization of all the Bonds in accordance with the provisions of said notification.

Additionally, there are another series of contracts with service providers, which consider the early termination in the case of a change in the control or ownership of Codere, S.A. without the need of the written consent of the other party in advance, although we consider that these agreements are of relative importance considering its provisions or amounts.

C.1.39 Identify in an individualized manner, when referring to directors, and in an aggregate manner in the rest of the cases and indicate, in detail, the agreements between the company and its management and administration positions or employees that provide indemnities, clauses of guarantee or immunity, when they resign or are unfairly dismissed or if the contractual relationship comes to an end on the occasion of a public takeover or other type of transaction.

Number of beneficiaries	2
Type of beneficiary	Description of the agreement
Senior Management	The two immunities correspond to 2 executives, one of which has an indemnity referred to his/her annual gross fixed remuneration plus his/her variable target, and the other has a duration of 18 months, with an indemnity equivalent to a net fixed amount.

Indicate whether, beyond the cases stipulated in the regulations, these contracts have to be communicated and/or approved by the bodies of the company or its group. If so, specify the procedures, foreseen assumptions and the nature of the bodies responsible for their approval or making the communication:

	Board of Directors	General Meeting of Shareholders
Organ authorizing the contracts	√	

	Yes	No
Was the General Meeting of Shareholders informed of the contracts?		√

C.2. Committees of the Board of Directors

C.2.1 List all of the Committees of the Board of Directors, the Members, as well as the independent executives, and nominee members thereof:

AUDIT COMMITTEE		
Name	Position	Category
Mr. NORMAN RAUL SORENSEN VALDEZ	CHAIRMAN	Independent
Mr. TIMOTHY PAUL LAVELLE	MEMBER	Nominee
Mr. MATTHEW CHARLES TURNER	MEMBER	Independent

% of executive directors	0.00
% of nominee directors	33.33
% of independent directors	66.67
% other external directors	0.00

Explain the functions, including, where appropriate, those additional to those legally provided, that this commission has attributed, and describe the procedures and rules of organization and operation of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether in the law or in the Articles of Association or other corporate agreements.

The Audit Committee shall be comprised of a minimum of three and a maximum of six members appointed by the Board of Directors. All members of said committee must be external directors, at least two of them must be Independent.

The members thereof, especially the Chairman thereof, shall be designated taking into account their knowledge and experience in accounting, auditing or risk management.

The Chairman of the Audit Committee must be an Independent Director, and must be replaced every two years, being eligible for re-election one year after resignation.

Additionally to its legal tasks, the Audit Committee also has the following functions: to receive from the Internal Audit Head its annual plan, and any incidents that arise in its execution; ro receive from the Internal Audit Head a final annual report summarizing all the activities developed by said area; to propose the selection, appointment, re-election or removal of the Internal Audit Head; to report on the offering memorándums where appropriate; to oversee the communication and relations stratrgy with shareholders and investors (including small and médium-sized shareholders)

The Audit Committee shall meet at least once every quarter, and whenever it is deemed necessary, after a meeting is called by its Chairman, either at his own decision or at the request of two committee members or the Board of Directors or its Chairman.

The Committee may request attendance at its meetings of the Company's auditor and the person responsible for the internal audit.

Regarding the most important actions during the year in relation to these functions, first indicate that the company makes available to the shareholders at the General Shareholders' Meeting, and through the corporate website, an annual performance report on the Audit Committee, where they can find a summary of the Committee's actions during the year. Having said this, and as a summary, during fiscal year 2019, the Audit Committee, has reviewed the annual budget and the opinion of the rating agencies on the credit rating; it has reviewed the reporting formats to the market due to the new accounting rule IRFS 16 and hyperinflation accountability in Argentina and; as soon as the periodic internal controls carried out by the Group, detected the accounting inconsistencies, the Audit Committee was duly informed, analysed the status of the internal and external investigations and was finally informed on the conclusions of said investigations and on the development of measures to improve the accounting control and the operative systems.

Identify the members of the audit committee that have been appointed taking into account their knowledge and experience in accounting, auditing or both and report on the date of appointment of the Chairman of this committee in office.

Names of experienced directors	NORMAN RAUL SORENSEN VALDEZ / MATTHEW CHARLES TURNER
Date of appointment of the current Chair	10/05/2018

COMPLIANCE COMMITTEE		
Name	Position	Category
Mr. MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ	MEMBER	Nominee
MASAMPE, S.L.	MEMBER	Nominee
Mr. MATTHEW CHARLES TURNER	CHAIRMAN	Independent

% of executive directors	0.00
% of nominee directors	66.67
% of independent directors	33.33
% other external directors	0.00

Explain the functions, including, where appropriate, those additional to those legally provided, that this commission has attributed, and describe the procedures and rules of organization and operation of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether in the law or in the Articles of Association or other corporate agreements.

The Compliance Committee shall be comprised of a minimum of three and a maximum of six members appointed by the Board of Directors.
Most of members of said committee must be external directors.
The Chairman of the Compliance Committee shall be preferably an Independent Director. In the case whereby the Chairman is not an Independent Director, the specific reasons for the appointment shall be given in the Corporate Governance Annual Report.

The Compliance Committee shall meet whenever the Board of Directors requests that a report be issued or that proposals be approved within the sphere of its competences, and whenever the Committee Chairman deems this advisable in order to adequately carry out its functions.

Without prejudice to any other task assigned to it by the Board of Directors, the Compliance Committee shall have the following powers:
(a) The monitoring of compliance by the Company and the Group with Spanish or foreign legislation applicable to it in matters of gaming.
(b) Evaluate the internal control systems of the Company and of the Codere Group in relation to their reporting and transparency obligations in matters of gaming and make those proposals for introduction and improvement which it deems necessary or advisable.
(c) The monitoring of compliance and control systems by the Company and the Group of the regulations regarding the prevention of money laundering, and the proposals for introduction and improvement which it deems necessary or advisable.
(d) Establish and supervise a mechanism which allows employees, customers, suppliers and other third parties with which contractual relations exist, to communicate confidentially and if it deems it appropriate, anonymously, any potentially significant irregularities, especially financial and accounting irregularities, which they may note within the company.
(e) Monitor the security systems and measures applied in carrying out Company and Group business, being informed periodically by the managers in charge of said matter.

Regarding the most important actions during the year in relation to these functions, first indicate that the company makes available to the shareholders at the General Shareholders' Meeting, and through the corporate website, an annual performance report on the Audit Committee, where they can find a summary of the Committee's actions during the year. Having said this, and as a summary, during the 2019 fiscal year the

Compliance Committee has checked the suitability of the proposed appointments of Directors, Executives and Key Exployees; It has aslo received the report of the External Expert in Money Laundering and Terrorist Financing; has overseen the responses to those requests received on anti-money laundering issued and; has analysed twice a year the activity of the whistle-blower channel, split by countries, categories or subject.

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE		
Name	Position	Category
MASAMPE, S.L.	MEMBER	Nominee
Mr. NORMAN RAUL SORENSEN VALDEZ	MEMBER	Independent
Mr. DAVID ANTHONY REGANATO	MEMBER	Nominee
Mr. MATTHEW CHARLES TURNER	CHAIRMAN	Independent

% of executive directors	0.00
% of nominee directors	50.00
% of independent directors	50.00
% other external directors	0.00

Explain the functions, including, where appropriate, those additional to those legally provided, that this commission has attributed, and describe the procedures and rules of organization and operation of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether in the law or in the articles of association or other corporate agreements.

The Appointments, Remuneration and Corporate Governance Committee shall consist of a minimum of three and a maximum of six members appointed by the Board of Directors. All members of such Committee must be external Directors, and at least two of them independent Directors.

The Chair of the Appointments, Remuneration and Corporate Governance Committee shall be appointed from among the Independent Directors.

Additionally to its legal tasks, the Appointments, Remuneration and Corporate Governance Committee also has the following functions: to examine compliance with the Internal Rules of Conduct in the Securities Markets, and to make the necessary proposals for improvement; to inform to the Board on the Annual Corporate Governance Report and Reporto n Directors' Remuneration Policy; to monitor and review the Company's corporate social responsibility policies and practices; and to coordinate the reporting process with respect to non-financial and diversity information.

Regarding the most important actions during the year in relation to these functions, first indicate that the company makes available to the shareholders at the General Shareholders' Meeting, and through the corporate website, an annual performance report on the Audit Committee, where they can find a summary of the Committee's actions during the year. Having said this, and as a summary, during the financial year 2019 the Appointments, Remuneration and Corporate Governance Committee has proposed to the Board the new Directors' Remuneration Policy for fiscal years 2019, 2020 and 2021; has issued the mandatory reports for the appointment of Nominee Directors; it has reported unfavourably on the the corporate action to be taken against the Chairman of the Board, Mr. Norman Sorensen at the request of the shareholder Masampe S.L. which would have meant his removal, if the AGM would have approved it.

C.2.2 Complete the following table with information on the number of female directors comprising the committees of the Board during the last four years:

	Number of female directors							
	2019		2018		2017		2016	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

	Number of female directors							
	2019		2018		2017		2016	
	Number	%	Number	%	Number	%	Number	%
COMPLIANCE COMMITTEE	0	0.00	0	0.00	0	0.00	1	20.00
APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	0	0.00	0	0.00	0	0.00	1	20.00

C.2.3 Indicate the existence, if any, of rules of procedure for the Board committees, the place where they are available for consultation and any changes made in them during the year. In turn, indicate whether any annual report in regard to the activities of each committee has been voluntarily drafted:

AUDIT COMMITTEE

The organization and operation of the Audit Committee is regulated in detail in article 14 of the Rules of Procedure of the Board of Directors and under article 26 of the Articles of Association. The normative texts cited are available on the Codere website (www.grupocodere.com).

The Audit Committee prepares an annual report on the activities developed during the year, which is made available to shareholders on the occasion of the General Shareholders' Meeting.

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

The organization and operation of the Corporate Governance Committee is regulated in detail in article 16 of the Rules of Procedure of the Board of Directors. The Rules of Procedure of the Board of Directors are available on the Codere website (www.grupocodere.com).

The Appointments, Remuneration and Corporate Governance Committee prepares an annual report on the activities carried out during the year, which is made available to shareholders on the occasion of the General Shareholders' Meeting.

COMPLIANCE COMMITTEE:

The organization and operation of the Compliance Committee is regulated in detail under article 15 of the Rules of Procedure of the Board of Directors. The Rules of Procedure of the Board of Directors are available on the Codere website (www.grupocodere.com).

The Compliance Committee prepares an annual report on the activities developed during the year, which is made available to shareholders on the occasion of the General Shareholders' Meeting.

D. RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

D.1. Explain, where appropriate, the procedure and competent bodies for the approval of transactions with related parties and intra-group parties.

Article 7 of the Rules of Procedure of the Board of Directors of Codere, S.A. states that related-party transactions must be approved by the Board of Directors following a favourable report of the Audit Committee (Article 14.3.3.c). The Directors affected by these transactions can neither exercise nor delegate their votes, should be absent from the meeting while the Board deliberates and votes.

However, authorization of the Board is not required for related-party transactions that simultaneously meet the following three conditions:
(i) They are conducted under contracts whose terms are standardized and apply en mass to many customers;
(ii) That they be carried out at prices or rates generally established by the supplier of the good or service in question;
(iii) The amount does not exceed 1% of the annual revenue of the Company.

D.2. Detail the transactions which are significant due to the amount or subject matter between the company or entities of its group, and the significant shareholders of the company:

Significant shareholder name or corporate name	Name or company name of the company or entity of your group	Nature of the relationship	Type of transaction	Amount (thousands of euro)
M&G PLC	CODERE NEWCO S.A.U.	Contractual	Financing agreements: loans	3,655

The companies Codere Newco S.A.U. and Alta Cordillera S.A. (both subsidiaries of the Codere Group) subscribed as Accredited, a credit agreement where the M&G Illiquid Credit Opportunities Fund Limited and M&G Illiquid Credit Opportunities Fund II Limited acted as Creditors, these companies being controlled by M&G PLC. The amount indicated in this section corresponds to the amortization of principal and payment of interest and other financial expenses.

D.3. List the transactions which are significant due to the amount or subject matter between the company or entities of its group, and the directors or management of the company:

Name or corporate name of the director or executive	Name or corporate name of the related party	Relationship	Nature of the transaction	Amount (thousands of euros)
DON VICENTE DI LORETO	CODERE NEWCO S.A.U	Chief Executive Officer of the Codere Group	Provision of services	1,942

Codere S.A. has signed a consultancy contract dated 12 January 2018 with the company Jusvil S.A., in which Mr. Vicente Di Loreto has a non-controlling interest. In connection with said agreement, Jusvil has invoiced to Codere S.A. or its subsidiaries 1.565 thousand euros and GE3M (a related company of Jusvil) has invoiced 377 thousand euros to certain subsidiaries of Codere.

D.4. Report the significant transactions carried out by the company with other companies belonging to the same group, provided that these are not eliminated in the process of drafting the consolidated financial accounts and do not form part of the normal business activity of the company in regard to their object and conditions.

In any case, report any intra-group transaction carried out with entities established in countries or territories considered as a tax haven:

Name of group company	Short description of operation	Amount (thousands of euro)
No data		N/A

D.5. Detail the significant transactions carried out between the company or entities of its group and with other related parties, which have not been informed in the previous sections:

Related party name or corporate name	Short description of transaction	Amount (thousands of euro)
PROMOBOWLING S.A.	The company or entities of its group have the amount indicated, as a result of a contract subscribed in its day by the company Promobowling SA (a company related to the directors and shareholders Mr. José Antonio Martínez Sampedro and Mr. Luis Javier Martínez Sampedro) with Mahou S.A., from which commercial discounts were derived for the group's premises.	590
FRANCOMAR INVESTMENTS S.A.	During part of the month of January 2019, Codere Newco S.A.U. subscribed a partial sublease with the company Francomar Investments S.A. (a company related to the directors and shareholders Mr. José Antonio Martínez Sampedro and Mr. Luis Javier Martínez Sampedro), amounting to 1260 euro per month.	1
FRANCOMAR INVESTMENTS S.A.	The company of Grupo Itapoan S.A. has among its shareholders Francomar Investments S.A. (a company related to the directors and shareholders Mr. José Antonio Martínez and Mr. Luis Javier Martínez) who hold 18.2% of the share capital. The amount indicated corresponds to the dividends accrued and pending payment in favour of Francomar Investments S.A.	63
FRANCOMAR INVESTMENTS S.A.	The company of Grupo Itapoan S.A. has among its shareholders Francomar Investments S.A. (a company related to the directors and shareholders Mr. José Antonio Martínez and Mr. Luis Javier Martínez) who hold 18.2% of the share capital. Itapoan SA leases to other companies of the Codere group, real estate for the exercise of its corporate activity. The amount indicated corresponds to the invoices issued to Group companies for these leases.	634

D.6. Detail the mechanisms established in order to detect, determine and resolve any possible conflict of interest between the company and/or its group, and its directors, management or significant shareholders:

Among the duties of Directors stipulated in Article 4 of the Rules of Procedure of the Board of Directors of Codere, S.A. is the duty of loyalty to company interests and, in said regard, paragraph 4.d thereof states that: The Directors are required to communicate to the Board of Directors any situation of direct or indirect conflict which they may enter into with respect to Company interests. In the case of conflict, the affected Director shall refrain from taking part in the transaction which is the object of conflict. Situations of conflict of interests shall be reported in the annual report.

Article 16 of the said Rules, when regulating the composition, functioning and competences of the Appointments, Remuneration and Corporate Governance Committee, determines that said Committee shall draft reports and proposals to the Board regarding the decisions to be adopted in cases of conflict of interests. However, in October 2018, after the Rules of procedure of the Board of Directors were modified, the jurisdiction over the conflicts of interest was entrusted to the Audit Committee.

Article 14.3.3.c establishes that it is the responsibility of the Audit Committee to inform the Board, prior to the adoption by the latter of the decisions reserved to it in accordance with the provisions of the Article 7.17 in relation to related-party transactions and the conflicts of interest.

Additionally, Article 18 of Codere's Internal Code of Conduct in the Securities Markets establishes that the affected persons who may have access to privileged information must adapt their actions in relation to the conflict of interest in addition to the provisions of the aforementioned Regulation. to the provisions of the Rules of Procedure of the Board of Directors, insofar as they are applicable.

When a situation takes place which entails, or may potentially entail, a conflict of interest, the person subject to the Internal Code of Conduct in the Securities Market must immediately inform the General Secretariat of said situation, and furnish said Secretariat with all information requested of said individual for an evaluation of the circumstances of the case, if required.

The Secretary or Deputy Secretary shall report this information to the Appointments, Remuneration and Corporate Governance Committee so that it can take appropriate decisions. Any doubt about the possible existence of a conflict of interests should be consulted with the Appointments, Remuneration and Corporate Governance Committee before adopting any decision that could be affected by said conflict of interest.

The Secretary or Deputy Secretary o the Board of Directors shall communicate the existence of the conflict of interest to the person or persons involved in the management of the situation or in the adoption of the decisions affected by said conflict.

The person subject to the Rules who is affected by a situation of conflict of interest shall refrain from taking part in or directly or indirectly influencing the transaction, decision or situation affected by said conflict.

In the event of a conflict of interest, and as a general rule derived from the duty of loyalty to the Company, the interest of the Company and its Group must prevail over that of the Affected Person.

D.7. Does the Group have more than one listed company in Spain?

[ ] Yes
[√] No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the Company's Risk Control and Management System, including those of a fiscal nature:

The Risk Management System exists at the business area level or for specific projects but does not consolidate information at the corporate or group level.

During 2012, the Board of Directors approved the Risk Control and Management General Policy as well as the Risk Tolerance Document.

The Codere Group Risk Control and Management General Policy aims to establish the basic principles and general action framework for the control and management of every type of risk faced by the Group.

All actions aimed at controlling and mitigating risk at all times follow certain basic principles, such as the integration of risk-opportunity vision, operating level segregation of risk-taking areas, and areas AREA responsible for risk analysis, control and supervision; guarantee of the correct use of hedge instruments and assurance regarding adequate compliance with corporate governance rules and the values set out by the company in its Code of Ethics.

The Risk Control and Management General Policy and its basic principles are materialized through a system of risk control and management, based on a definition and assignment of functions and responsibilities at the operating level and on a series of procedures and methodologies in line with the various stages and activities of the system. The principal stages and activities include, but are not limited to, the following:

a. Risk tolerance definition by the Board of Directors.
b. Annual identification and analysis of the significant risks conducted by each Business Unit and/or department.
c. Reporting of the principal risks, especially those exceeding the limits established by the Board of Directors.
d. Introduction and control of compliance with policies, guidelines and limits, through adequate procedures and systems required to mitigate the impact of risk materialization.
e. Periodical evaluation and communication, at least yearly, of the results of the control and management monitoring.
f. Auditing of the system by the Internal Audit Management.

With respect to the tax risk management system, the Group's Board of Directors approved the Corporate Fiscal Policy of the Codere Group on 2015. This policy establishes the criteria that govern the Group's way of acting are approved and published, adopting specific measures of tax risk management and implementing an appropriate system of internal control over fiscal aspects.

In addition, a specific procedures manual for fiscal management and control has been prepared, as well as the supervision of the Group's internal information and tax control systems.

Close collaboration is established with the Internal Audit Department so that the necessary controls for the supervision of compliance with the processes that allow the monitoring and control of fiscal risks are integrated into its action plan for each year.

E.2. Identify the organs of the company responsible for the development and implementation of the Risk Control and Management System, including tax matters:

Article 7 of the Rules of Procedure of the Board of Directors of Codere S.A. establishes a series of powers reserved by the Board of Directors in full, including the risk control and management policy, including fiscal ones, as well as the periodic monitoring of the internal information and control systems.

Article 26 of the Company Bylaws stipulates that the Audit Committee shall at least carry out the functions of supervising the efficacy of company internal control, internal auditing, if applicable, and the risk management systems. Likewise, article 14.3 of the Rules of Procedure of the Board of Directors establishes that the Audit Committee in particular is in charge of periodically revising the internal control and risk management systems for the proper identification, management and dissemination of the principal risks. Lastly, the Board of Directors has conferred upon the Audit Committee (which in turn has delegated to the Internal Audit Management) the responsibility of periodically revising the risk control and internal control systems, for the proper identification, management and dissemination of the principal risks. Likewise, at least once a year the Audit Committee is required to report to the Board of Directors in regard to risk control and any malfunctions detected in the internal audit reports or in the exercise of its functions.

In addition, during 2015 the Board of Directors approved the Corporate Fiscal Policy of the Codere Group, which included the obligation of the Board to ensure compliance with the principles and rules contained in said Policy. Likewise, it was pointed out that it is through its Chief Executive Officer (task currently performed by the Chief Executive) and its Senior Executives that the monitoring of said principles and good tax practices is promoted, with the support of the Audit Committee that will supervise the effectiveness of the management and control systems. of fiscal risks and provide the Council with regular information on certain aspects of the same.

E.3. Indicate the main risks, including tax risks and to the extent that the risks of corruption are significant (understood as the latter with the scope of Royal Decree Law 18/2017), which may affect the achievement of business objectives:

The Risk Control and Management General Policy includes the identification and definition of the typology of risks which are significant for the Group, and which, in general terms, are listed below:

- Corporate Governance Risks the Company employs the strategy of sustained maximisation of the economic value of the Company and its successful outcome in the long term taking into account the legitimate public or private interests of the various stakeholders, communities and territories in which the Group acts, and those of its workers. In said regard, compliance with Group corporate governance systems inspired by the good governance recommendations generally recognised in the financial markets becomes fundamental.

- Operational and Loss of Income Risks: established as the uncertainty in regard to the performance of key variables intrinsic to the business, as well as those related to direct or indirect economic loss resulting from inadequate internal processes, technological breakdown, human error or as the result of outside events, including economic, social and reputational impact.

- Regulatory and Institutional Relation Risks: these come from changes in regulations established by the various regulators where the Group has a presence, principally in regard to the conditions related to the exploitation of the licenses granted, and which may adversely affect foreseen income. Likewise included are risks from delays, complications, and even the impossibility of carrying out projects, improvements, offers of new products, etc., owing to difficult relations with the regulatory institutions.

- Fiscal Risks: resulting from the various interpretations which, in the case of audit, regulators may give to the fiscal criteria followed by the Group.

- Indebtedness Risk: As a consequence of the indebtedness level and characteristics, the debt service obligations may hinder the growth of Group operations and limit their performance. As a result of the obligations assumed in borrowing operations, there are limits on additional indebtedness, the possibility of granting new guarantees, investing in certain assets or disposing of them, and the obligation of compliance with certain ratios and covenants.

- Country Risk: Risk resulting from the socio-political situation of the countries in which the Group has a presence, especially in Latin America. This category also includes the risks resulting principally from the local currency exchange rate fluctuations against the euro in those countries where the Group has a presence.

- Technological Risk: refers to the negative impacts that may occur in the Group as a result of losses caused by interruption, failure or damage arising from the information systems and gaming technology platforms.

- Reputational Risk: Potential negative impact on Group value as the result of conduct by the company which does not meet the expectations created in the various stakeholders.

- Risk of corruption and bribery: Corruption and bribery are among the main risks faced by the Codere Group in the exercise of its activity. The Board of Directors, with the purpose of deepening the fight against this problem and from a perspective that promotes its prevention, approved in 2017 a global Anti-corruption and prevention of irregular conduct manual, accessible through the corporate website. This manual is accompanied by a Practical Guide to Anticorruption, which identifies the main forms of corruption that may affect the Codere Group's activity, as well as a series of preventive measures, including the existence of the Whistleblower Channel. and due diligence procedures on suppliers, business partners, clients and their own personnel.

E.4. Identify whether the company has a level of risk tolerance, including fiscal:

The general risk management and control policy of the Codere Group provides that the Board of Directors of Codere, S.A. is responsible for defining the Group's risk tolerance.

The definitions of tolerance and risk levels are regularly updated and communicated to the rest of the organization by establishing a framework of policies, guidelines and limits, as well as the corresponding mechanisms for the approval, which will contribute effectively to ensuring that Risk management is conducted in accordance with the risk tolerance of the Company.

To this end, the Company has established a scale with five levels of risk tolerance. For each of the types of risks to which the Group is subject a value of this scale is assigned, thereby establishing the risk tolerance by type of risk.

On the other hand, the Board of Directors of Codere S.A. is responsible for the approval of operations of special fiscal importance, meaning as such those which, due to their particular characteristics, their strategic nature or their level of materiality, may pose a significant fiscal risk for the Codere Group.

The risk analysis is decentralized to the heads of each business unit and/or department, who are responsible for understanding and managing each of the risks that affect them. Annually, in accordance with said analysis, the principal risks, especially those exceeding the limits established by the Board of Directors must be reported.

E.5. Indicate which risks, including fiscal risks, have materialized during the year:

Operational risks:
Circumstances giving rise to the risk: These risks are intrinsic to the business model, to Group activity and to the markets in which it operates, and therefore exist and are materialized throughout each business year.

How the control systems functioned: The internal control systems established by the Group have been functioning correctly throughout the year; consequently, they have had no significant effect on the Group financial statements.

In addition, during 2019, as part of the internal control procedures that the Group carries out on a regular basis, inconsistencies were detected in the reporting of the results of some of the Latin American subsidiaries (Mexico, Panama and Colombia) during 2019, specifically at the end of August 2019. In the analyses carried out by the Company, and which have been corroborated by the investigations requested by the Board of Directors to two independent, reputable firms, the impact of these inconsistencies has been estimated at EUR 16.5 million in the consolidated pre-tax result at 30 June 2019 that had been reported (see more information in the Notes to the Consolidated Annual Financial Statements).

Similarly, internal analysis and research conducted by external firms have concluded that:
- No additional impact on the Group's liquidity situation has been detected and there are no indications of inappropriate use or outflow of funds,
- This is an isolated incident that only affected the accounting results of those subsidiaries in this fiscal year.
- There was no involvement of the Corporate Area in Spain nor are there any other geographies or previous years affected by accounting inconsistencies.
- These inconsistencies were intentional, coordinated by a small group of people in Mexico and carried out through the modification of the operating and accounting systems, without the knowledge of Corporate Management in Madrid.

How the control systems functioned:
The control systems established by the Group worked correctly, and thanks to them, identified and immediately notified the Audit Committee and the Board of Directors so that they could put in place all the internal and external remediation and investigation mechanisms to ensure maximum transparency in compliance with best accounting and corporate governance practices.

Based on the conclusions received, the Board of Directors is addressing the relevant organizational remedial decisions, taking steps to introduce organizational changes and strengthen internal controls with the aim of strengthening operational systems and improving the soundness of accounting and reporting.

Regulatory risks:
Circumstances giving rise to the risk: During the year there were certain exceptional factors motivated by regulatory changes established by different regulators or by actions of different administrative entities in the countries where the Group is present. These factors include the increase in taxes on gambling, or the limitation on installed capacity in some of the jurisdictions where the Group operates.

How the control systems functioned: As soon as these threats are identified, and the risks are identified, we apply suitable mitigation plans through both the Group's interest in the relevant industry associations, and through the activity of institutional relationship and by establishing process optimization plans and improving the efficiency of operations sufficient to recover the levels of margins initially planned

Fiscal Risks:
During 2019, a VAT inspection has been opened in Italy, but no final report has been issued as yet. The various tax litigations initiated in previous years follow their corresponding procedural channels, and detailed information on their status is given in the Annual Report.

Country Risk:
Circumstances that have motivated it: among the factors that are included in the concept of "country risk" the abrupt exchange rate movements stand out. In the case of Argentina, cumulative inflation data for three years have exceeded 100%. This devaluation, in addition to the impact on the cash balance, has had a negative accounting impact as a consequence of the application of IAS 29 Hyperinflation.

How the control systems functioned: The control mechanisms include monitoring the evolution of the Argentine peso exchange rate as well as the analysis of possible hedging strategies through the use of financial derivatives. Additionally, the Group focuses on maximizing treasury in other countries not affected by the devaluation of its exchange rate. More detail in section H.

E.6. Explain the response and supervision plans for the main risks of the entity, including tax risks, as well as the procedures followed by the company to ensure that the Board of Directors responds to the new challenges that arise:

At least once a year, at the beginning of the budgetary process, the heads of each Business Unit and/or department identify and report the main risks to which they are exposed and that prevent reaching the strategic objectives determined by the Group.

On the other hand, also annually, the different Business Units prepare their main Risk Maps, evaluating the probability of occurrence and the possible impact. These maps are consolidated and approved by the Audit Committee for presentation to the Board of Directors.

Lastly, the Tax Risks Map is also prepared and reported to the Board of Directors.

Based on the information on risks received by the Board of Directors, it establishes different measures of action aimed at mitigating the impact should any of the risks materialize.

Additionally, depending on the materialization or not of the risks, the appearance of new ones, or the modification of the probability or impact thereof, the Internal Audit plans are modified to adapt to these risks.

The Group has stablished adequate policies and controls in order to prevent or reduce as much as posible the probability of irregular or fraudulent practices, to ensure that they are stopped as soon as detected, to demand liabilities and to identify, evaluate, manage and control the risks and potential associated impacts. Additionally, to ensure the maximum transparency and in compliance with Best accounting and corporate governance practices, the Group has established, inter alia, a procedure to perform internal or external investigations to evaluate the impact that may arise from the suspicion of any potential irregular or fraudulent practice.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS REGARDING THE FINANCIAL REPORTING PROCESS (FRICS)

Describe the mechanisms that comprise the risk management and control systems in relation to the financial reporting process (FRICS) in your company.

F.1. Company control environment

Report, noting the main features, on at least:

F.1.1 What organs and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective Financial Reporting Internal Control System (FRICS); (ii) its introduction; and (iii) its supervision.

(i) The Board of Directors is responsible for approving the Risk Control and Management Policy, as well as the periodical monitoring of the internal information and control system, as stated in article 7 of the Rules of Procedure of the Board of Directors.

(ii) The introduction, and maintenance of the Financial Reporting Internal Control System is the responsibility of the Economic Financial Corporate Management, as well as of the Economic Financial Corporate Managements of the various Business Units. Likewise, the various General Managements are responsible for effective introduction in their area of activity.

(iii) The Audit Committee is responsible for supervising the Internal Control System. Among its functions, as Delegated Committee of the Board of Directors, are the following:

a. Supervise the process of drafting the Company and if applicable, Group, financial reporting and the completeness thereof, reviewing compliance with the regulatory requirements, proper delimitation of the consolidation perimeter and the correct application of accounting criteria.
b. Periodically revise the internal control and risk management systems, in order that the principle risks may be adequately identified, managed and disclosed;
c. See to it that the internal audit function is run independently and efficiently; propose the selection, appointment, re-election and dismissal of the person in charge of the internal audit system; propose the budget for this service; receive periodical information on its activities; and verify that senior management take into account the conclusions and recommendations contained in its reports;
d. Report, at least once a year, to the Board of Directors in regard to matters of risk control and any malfunctions detected, if applicable, in the internal audit reports or in the exercise of the above listed functions.

F.1.2 Indicate whether the following exist, especially in regard to financial reporting:

- Departments and/or mechanisms in charge of: (i) the design and review of organizational structure; (ii) clearly defining lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) seeing to it that sufficient procedures exist for their proper dissemination in the company.

The Company has an organizational structure which has developed the major lines of responsibility and authority in the various processes, for each business unit and for each significant geographical area of the Group. The People Department and Operational Departments participate in its design and revision. These lines of responsibility and authority are communicated at the required levels by means of different levels of formalization. Likewise, the Company has a clear and up-to-date policy of powers resulting in the maximum exponent of lines of authority.

The Board of Directors, at the proposal of the first executive of the Company, reserves the competence of the appointment and eventual removal of the Senior Executives, while the Appointments, Remuneration and Corporate Governance Committee is additionally responsible for reporting the appointments and dismissals of senior executives. that the first executive proposes to the Board, as well as to establish the guidelines and supervise the actions related to the appointment, selection, career development, promotion and dismissal of executives, (so that the company has the highly qualified personnel necessary for its management).

Specifically, the Finance Department, at the Corporate level, have established the necessary organizations, hiring, including the selection of the area's key personnel, as well as its policies and procedures, with an increasing level of supervision over the business units.

- Code of Conduct, organ of approval, degree of dissemination, principles and values included (indicating whether specific mention is made of the recording of transactions and financial reporting) organ in charge of analysing breaches and proposing corrective action and sanctions.

The Group's internal rules on conduct are summarized as follows:

1) Code of Ethics and Business Conduct which contains the principles of business ethics and transparency in all areas of action (approved by the Board of Directors of Codere, S.A at its meeting held on 27 January 2011).

The Code of Ethics and Business Conduct has been disseminated and communicated throughout the Group. And is available of the corporate website (www.grupocodere.com). Additionally, the local management of each country is responsible for delivering a copy of the Code of Ethics to each new employee who joins the Codere Group and the local Compliance Areas conduct outreach activities.

Among the values contained in the Code of Ethics and Business Conduct can be found, among the values related to the Codere Group Environment (Section V of "The Codere Group Environment"), article 5.2 "Truthful, adequate and useful information", which describes how the Codere Group is to report on its policies and actions in a truthful, adequate, useful and congruent manner. Specifically, in relation to economic-financial information, said information, especially the Annual Accounts is to faithfully reflect the reality of the economic and financial situation as well as the net worth of the company in accordance with generally accepted accounting principles and the applicable international financial reporting standards. In this regard, no professional shall conceal or distort the information of the Codere Group accounting records and reports.

A lack of honesty in financial reporting is in violation of the Code of Ethics and Business Conduct, also considering to be a lack of honesty the delivery of incorrect information, the incorrect organization of information or the intent to mislead those receiving it.

The Board of Directors is the organ in charge of approving and disseminating the Code of Ethics and the Security and Legal Advisory and Corporate Compliance Management is the area is in charge of overseeing its compliance and of proposing corrective action and sanctions (eventually in coordination with the People Area).

When it is determined that a professional of the Codere Group has carried out activities that contravene the provisions of the Law or the Code of Ethics, disciplinary measures will be applied according to the regime of faults and penalties provided for in the Collective Bargaining Agreement of the Company to which they belong or in the applicable labour legislation. The competent bodies of the companies of the Group will also adopt whatever measures are appropriate to redirect the situation to full compliance with the law and the values, norms and criteria of the Code of Ethics.

2) An Internal Code of Conduct in the Securities Markets that determines the behaviour criteria that must be followed in the transactions carried out in the securities market, in order to contribute to their transparency and the protection of the investors The Internal Code of Conduct in the Securities Markets was favourably reported by the Appointments, Remuneration and Corporate Governance Committee at its meeting held on 8 November 2016 and subsequently approved by the Board of Directors of Codere, S.A., at a meeting held on 10 November 2016.

The Internal Code of Conduct includes standards of conduct in relation to the Operations that the persons with management responsibility perform on the securities and financial instruments of the Company; rules of conduct in relation to Privileged Information; rules of conduct to avoid market manipulation; treasury stock policy; and rules on conflicts of interest.

- Whistleblower Channel, making it possible to communicate to the Audit Committee any financial and accounting irregularities, in addition to eventual breaches of the code of conduct and irregular activities in the organization, and informing whether said information is confidential.

The Rules of Procedure of the Board of Directors attribute in article 15.2.d) to the Compliance Committee the competence to establish and supervise a mechanism that allows employees, customers, suppliers and other third parties with whom contractual relationships exist, to communicate in a confidential manner and if it is considered appropriate, anonymous potential breaches of the ethical code of conduct, fraud and irregular activities in the organization.

In the case of irregularities of potential importance, especially financial and accounting irregularities, that may be noticed within the company, Codere Group professionals may communicate this directly to the Audit Committee and the Compliance Committee through the procedures established for this purpose.

In application of the foregoing, the Company established, and has a Whistleblowing Channel, of a confidential nature, which is enabled through an email address, ordinary mail and a toll-free telephone number (both at corporate level and in each country where the Codere Group operates). Said Whistleblower Channel has been disseminated to employees together with the Group Code of Ethics and Business Conduct.

The Whistleblower Channels were introduced in all of Codere's geographical areas under the common name of "Ethics Channels" using the same standards and manner of operation as that employed in the global corporate Whistleblower channel. Said Channels, which are open to and confidential for Group own personnel as well as customers and suppliers or other third parties with which a commercial or business relation is maintained, are operated exclusively by local Compliance officials, permanently supervised by Corporate Compliance General Management.

The body responsible for its management is the Corporate Legal and Compliance Department, responsible for confidentially analysing the complaints received in the corporate complaints channel (or coordinating and supervising the local Compliance Departments, in relation to the procedures on which the latter have intervened), propose corrective actions and, where appropriate, the appropriate penalties. In addition, the Corporate Legal and Compliance Department submits periodic reports and/or informs the Compliance Committee immediately as appropriate , so that they can exercise their supervisory function.

- Programs for periodical training and updating of personnel involved in preparing and revising financial information, and in the FRICS evaluation, which are to cover at least accounting standards, auditing, internal control and risk management.

The personnel involved in the preparation and review of the financial information, as well as in the evaluation of the FRICS, receive, according to their different responsibilities, periodic training on accounting standards, auditing, and internal control.

According to the organizational structure of the Group, the departments directly related to this type of functions are Internal Audit and Economic-Financial.

F.2. Evaluation of financial reporting risks

Report at least:

F.2.1 The principal characteristics of the risk identification process, including those related to error or fraud, in regard to the following:

- If the process exists and is documented:

The Codere Group has an identification process for the principal risks which may affect the Group, including among all the identified typologies, specific financial reporting risks. The result of this process is a Risks Map containing the residual risks having the greatest impact and the greatest probability in the Codere Group. This Map is updated annually, is reviewed by the Audit Committee, after which, the Board of Directors is informed at the next session held.

For critical processes and significant companies, considering in addition that the processes in the different units or locations should be evaluated individually, there are risk and control matrixes where the critical processes are documented, with identification being made of the principal risks affecting said processes, as well as the key controls existing in order to mitigate the material risks having an impact on financial reporting.

If the process covers all the financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), if it is updated, and how often.

In the Financial Reporting Risk identification process, in the aim to guarantee the reliability and accuracy of the financial information, evaluation is made of the possible impact in the following categories:

- Existence and occurrence: Transactions, facts and all other events exist and have been recorded at the proper time
- Integrity: The reporting reflects all transactions, facts and all other events with respect to which the company is an affected party.
- Valuation: Recording and valuation are made of all transactions, facts and other events in accordance with the applicable regulations.
- Transaction Cut-off: Transactions are recorded in the proper period on an accrual basis.
- Presentation, disclosure and comparability: The transactions, facts and all other events are classified, presented and disclosed in the financial reporting in accordance with the applicable regulations
- Rights and obligations: The financial reporting reflects the rights and obligations at the corresponding date in accordance with the applicable regulations.

The objective is to determine the possibility that a given risk will occur and in such a case, its impact on the financial statements, in order that it will be possible to prioritize this and draw up a mitigation plan.

This is a process which makes it possible to improve the design and efficacy of the controls and to minimize the risks related to financial reporting. The risk identification process of financial information has a periodic review and update process.

- The existence of a process for identifying the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental or special-purpose entities.

The Company consolidation perimeter is clearly identified and is updated monthly, making it possible to know of all Codere Group subsidiaries, the effective ownership percentage, and the degree of influence in said subsidiaries.

Any changes in the Group structure are communicated monthly to all those taking part in the financial reporting process and who need to know of such changes.

The creation of special purpose or instrumental entities requires the prior approval of the Board of Directors.

- If the process takes into account the effects of other risk typologies (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

The Codere Group Risk Control and Management General Policy includes the identification and definition of all of the types of risk faced by the Group and which have been deemed as important, comprised as follows:

- Corporate Governance Risks
- Operational and Loss of Income Risks.
- Regulatory and Institutional Relation Risks
- Fiscal Risks
- Indebtedness Risk
- Country Risk
- Technological Risk

- What governance organ of the company supervises the process:

In the final instance, the Board of Directors, through the Audit Committee, in accordance with article 14 of the Rules of Procedure of the Board, is in charge of "Periodically revising the internal control and risk management systems, in order for the principal risks to be adequately identified, managed and disclosed.

The Audit Committee is in charge of managing the Control and Risk Management Policy in which at least the following will be identified: the various types of risks, measures foreseen to mitigate the impact of the identified risks, should they materialize, and the reporting and internal control systems which will be used to control and manage the foregoing, including contingent liabilities and off-balance sheet risks.

F.3. Control Activities

Report, noting the main features, if your company at least has:

F.3.1 Procedures for the review and authorization of financial reporting, and the description of the FRICS, to be published in the securities markets, indicating those in charge, as well as documentation describing cash flows from activities and controls (including those related to fraud risk) for the different types of transactions which may materially affect the financial statements, including the year-end closing procedure and the specific review of relevant opinions, estimations, valuations and projections

The Company has procedures for the review and authorization of financial reporting to be published in the securities markets. Said procedures are in regard to:

- Procedures for prior approval of the accounting record of complex transactions
- Review procedures, in the business units and at the Corporate level, of the reports under IFRS criteria for integration in the consolidation process.
- Procedures for review and authorisation of the individual financial statements for each subsidiary of the Group. Based on materiality criteria established for the Group, as well as the legal obligations of each regulation where applicable, these financial statements are audited, the external auditor being the same audit firm as for the consolidated financial statements.
- Procedures for preparation review and authorisation of the consolidated financial statements.
- Procedures for preparation, review and authorisation of the information sent to the securities markets.
- For each significant process, descriptive exists documentation regarding the cash flows from activities carried out by the Economic Financial Management as well as by the rest of the areas participating in the financial reporting.

In all the processes mentioned above, the segregation of functions in all procedures affecting financial information has been strengthened during the year, and the review, control and approval systems have been reinforced, both locally and at the corporate level.

Said procedures for financial reporting review and authorization contain procedures regarding reviews of relevant opinions, estimations, valuations and projections forming part of the monthly closing procedure applied by the Codere Group.

The Audit Committee is responsible for validating the financial information to be published on the stock markets, prior to its approval by the Board of Directors.

F.3.2 Financial reporting internal control policies and procedures (among these, access security, control of changes, operation of changes, operational continuity, and segregation of functions) undergone by relevant processes of the entity in relation to the drafting and publication of the financial reporting.

The Company has guidelines and rules of action for managing information security. Said guidelines apply to the systems taking part in the generation of the financial reporting and are in regard to the use of computer resources, access to user systems and management, the protection of networks, systems, databases and applications and the management of backup copies.

The Information Systems Department is responsible for defining and proposing security policies, except for the physical security of the Data Processing Center, which is the responsibility of the Security Department.

F.3.3 Financial reporting internal control policies and procedures aimed at supervising the management of activities sub-contracted to third parties, as well as those aspects of evaluation, calculation or valuation entrusted to independent experts, which may materially affect the financial statements.

Within the Economic Financial Management there is a specific function responsible for resolving any doubts in regard to the interpretations of the regulation. There is an Accounting Policy Manual at the Group level applicable to all of the Business Units. This Manual is periodically reviewed and updated on the basis of any new regulations that may affect us, with a prior assessment of the impact of the application of each new standard, and shall be communicated to the units responsible on a regular basis.

F.4. **Information and communication.**

Report, noting the main features, if your company at least has:

F.4.1 A specific function for defining and keeping accounting policies (area or department of accounting policies) up to date, and resolving any doubts or conflicts resulting from the interpretation thereof, maintaining fluent communication with those in charge of the transactions in the organization, as well as an accounting policy manual updated and communicated to the units through which the entity operates.

Within the Economic Financial Management there is a specific function responsible for resolving any doubts in regard to the interpretations of the regulation. There is an Accounting Policy Manual at the Group level applicable to all of the Business Units. This Manual is periodically reviewed and updated on the basis of any new regulations that may affect us, with a prior assessment of the impact of the application of each new standard, and shall be communicated to the units responsible on a regular basis.

F.4.2 Mechanisms for gathering and preparing the financial information using homogenous formats applied and used by all units of the entity or of the group, which form the basis for the principal financial statements and the notes, as well as the information detailed in regard to the FRICS.

The Company has homogeneous financial information reporting for all of the Group units which allows the Company to make complete monthly closings. Said reporting contains all the information required for drafting the principal financial statements, market reports and their notes. In addition, it should be pointed out that a large percentage of the financial information of the Group is integrated in the Corporate Information Systems.

F.5. **Supervision of system operation.**

Report, noting the main features, on at least:

F.5.1 FRICS monitoring activities conducted by the audit committee and whether the entity has an internal audit function whose competencies support the committee in its oversight of the internal control system, including FRICS. Also report the scope of the assessment of FRICS in the year and the process by which the party responsible for implementing the evaluation reports its results, whether the entity has an action plan detailing any corrective measures, and whether it has considered its impact on financial reporting.

As provided in article 14 of the Rules of Procedure of the Board of Directors, the Audit Committee has among its functions the following:

- Supervise the internal audit services and monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-election and dismissal of the head of the internal audit service; propose the budget for said service; receive periodical information regarding its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- Periodically revise the internal control and risk management systems, in order that the principle risks may be adequately identified, managed and disclosed;
- Supervise the process of drafting the Company and if applicable, Group, financial reporting and the completeness thereof, reviewing compliance with the regulatory requirements, proper delimitation of the consolidation perimeter and the correct application of accounting criteria.
- Report, at least once a year, to the Board of Directors in regard to matters of risk control and any malfunctions detected, if applicable, in the internal the audit reports or in the exercise of the above listed functions.
- Once a year draft an annual report containing the activities carried out by the Committee

A. Internal Audit Function

The Codere Group has an Internal Audit Management which is directly under the Board of Directors through the Audit Committee, which supervises the internal audit services.

Among the Internal Audit Management functions is that of supervising the compliance, efficacy, and efficiency of the internal control systems, as well as the reliability and quality of the financial and operational information.

This Department is corporate and is present in all countries where the Group has a significant presence. Its entire personnel devote full time to this function, and do not engage in any functions other than those related to internal auditing.

The Audit Committee annually approves the audit plans presented by the Audit Management and, at least once a year, is informed of the result of the work carried out. In the exercise of its functions, the Audit Committee is periodically informed of the internal audit activities and verifies that Senior Management take into account the recommendations and conclusions of its reports.

B. Scope of evaluation of the Internal Control System with regard to Financial Reporting.

The Internal Audit Department, in executing its Annual Plan approved by the Audit Committee, carries out continual supervision of the internal control system of the Codere Group, in order to ensure the control of the reliability of the financial reporting and the operational procedures.

The Audit Department has a pluri-annual supervision plan approved by the Audit Committee. This Plan calls for the review of all critical business processes in all of the Group companies and geographical locations (including information systems) over a three-year period, with the exception of specific areas and processes, which, given their special relevance, are reviewed annually.

Likewise, a specific work plan has been designed to evaluate the operation and efficacy of the identified controls, which will allow it to serve as supervision of the entire Financial Reporting Internal Control System.

C. Communication of results and corrective measure action plans.

The Audit Committee is informed quarterly of the principal conclusions and recommendations manifested by the Internal Audit Committee in its reports, as well as of the action plans taken on with regard to corrective measures. It is likewise informed of compliance with these action plans.

F.5.2 If the entity has a procedure for discussion by means of which the auditor (in conformity with that established in the NTA), the internal audit function and other experts are able to communicate to senior management and to the Audit Committee or entity directors the significant weaknesses of the internal control system identified during the annual account review processes or any other review processes entrusted to them. Likewise, the entity will report whether it has an action plan which seeks to correct or mitigate the weaknesses noted.

The Audit Committee meets at least once every three months (prior to the publication of regulated information) in order to obtain and analyse the information necessary to discharge the duties entrusted to it. At said meetings the Group Annual and Half-yearly Accounts and the intermediate quarterly declarations are reviewed, as is all other information disclosed to the market.

These meetings are also attended by the Economic Financial Department (responsible for the preparation of financial information), the Internal Audit Department (with the periodic information on activities), as well as the external auditor who, in addition to communicating the results of their work, is consulted on any aspect related to the preparation of financial information, with the aim of ensuring the correct application of current accounting standards and the reliability of financial information.

In any event, and at all times prior to year-end, the external auditor has a meeting with the Audit Committee at which the principal identified matters of interest and the aspects detected by the auditor at year-end are deliberated on.

On its part, the Group auditor has direct access to Group Senior Management, holding periodical meetings in order to obtain the information required to carry out its work as well as to communicate any control weaknesses detected during the course of its work. With respect to this latter aspect, on an annual basis the external auditor presents a report to the Audit Committee which details the internal control weaknesses detected in its work. This report incorporates the comments of the Group Management and, if applicable, any action plans which have been put into practice in order to remedy the corresponding internal control weaknesses.

F.6. Other relevant information

The relevant information has been provided in the previous points.

F.7. Report of the external auditor.

Report:

F.7.1 If the FRICS sent to the markets has been subject to review by the external auditor, in which case the entity should include the corresponding report as an Annex. Otherwise, you should explain the reasons for this.

The Codere Group has not requested a specific report from the external auditors on the information sent by the SCIIF to the markets, as it considers that the SCIIF has already carried out a review of internal control, developed in accordance with technical auditing standards, in the process of reviewing the accounts.

G. DEGREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of monitoring of the company with respect to the recommendations of the Good Governance Code of listed companies.

In the event that any recommendation is not followed or partially followed, you should include a detailed explanation of the reasons so that shareholders, investors and the market in general, have sufficient information to evaluate the performance of the company. General explanations are not acceptable.

1. That the Articles of Association of the listed companies not limit the maximum number of votes which the same shareholder can cast, and not contain any other restrictions which would hinder taking control of the company through the acquisition of its shares on the market.

   Comply [ ] Explain [X]

As a result of the financial restructuring process undertaken by the Company in recent years, and in order to ensure its continuity, the Company accepted certain conditions, among others, the modification of its Articles of Association, in order to include them in the same In the same case, the same shareholder, the companies belonging to the same group or those acting in concert with the foregoing, may issue a number of votes at a General Meeting higher than those corresponding to shares that represent a percentage of 44% of the share capital, even if the number of shares it holds exceeds said percentage of share capital, without prejudice to the provisions of article 527 of the Capital Companies Act.

This limitation does not affect the votes corresponding to the shares in respect of which a shareholder holds the representation as a consequence of the provisions of article 13 of the Articles of Association, although, in relation to the number of votes corresponding to the shares of each represented shareholder, the previously established limitation shall also apply.

2. That when both the parent company and a subsidiary are listed on the Stock Exchange, both publicly define with accuracy the following:

   a) The respective areas of activity and eventual business relations between the two, as well as those of the listed subsidiary with the other companies in the group;

   b) The mechanisms established to resolve any eventual conflict of interest which may arise.

   Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

3. That during the celebration of the ordinary general meeting, as a complement to the written dissemination of the annual corporate governance report, the chairman of the Board of Directors verbally informs the shareholders, in sufficient detail, of the most relevant aspects of the corporate governance of the company and, in particular:

   a) On the changes that have occurred since the previous ordinary general meeting.

   b) The specific reasons why the company does not follow any of the recommendations of the Corporate Governance Code and, if they exist, the alternative rules that apply in that area.

   Complies [X] Partially complies [ ] Explain [ ]

4. That the company defines and promotes a policy of communication and contacts with shareholders, institutional investors and voting advisers that is fully respectful of the rules against market abuse and provides similar treatment to shareholders who are in the same position.

   And that the company makes this policy public through its website, including information regarding the way in which it has been put into practice and identifying the interlocutors or those responsible for carrying it out.

   Complies [X] Partially complies [ ] Explain [ ]

5. That the Board of Directors does not submit to the general meeting a proposal to delegate powers, to issue shares or convertible securities excluding the right of preferential subscription, for an amount greater than 20% of the capital at the time of delegation.

   And when the Board of Directors approves any issuance of shares or convertible securities excluding the right of pre-emptive subscription, the company immediately publishes on its website the reports on said exclusion to which the commercial legislation refers.

   Complies [X] Partially complies [ ] Explain [ ]

6. That listed companies that prepare the reports listed below, whether mandatory or voluntary, publish them on their website sufficiently in advance of the ordinary general meeting, although their dissemination is not mandatory:

   a) Report on the independence of the auditor.

   b) Performance reports of the audit and appointments and remuneration commissions.

   c) Report of the audit committee on related-party transactions.

   d) Report on the corporate social responsibility policy;

   Complies [X] Partially complies [ ] Explain [ ]

7. That the company transmits live, through its website, the holding of general shareholders meetings.

   Comply [ ] Explain [X]

The high percentage of participation of the share capital in the General Meetings held by the company (in the one held in the financial year 2019, reached 91.4%), as well as the size of the company, and its economic and financial capacity, motivate the fact that it is not considered necessary to proceed to the transmission of the General Meetings through the website.

8. That the audit committee ensure that the Board of Directors seeks to present the accounts to the general meeting of shareholders without limitations or qualifications in the audit report and that, in the exceptional cases in which there are exceptions, both the chairman of the audit committee as the auditors clearly explain to the shareholders the content and scope of said limitations or qualifications.

Complies [X] Partially complies [ ] Explain [ ]

9. That the company make permanently public on its website, the requirements and procedures it will accept to accredit the ownership of shares, the right to attend the general meeting of shareholders and the exercise or delegation of the right to vote.

And that such requirements and procedures favour attendance and the exercise of their rights by shareholders and are applied in a non-discriminatory manner.

Complies [X] Partially complies [ ] Explain [ ]

10. That when a legitimated shareholder has exercised, prior to the holding of the general meeting of shareholders, the right to complete the agenda or present new proposals for agreement, the company:

a) Immediately disseminate such complementary points and new proposals for agreement.

b) Make public the model of attendance card or form of delegation of vote or remote vote with the precise modifications so that the new points of the agenda and alternative proposals can be voted according to the same terms as those proposed by the council of administration.

c) Submit all those points or alternative proposals to vote and apply the same voting rules to them as those formulated by the Board of Directors, including, in particular, the presumptions or deductions regarding the direction of the vote.

d) After the general meeting of shareholders, communicate the breakdown of the vote on such complementary points or alternative proposals.

Complies [ ] Partially complies [X] Explain [ ] Not applicable [ ]

With regard to the request made in 2019 for a supplement to the call and alternative proposals for resolutions, for each shareholder with a participation of more than 3%, the company proceeded to make them public 9 days after their receipt, but on the same day that the Board of Directors took cognizance of the request and proceeded to take the pertinent resolutions for their publication.

11. That, in the event that the company plans to pay attendance premiums to the general meeting of shareholders, establish, in advance, a general policy on such premiums and that said policy is stable.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

12. That the Board of Directors perform its functions with unity of purpose and independence of judgement, dispense the same treatment to all shareholders who are in the same position and be guided by the corporate interest, understood as the achievement of a profitable and sustainable business in the long term, that promotes its continuity and the maximization of the economic value of the company.

    And in the pursuit of corporate interest, in addition to respect for laws and regulations and behaviour based on good faith, ethics and respect for commonly accepted good practices and standards, try to reconcile your own corporate interest with, as appropriate, the legitimate interests of its employees, its suppliers, its customers and those of the other stakeholders that may be affected, as well as the impact of the company's activities on the community as a whole and on the environment.

    Complies [X]   Partially complies [ ]   Explain [ ]

13. That the size of the Board be large enough to be able to function effectively and in a participative manner, which makes it advisable that it have no fewer than five nor more than fifteen members.

    Complies [X]   Explain [ ]

As of 31/12 the number of members of the Board is six and there are two vacancies.

14. That the Board of Directors approve a policy for the selection of directors that:

    a) Is concrete and verifiable.

    b) Ensures that the proposals for appointment or re-election are based on a prior analysis of the needs of the Board of Directors.

    c) Encourage the diversity of knowledge, experiences and gender.

    That the result of the previous analysis of the needs of the Board of Directors be included in the justification report of the appointments committee that is published when the general meeting of shareholders is convened to which the ratification, appointment or re-election of each director is submitted.

    And that the policy of selecting directors promotes the goal that in 2020 the number of female directors represents at least 30% of the total number of members of the Board of Directors.

    The appointments committee will verify annually the compliance with the director selection policy and will be informed of this in the annual corporate governance report.

    Complies [ ]   Partially complies [ ]   Explain [X]

The Board of Directors of Codere S.A. has a Director Selection Policy, the objective of which is to ensure diversity in the composition of the Board in a broad sense, in terms of knowledge, experience, origin and gender, expressly including the objective that by 2020 the number of female directors should represent at least 30% of the members of the Board.

Notwithstanding the above, the existence of a shareholder agreement dated 6 April 2016 (signed by the Company) which establishes the rights of signing shareholders to nominate or appoint Directors determines the composition of the Board so that this recommendation is not currently complied with.

15. That the external nominee and independent directors make up an ample majority of the Board of Directors and that the number of executive directors be limited to the minimum required, taking into account the complexity of the corporate group and the percentage of share capital held by the executive directors.

Complies [X]   Partially complies [ ]   Explain [ ]

16. That the percentage of nominee directors over the total of non-executive directors is not greater than the proportion between the capital of the company represented by said directors and the rest of the capital.

This criterion may be mitigated:

a) In companies with large capitalization in which shareholdings that are legally considered significant are scarce.

b) In the case of companies in which there is a plurality of shareholders represented on the Board of Directors and have no links with each other.

Complies [X]   Explain [ ]

17. That the number of independent directors represents at least one-third of the total number of directors.

That, however, when the company is not highly capitalized or when, even if it is, it has a shareholder or several acting in concert, that controls more than 30% of the share capital, the number of independent directors represents at least one third of the total number of directors.

Complies [X]   Explain [ ]

18. That companies publicize and keep up to date the following information on their directors through their Website:

a) Professional and biographical profile;

b) Other Boards of Directors to which they belong, whether or not they are listed companies, as well as other paid activities that they carry out, whatever their nature.

c) Indication of the type of directorship they hold, indicating in the case of nominee directors, the shareholder which they represent or with which they have ties;

d) Date of their initial appointment as company director, and dates of subsequent appointments; and;

e) Any company shares and stock options which they hold.

Complies [X]   Partially complies [ ]   Explain [ ]

19. That in the annual corporate governance report, after verification by the appointments committee, explain the reasons why nominee directors have been appointed at the request of shareholders whose shareholding is less than 3% of the capital; and the reasons why formal requests for presence on the Board from shareholders whose shareholding is equal to or greater than that of others at whose request proprietary directors have been appointed should not be addressed.

Complies [ ]   Partially complies [ ]   Explain [X]   Not applicable [ ]

Within 2019, the Board of Directors has not addressed the request from Mr. José Antonio Martínez Sampedro and Mr. Luis Javier Martínez Sampedro to be re-elected as nominee directors, which they based on the Shareholders' Agreement dated April 6th 2016, as the Board did not consider them suitable for the position, considering that they had not performed their duties with loyalty, acting as faithful representatives, in good faith and in the best interest of the Company.

20. That nominee directors tender their resignation when the shareholder which they represent sells his or her entire shareholding. And that they likewise do so, in the corresponding proportion, when said shareholder reduces his or her shareholding down to a level which requires the reduction of the number of the shareholder's nominee directors.

Complies [ ]   Partially complies [ ]   Explain [ ]   Not applicable [X]

21. That the Board of Directors refrain from proposing the separation of any independent director before said director finishes his or her term of appointment, unless there is good cause to do so, as determined by the Board of Directors on the basis of a report by the appointments committee. In particular, it shall be understood that there is just cause when the director moves into new positions or contracts new obligations that prevent him from devoting the time necessary to perform the duties of the position of director, breach the duties inherent to his position or incur in some of the circumstances that cause him to lose his status as independent, in accordance with the provisions of the applicable legislation.

Separation of independent directors may also be proposed as a result of public takeover bids, mergers or other similar corporate transactions that imply a change in the capital structure of the company, when such changes in the structure of the Board of Directors are favoured by the criterion of proportionality indicated in recommendation 16.

Complies [X]   Explain [ ]

22. That the companies set up rules requiring directors to report and, where appropriate, resign in those cases which may harm the credit and reputation of the company, and in particular, require them to report to the Board any criminal matter of which they stand accused, as well as the subsequent procedural outcome.

And that if a director is prosecuted or ordered to open an oral trial for any of the crimes set forth in the corporate legislation, the Board of Directors will examine the case as soon as possible and, in view of its specific circumstances, decide whether or not the director continues in the position. And that on all this, the Board of Directors account, in a reasoned manner, in the annual corporate governance report.

Complies [X]   Partially complies [ ]   Explain [ ]

23. That all directors clearly express their opposition when they consider that any proposal for a decision submitted to the Board of Directors may be contrary to the corporate interest. And, in particular, independent directors and other directors not affected by the potential conflict of interest should do so in the case of decisions that could harm shareholders not represented on the Board of Directors.

    Moreover, when the Board of Directors adopts significant or reiterated decisions in regard to which the director had made serious reservations, that the latter draw the pertinent conclusions, and, if said director chooses to resign, that he or she explain the reasons in a letter as referred to in the following recommendation.

    This recommendation is likewise made in regard to the Secretary of the Board, even if said Secretary is not a director.

    Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

24. That when, whether as a result of resignation or for any other reason, a director leaves his or her position before the term thereof finalizes, said director explain the reasons in a letter to be sent to all of the members of the Board of Directors. And, notwithstanding said resignation or dismissal, if this is reported as a relevant fact, that the reason for the resignation or dismissal be stated in the Corporate Governance Annual Report.

    Complies [X]   Partially complies [ ]   Explain [ ]   Not applicable [ ]

During the 2019 financial year, the directors Manzanares Secades and Sempere Rodríguez have resigned.

Mr. Manzanares resigned on 7 October 2019, explaining in a letter to the Board that the reasons for his resignation were strictly personal, and due to the difficulty to reconcile the dedication required by his position as Director, with the rest of his professional obligations.

Mr. Sempere resigned on 6 November 2019, explaining in a letter he sent to the Board that this was due to his real and personal impossibility of continuing to reconcile his professional activity with due attention to his role as a Director of Codere S.A.

25. That the appointments committee ensures that non-executive directors have sufficient time available for the proper performance of their duties.

    And that the rules of procedure of the Board establish the maximum number of Board of Directors of which its directors can be a part.

    Complies [X]   Partially complies [ ]   Explain [ ]

26. That the Board of Directors meet with the necessary frequency to effectively perform its functions and, at least, eight times a year, following the schedule of dates and matters established at the beginning of the year, each director being able to individually propose other points of order of the day initially not foreseen.

    Complies [X]   Partially complies [ ]   Explain [ ]

27. That the absences of the directors are reduced to the indispensable cases and are quantified in the annual corporate governance report. And that, when they should be produced, representation is granted with instructions.

Complies [ ] Partially complies [X] Explain [ ]

During the year 2019 there have been 6 absences from the Board, all of which have been represented by another nominee or independent directors, although no instructions have been given.

28. That when the directors or the Secretary express their concern over a given proposal or, in the case of the directors, over the running of the company, and these concerns are not resolved at the Board of Directors meeting, said circumstance be reflected in the minutes at the request of the person voicing such concerns.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

29. That the company establishes the appropriate channels so that the directors can obtain the necessary advice for the fulfilment of their duties, including, if required by the circumstances, external advice charged to the company.

Complies [X] Partially complies [ ] Explain [ ]

30. That, regardless of the knowledge required of directors for the exercise of their duties, companies also offer directors refresher programs when the circumstances warrant.

Complies [X] Explain [ ] Not applicable [ ]

31. That the agenda of the meetings clearly indicate those points on which the Board of Directors must adopt a decision or agreement so that the directors can study or collect, in advance, the information required for its adoption.

When, exceptionally for reasons of urgency, the chairman wishes to submit decisions or resolutions that do not appear on the agenda to the approval of the Board of Directors, the prior and express consent of the majority of the directors present shall be required, which shall be duly recorded in the minutes.

Complies [X] Partially complies [ ] Explain [ ]

32. That the directors are periodically informed of the movements in the shareholding and of the opinion that the significant shareholders, investors and rating agencies have about the company and its group.

Complies [X] Partially complies [ ] Explain [ ]

33. That the chairman, as the person in charge of the efficient functioning of the Board of Directors, in addition to exercising the functions legally and statutorily attributed thereto, prepares and submits to the Board of Directors a schedule of dates and matters to be discussed; organize and coordinate the periodic evaluation of the Board, as well as, where appropriate, the first executive of the company; be responsible for the direction of the Board and the effectiveness of its operation; ensure that sufficient discussion time is devoted to strategic issues, and agree and review the knowledge updating programs for each director, when circumstances warrant.

Complies [X]   Partially complies [ ]   Explain [ ]

34. When there is a coordinating director, the Articles of Association or the rules of procedure of the Board of Directors, in addition to the powers that correspond legally, assign the following: to preside over the Board of Directors in the absence of the chair and the vice-chair, if any; echo the concerns of non-executive directors; maintain contacts with investors and shareholders to know their points of view in order to form an opinion on their concerns, in particular, in relation to the corporate governance of the company; and coordinate the chair's succession plan.

Complies [ ]   Partially complies [ ]   Explain [ ]   Not applicable [X]

35. That the secretary of the Board of Directors ensure in a special manner that in its actions and decisions the Board of Directors takes into account the recommendations on good governance contained in this Code of good governance that are applicable to the company.

Complies [X]   Explain [ ]

36. That, once a year, the Board of Directors in full should evaluate and adopt, if necessary, an action plan to correct the deficiencies identified in respect of:

a) The quality and efficiency of the manner in which the Board of Directors is run;

b) The operation and the composition of its committees.

c) The diversity in the composition and powers of the Board of Directors.

d) The performance of the chairperson of the Board of Directors and the chief executive of the company.

e) The performance and contribution of each director, paying particular attention to those responsible for the various Board committees.

In order to carry out the evaluation of the different commissions, it will be based on the report that they submit to the Board of Directors, and for the latter's, from that the appointment commission elevates.

Every three years, the Board of Directors will be assisted to carry out the evaluation by an external consultant, whose independence will be verified by the appointments committee.

The business relationships that the consultant or any company of its group maintains with the company or any company of its group should be broken down in the annual corporate governance report.

The process and the areas evaluated will be described in the annual corporate governance report.

Complies [ ] Partially complies [X] Explain [ ]

Given the economic and financial situation of Codere S.A. in recent years, Codere has chosen to carry out the annual evaluation and action plan internally, and without the help of an external consultant. Notwithstanding the above, the assessment covers all the areas set out in the recommendation.

37. That when there is an executive committee, the structure of participation of the different categories of directors is similar to that of the Board of Directors itself and its secretary is that of the latter.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

38. That the Board at all times be informed of the matters dealt with and the decisions adopted by the Delegated Committee, and that all members of the Board of Directors receive a copy of the minutes of the Delegated Committee meetings.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

39. That the members of the audit committee, and especially its chairman, be appointed taking into account their knowledge and experience in accounting, auditing and risk management, and that the majority of these members be independent directors.

Complies [X] Partially complies [ ] Explain [ ]

40. That under the supervision of the audit committee, there be a unit that assumes the function of internal audit that ensures the proper functioning of the information and internal control systems and functionally depends on the non-executive chairman of the Board or the Board of Directors' audit commission.

Complies [X] Partially complies [ ] Explain [ ]

41. That the person in charge of the internal audit function present to the Audit Committee the annual work plan, directly inform the Committee of any incidents which may arise in carrying out said plan and submit to the Committee a report on its activities at the end of each year.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

42. That, in addition to those provided by law, the following functions correspond to the audit committee:

1. 1. In relation to the information and internal control systems:

   a) Supervise the process of drafting the Company and if applicable, Group, financial reporting and the completeness thereof, reviewing compliance with the regulatory requirements, proper delimitation of the consolidation perimeter and the correct application of accounting criteria.

   b) Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment, re-election and removal of the person responsible for the internal audit service; propose the budget for that service; approve the orientation and its work plans, making sure that its activity is focused mainly on the relevant risks of society; receive periodic information about their activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

   c) Establish and supervise a mechanism allowing employees to report confidentially, and where appropriate, anonymously, any irregularities which they observe in the company and which may have repercussions, especially in regard to financial and accounting matters.

2. In relation to the external auditor:

   a) In the event that the auditor should choose to resign, the Committee shall examine the reasons why.

   b) Ensure that the remuneration of the external auditor for their work does not compromise their quality or independence.

   c) Supervise that the company reports the change of auditor as a relevant event to the CNMV and accompanies it with a statement about the possible existence of disagreements with the outgoing auditor and, if they existed, their content.

   d) Ensure that the external auditor holds an annual meeting with the full Board of Directors to inform them of the work performed and the evolution of the accounting and risk situation of the company.

   e) Ensure that the company and the external auditor respect current regulations on the provision of services other than auditing, the limits on the concentration of the auditor's business and, in general, the other rules on the independence of auditors.

Complies [ ]   Partially complies [X]   Explain [ ]

In relation to the establishment and supervision of a mechanism that allows employees to communicate, confidentially, and if possible and considered appropriate, anonymous, irregularities of potential importance, especially financial and accounting, that they notice within the company, this function is entrusted in Codere S.A. to the Compliance Committee (art.15 of the Regulations of the Board of Directors), with the system known as the "Whistleblower Channel" (nationally and internationally), which is periodically reported to the Committee.

The Rules of Procedure of the Board of Directors of Codere S.A. do not include among the functions of the Audit Committee, that of ensuring that the external auditor holds an annual meeting with the full Board to inform them of the work done and the evolution of the accounting situation and of company risks. Notwithstanding the foregoing, during fiscal year 2019, the external auditor appeared before the full Board on several occasions, both to report on the progress of the audit work and to inform on the company's risks.

43. That the audit committee may request the presence of any company employee or manager, and even order that they appear without the presence of any other manager.

Complies [X] Partially complies [ ] Explain [ ]

44. That the audit committee is informed about the operations of structural and corporate modifications that the company plans to carry out for its analysis and prior report to the Board of Directors on its economic conditions and its accounting impact and, especially, where applicable, on the equation of proposed exchange.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

45. That the risk control and management policy identify at least the following:

a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational) to which company faces, including financial or economic liabilities, contingent liabilities and other off-balance risks.

b) The establishment of the risk level which the company considers acceptable;

c) The measures planned to mitigate the impact of identified risks, should they materialize;

d) The information and internal control systems which will be used to control and manage the aforesaid risks, including contingent liabilities or off-balance-sheet risks.

Complies [X] Partially complies [ ] Explain [ ]

46. That under the direct supervision of the audit committee or, as the case may be, of a specialized committee of the Board of Directors, there is an internal risk control and management function exercised by a unit or internal department of the company that has expressly attributed the following functions:

a) Ensure the proper functioning of the risk management and control systems and, in particular, that all important risks that affect society are identified, managed and quantified adequately.

b) Actively participate in the preparation of the risk strategy and in important decisions about its management.

c) Ensure that risk control and management systems mitigate risks adequately within the framework of the policy defined by the Board of Directors.

Complies [X] Partially complies [ ] Explain [ ]

47. That the members of the appointments and remuneration committee - or of the Appointments Committee and the Remuneration Committee, if they are separate - be appointed so that they have the knowledge, skills and experience appropriate to the functions they are called upon to perform and that the majority of these members are independent directors.

Complies [ ]   Partially complies [X]   Explain [ ]

The Appointments, Remuneration and Corporate Governance Committee is composed of four members, of which 50% is independent. The composition of the Committee is established in the Shareholders' Agreement to which the company adhered in May 2016.

48. That the companies of high capitalization have a commission of appointments and a separate commission of remunerations.

Complies [ ]   Explain [ ]   Not applicable [X]

49. That the appointments committee consult with the company Chairman and CEO, especially in regard to matters pertaining to executive directors.

Furthermore, that any director be able to request that the appointments committee take into consideration potential candidates to cover director vacancies, if it considers such candidates suitable.

Complies [X]   Partially complies [ ]   Explain [ ]

50. That the remuneration committee exercises its functions independently and that, in addition to the functions attributed to it by law, the following correspond to it:

a) Propose to the Board of Directors the basic conditions of the contracts of senior managers.

b) Confirm the observance of the remuneration policy established by the company.

c) Periodically review the remuneration policy applied to directors and senior managers, including the remuneration systems with shares and their application, as well as ensuring that their individual remuneration is proportionate to that paid to other directors and senior executives of the company.

d) Ensure that any conflicts of interest do not prejudice the independence of external advice provided to the commission.

e) Verify the information on the remuneration of directors and senior managers contained in the various corporate documents, including the annual report on the remuneration of directors.

Complies [X]   Partially complies [ ]   Explain [ ]

As can be seen in Article 16 of the Rules of Procedure of the Board of Directors, most of the functions included in this Recommendation are entrusted to the Appointments, Remuneration and Corporate Governance Committee.

Regarding letter d), it is not applicable, since as previously reported, the assessment of the Board is done internally, without external advice.

51. That the Compensation Committee enquiries with the company chairperson and CEO, especially in regard to matters concerning executive directors and senior management.

Complies [X] Partially complies [ ] Explain [ ]

52. That the rules for the composition and operation of the supervision and control commissions appear in the regulations of the Board of Directors and that they are consistent with those applicable to the legally binding commissions according to the previous recommendations, including:

a) That they are composed exclusively of non-executive directors, with a majority of independent directors.

b) That the chairs thereof be independent directors;

c) That the Board of Directors appoint the members of these Committees, taking into account the knowledge, aptitudes and experience of the directors and the duties of each committee; that it deliberate on the proposals and reports of these committees; and that said committees report to the Board of Directors on their activity and be held accountable for the work they have done, at the first Board plenum held after the committee meetings;

d) That these committees may obtain external consultancy, when they consider this advisable for the performance of their functions;

e) That minutes be drawn up from its meetings, which will be made available to all the directors.

Complies [ ] Partially complies [X] Explain [ ] Not applicable [ ]

The Compliance Committee of Codere S.A. complies with the recommendations except for the fact that there is not a majority of independent directors in its composition, notwithstanding which, its Chairman is an Independent Director.

53. That the supervision of compliance with corporate governance rules, internal codes of conduct and the corporate social responsibility policy is attributed to one or is distributed among several committees of the Board of Directors that may be the audit committee, the appointments, the corporate social responsibility committee, if any, or a specialized committee that the Board of Directors, exercising its powers of self-organization, decides to create for this purpose, to which the following minimum functions are attributed specifically. :

a) Supervision of compliance with the internal codes of conduct and the corporate governance rules of the company.

(b) Supervision of the communication and relationship strategy with shareholders and investors, including small and medium shareholders.

c) The periodic evaluation of the adequacy of the corporate governance system of the company, in order that it fulfils its mission to promote the corporate interest and take into account, as appropriate, the legitimate interests of the other stakeholders.

d) The review of the corporate responsibility policy of the company, ensuring that it is aimed at the creation of value.

e) The monitoring of corporate social responsibility strategy and practices and the evaluation of their degree of compliance.

(f) Supervision and evaluation of the relationship processes with the different stakeholders.

(g) The evaluation of everything related to the non-financial risks of the company -including operational, technological, legal, social, environmental, political and reputational risks.

(h) The coordination of the process of reporting non-financial information and diversity, in accordance with applicable regulations and international reference standards.

Complies [ ] Partially complies [X] Explain [ ]

The Company has entrusted to the Appointments, Remuneration and Corporate Governance Committee with the functions envisaged in letters a), d), e) and h). The Audit Committee is entrusted with the functions described in letters b), f) and g).

The functions indicated in letter c), are not expressly attributed to any of the Committees that the Board of Directors has constituted, however, they would correspond to the Appointments, Remuneration and Corporate Governance Committee in accordance with article 16.2.k) which states that it is the competence of said Committee "to make proposals to the Board and prepare the examination of the matters that it must know, in the matters that are not the specific competence of another of the Committees, whenever it is deemed necessary.

54. That the corporate social responsibility policy includes the principles or commitments that the company voluntarily assumes in its relationship with the different stakeholders and identifies at least:

a) The objectives of the corporate social responsibility policy and the development of support instruments.

b) The corporate strategy related to sustainability, the environment and social issues.

c) Specific practices in matters related to: shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal conduct.

d) The methods or systems for monitoring the results of the application of the specific practices indicated in the previous letter, the associated risks and their management.

e) The mechanisms of supervision of non-financial risk, ethics and business conduct.

f) The channels of communication, participation and dialogue with stakeholders.

g) Responsible communication practices that avoid information manipulation and protect integrity and honour.

Complies [ ] Partially complies [X] Explain [ ]

During 2016, the Board of Directors, on the proposal of the Appointments, Remuneration and Corporate Governance Committee, approved a Corporate Social Responsibility Policy that identified:
- Its objectives.
- The specific principles of action.
- The principles of action in relation to: Shareholders and Investors; clients; employees; communities; suppliers and the environment.

55. That the company reports, in a separate document or in the management report, on matters related to corporate social responsibility, using some of the internationally accepted methodologies.

Complies [X] Partially complies [ ] Explain [ ]

56. That the remuneration of the directors be necessary to attract and retain the directors of the desired profile and to reward the dedication, qualification and responsibility required by the position, but not so high as to compromise the independent judgement of the non-executive directors.

Complies [X] Explain [ ]

57. That the variable remuneration linked to the performance of the company and personal performance be limited to the executive directors, as well as the remuneration through the delivery of shares, options or rights over shares or instruments referenced to the value of the share and the long-term savings systems such as pension plans, retirement systems or other social welfare systems.

The delivery of shares may be considered as remuneration for non-executive directors when it is conditioned to keep them until they cease to be directors. The foregoing shall not apply to the actions that the director needs to transfer, in its case, to satisfy the costs related to its acquisition.

Complies [X] Partially complies [ ] Explain [ ]

58. That in cases of variable compensation, compensation policies incorporate the limits and technical precautions required so as to ensure that said compensation is in line with the professional performance of its beneficiaries and does not merely result from general market performance or from corporate sector activity performance or other similar circumstances.

And, in particular, that the variable components of remuneration:

a) Are linked to performance criteria that are predetermined and measurable and that said criteria consider the risk assumed to obtain a result.
b) Promote the sustainability of the company and include non-financial criteria that are adequate for the creation of long-term value, such as compliance with the rules and internal procedures of the company and its policies for the control and management of risks.

c) They are configured on the basis of a balance between the fulfilment of short, medium and long-term objectives, which allow remunerating the performance for continuous performance during a period of time sufficient to appreciate their contribution to the sustainable creation of value, so that the elements of measurement of that performance do not revolve solely around specific, occasional or extraordinary events.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

59. That the payment of a relevant part of the variable components of the remuneration is deferred for a minimum period of time sufficient to verify that the previously established performance conditions have been met.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

60. That the compensation related to the company results take into account any eventual qualified opinions stated in the external auditor's report and diminish said results.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

61. That a relevant percentage of variable remuneration of executive directors be linked to the delivery of shares or financial instruments referenced to their value.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

62. Once the shares or options or rights over shares corresponding to the remuneration systems have been attributed, the directors cannot transfer ownership of a number of shares equivalent to twice their annual fixed remuneration, nor can they exercise the options or rights until after the expiration of a term of, at least, three years from its attribution.

The foregoing shall not apply to the actions that the director needs to transfer, in its case, to satisfy the costs related to its acquisition.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

63. That the contractual agreements include a clause that allows the company to claim the reimbursement of the variable components of the remuneration when the payment has not been adjusted to the performance conditions or when they have been paid based on data whose inaccuracy is subsequently accredited.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

64. That the payments for resolution of the contract do not exceed an established amount equivalent to two years of the total annual remuneration and that they are not paid until the company has been able to verify that the director has complied with the previously established performance criteria.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

H. OTHER INFORMATION OF INTEREST

1. If you consider that there is any principle or relevant aspect regarding the corporate governance practices applied by your company which has not been dealt with in the present Report, but that more complete and reasoned information is necessary regarding the structure and governance practices of your company and/or group, mention this below and briefly explain what it consists of.

2. Any information, clarification or nuance related to the preceding sections of this report may also be included in this section. Specifically, indicate whether or not the company is subject to any legislation other than Spanish legislation in matters of corporate governance and, if applicable, include any information which it is required to provide which differs from the information called for in this report.

3. The company may also indicate whether voluntarily acceded to other ethical principles or codes of good practice, international, sectoral or other authorities. In such a case, the code in question and the date of application should be identified. In particular, it will mention if the company has adhered to the Code of Good Tax Practices, of 20 July 2010:

In connection with question E.5:

On February 19, 2018, Jose Antonio and Luis Javier Martínez Sampedro and Masampe S.L. filed a request with the International Chamber of Commerce (ICC) for arbitration proceedings against the Company, some Board members and some of its shareholders, claiming that as a result of the resolutions adopted by the Company's Board of Directors on January 12, 2018 which are referred in (i) above, certain aspects of the Shareholder Agreement dated April 6, 2016 (publicly disclosed via a price-sensitive filing with the Spanish securities market regulator on April 15, 2016) had been breached. The claimants also included in that request for arbitration a request for the adoption of certain interim measures, which the Emergency Arbitrator appointed for that purpose rejected in its entirety by decision of 12 March 2018, imposing the legal costs of that emergency arbitration on the claimants, amounting to £492,732.71 and EUR 176,430.97 (in relation to the latter issue concerning legal costs, following an appeal by the applicants, it has been determined that it will be resolved within the main arbitration in progress). The Claimants requested the Emergency Arbitrator to review his decision on legal costs. The Emergency Arbitrator, in his decision of 30 March 2018, confirmed his previous decision.
On July 23, 2019, the Arbitral Tribunal issued the Terms of Reference and Procedural Calendar No.1. In accordance with this Schedule, on September 30, 2019, the Claimants filed their claim. They requested a declaration that the dismissal of Mr. José Antonio Martínez Sampedro and Mr. Luis Javier Martínez Sampedro as Executive Chairman and Vice Chairman, respectively, is contrary to the Shareholders' Agreement. In addition, the plaintiffs claim from Codere the payment in favor of Mr. Luis Javier Martínez Sampedro of 250,925 Euros, based on his contract, as well as, the interest on all the amounts that the Company allegedly owes to Mr. Luis Javier Martínez Sampedro. The applicants also requested the Arbitration Court to reduce or waive the amount of the legal costs to which they had been sentenced in the abovementioned Emergency Proceeding. On November 29, 2019, the Company (and the other defendants) filed its Response to the claim requesting the dismissal of all the petitions in the claim. In addition, on the same date, Codere S.A. filed a counterclaim against José Antonio Martínez Sampedro and Luis Javier Martínez Sampedro (both based on the service contracts signed by the Company with these executive Directors), as well as against Masampe (based on the Shareholders' Agreement dated 6 April 2016). Following the documentary production phase, Claimants should submit their reply to the counterclaim on March 6, 2020. Following the filing of said reply, the Company should file its response on April 30, 2020. The Hearing is currently scheduled to take place between June 29, 2020 and July 3, 2020. A final award is not expected before December 2020.
In parallel with the documentary production phase, on June 27, 2018, the Company (and the other defendants) requested the provisional enforcement of the legal costs of the emergency arbitration. On September 19, 2018, the Court of First Instance No. 101 of Madrid issued a writ of execution and a decree of the same date ordering the seizure of the bank accounts of the claimants in the amount corresponding to the legal costs of the emergency arbitration. Subsequently, the Claimants filed an appeal against the order dismissing the Claimants' opposition to the execution of the Emergency Arbitrator's decision. On January 24, 2020, the Provincial Court granted the Claimants appeal, revoking and invalidating the enforcement measures deploy.

This annual corporate governance report was approved by the Board of Directors of the Company, at its meeting held on

27/02/2020

Indicate whether any Directors have voted against or have abstained from the approval of the present report.

[ ] Yes
[√] No

Integrated Report

2019

codere

Contents

Letter from the President

01

Dear readers:

For the second consecutive year, Codere is presenting its *Integrated Report*, through which the company seeks to inform its stakeholders of the organization's performance during 2019, as well as the most noteworthy policies and actions implemented by the group during that time. This report, prepared in accordance with the strictest corporate reporting standards, is based on a materiality analysis that has identified the most relevant aspects of the company's business for different audiences.

For Codere, 2019 was both intense and complex. In most of our markets, the industry is currently facing increasing tax and regulatory pressure. In our case, this comes on top of the challenge of operating in countries with complicated macroeconomic difficulties, such as Argentina, or, to a lesser extent, Mexico—in a recession and dealing with growing competitive pressure.

That is why although our Adjusted EBITDA, at 319 million euros (249 million euros pre IFRS 16), was lower than a year earlier, we once again showed our company's capacity to adapt to change and generate efficiency. Beyond the important lessons learned, Codere has grown stronger in terms of risk, by diversifying the geographic structure of its portfolio, and has continued to implement its Strategic Plan with a series of important milestones.

2019 was a year in which we made significant progress in the profitability of our Spanish operation and achieved equally remarkable growth in our online business, with its relaunch in Mexico and Colombia.

We have globalized our organizational structure, making it simpler and more streamlined. Our new organizational structure concentrates operational and functional management in the retail and online COO positions, while external and institutional relations are the role of the regional managers and each country's country manager. Management is supported by management committees, centers of excellence, and shared services centers in order to promote synergies in the organization.

Based on this structure, we are carrying out a process of cultural transformation that has led us to clearly identify our vision, purpose, and values as a company. It has entailed greater responsibility to our stakeholders, to firmly and clearly develop and maintain that culture while making it visible in our daily reality.

We want to deepen our commitment to place our customers at the center of our strategy, to act ethically and transparently, to work in teams committed to excellence, to show an innovative attitude, to leverage technology, and to focus on efficiency.

These principles of action have been shown to be even more necessary in a year when our internal control mechanisms detected certain accounting inconsistencies in the first half of the year at some of our Latin American operations. Following an exhaustive forensic investigation performed by the independent firms Álvarez y Marsal and Kroy Abogados, the company acted decisively. We reviewed our organizational structure and implemented the measures needed to ensure that this sort of situation, which contradicts our values and our corporate ethics, will never happen again.

The comprehensive change in the organization is reflected externally in the renewal of our corporate image, which as of this year is more simplified and focused on digital environments. In the countries where we operate, we will gradually roll out this single, global brand, which will be the symbol encapsulating and crystalizing our transformation. The renewal of our excellent agreement with Real Madrid for three more seasons and our sponsorship of the NBA in Mexico are other milestones this year that will undoubtedly help bring values and visibility to our brand.

Yet these efforts to assert our values are not exclusively focused on maximizing the value of our brand, but rather are clearly intended to dignify and cast light on our industry. Over recent years, in some of our markets we have witnessed the rise of misconceptions about the reality of the industry, possibly exacerbated by advertising overexposure for online gaming, which has led some to take radical political and social positions with respect to the industry. These positions are often unjustified, in light of the information revealed by a range of social and statistical studies, which do not show an inappropriate growth in gaming activity or the prevalence of problematic behaviors during recent years.

Therefore, we believe that we must bring greater transparency to the realities of the industry, so that the objective facts themselves can respond to this situation. Because our business provides transparent, highly regulated entertainment services that make important social and economic contributions, in terms of their significant job creation and tax contributions.

We want gambling to be based on a free, rational, informed, and sensible choice by the user, with guarantees of responsible, supervised activity, and we are leading the work needed to make this happen.

During the year, Codere devoted important efforts to listening to our stakeholders' needs and expectations regarding the company and the industry. We responded to our stakeholders through our *Corporate Social Responsibility Plan*, which establishes firm positions, commitments, and guidelines for action to ensure the sustainable development of the industry and minimize its potential social impact. Our *Plan* seeks to implement responsible gambling best practices, foster transparency, and support public policies that provide guarantees to users and protect vulnerable groups, especially minors. The plan include an ambitious responsible gambling program and shows Codere's desire to lead the industry's changes in these aspects.

Today, we are a global, integrated organization with simplified, digitized processes. We are a team with the clear purpose of providing emotions to those who choose an entertainment experience based on gambling in a safe environment. We strive to be synonymous with fun, betting, excitement, safety, and social engagement.

That is why, although 2020 holds important regulatory, tax, and macroeconomic challenges, our prospects are positive and our security and confidence are complete, both in our teams and in our strategic initiatives to increase our income and profits, primarily in the online market and in the Spanish and Mexican retail markets. Meanwhile, we remain alert to the new opportunities that could arise for online gambling and sports betting in the Latin American region.

During this year, we expect to recover our growth in order to undertake the refinancing of our capital structure, which will give us greater flexibility to respond to the growth opportunities that the market presents to us.

Meanwhile, the company will continue to strengthen each of the pillars that are the foundations of its strategy, with particular emphasis on a customer-centric approach, omni-channel gambling, and digitization. Based on this and on our profitable growth, efficiency, and operational excellence, we are determined to continue to make significant efforts to respond to our stakeholders' expectations.

Warm regards,

Norman Sorensen Valdez
Chairman of the Codere Group

Codere at a Glance

02

The only listed Spanish multinational in the industry

Codere is a Spanish multinational that is a leading player in the private gambling industry in Europe and Latin America. It has been the only Spanish multinational in the industry to be listed on the stock exchange since 2007.

With a 39-year history, the company holds a leading position in the main business lines and geographic areas where it operates. Codere carries out its activities with complete transparency, responsibility, and commitment to customers, partners, regulators and other stakeholders.

A leader in private gambling in seven markets in Europe and Latin America

Mexico

Since it began its operations in Mexico in 1998, Codere has been a pioneer in the industry and has maintained its position over the years. Today it operates 96 gambling rooms, the Americas racetrack, Granjas de las Americas, the Citibanamex Convention Center and online gambling.

Panama

Codere manages a wide range of businesses: gambling machines, 11 casinos, gambling houses, the Presidente Remón racetrack–the only one of its kind in Central America–and online gambling.

Uruguay

Codere began its activity in the country in 2002 and currently manages the National Maroñas racetrack, the Las Piedras racetrack, the Hotel Casino Carrasco and gambling houses.

Argentina

Codere is the biggest operator of gambling houses in the Province of Buenos Aires, where it began its operations in 1991 and currently runs 13 houses.

Colombia

Codere is one of the biggest operators of gambling machines in the country and one of the leading players in the bingo market. The company rounds out its gambling portfolio with the management of casinos and online gambling.

Spain

This is the origin of Codere's business. The company is a leading player in on-site sports betting and the second biggest gambling machine operator in the country, as well as running online gambling operations.

Italy

In Italy, Codere runs an important network connecting gambling machines and an arcade machine operation; it is also the leading operator in the bingo industry.

The company's business lines

- Retail:
    - Gambling houses.
    - Racetracks.
    - Gambling machines
    - Sports betting.

- Online gambling: activity in Spain, Mexico, Colombia, and Panama.

The company's major milestones in 2019:

- Codere promoted cultural transformation, with the definition and communication of a shared vision and values, and a unified, global brand.
- Simplification and internationalization of the company's organizational structure.
- Codere expanded its commitment as Real Madrid's Official Sports Betting House until 2021.
- Development of the online business, already present in Spain, in Mexico, Colombia, and Panama.
- The company drafted a *CSR Plan* that includes an important action plan on responsible gambling.
- Codere led the on-site sports betting market in Spain.
- Implementation of training plans designed to train employees to face the changes in the company.
- Contribution of 5.6 million euros to foundations, 469.3 million euros in taxes (412 million in gaming taxes) and 12,529 direct jobs.
- Issue of bonds in the local bond markets of Uruguay and Panama.

2019 Performance

Economic/Financial Performance

- 1,389.4 million euros in operating income.
- 1,070.4 million euros in operating expenses.
- 319 million euros of adjusted EBITDA and 284.6 of EBITDA (IFRS 16 figures).
- 536 million euros paid in tax.

Operations

- 56,886 gambling machines.
- 8,592 sports betting machines.
- 29,559 bingo outlets.
- 149 gambling houses.
- Four racetracks.
- Online gambling in Spain, Mexico, Colombia, and Panama.

Non-Financial Performance

- 12,529 professionals from 42 countries.
- 37,381,72 hours of training.
- 1,315.5 million euros of economic value distributed to stakeholders*.
- 30 days on average for payments to providers.
- 261,413,715 kWh of power consumption.
- 92,027 (tCO2eq) of CO2 emissions.
- 5.6 million euros designated for social assistance activities.

* The economic value distributed to stakeholders includes payment of wages to employees, purchases from and contracting with providers, payment of dividends to investors, payment of interest to financial institutions, and tax payments to public agencies.

The Codere Brand: “The Game Changes with Us”

03

03.1 A challenging purpose, a strategy for the future

In 2018, Codere Group started a profound, ambitious transformation, which began by redefining the purpose, vision, and values underlying the organization's activities. Following intense efforts to promote this new focus, 2019 was the year when we set the foundations for what the company wants to become in the future.

Purpose

> Provide emotions to those who choose an entertainment experience based on gambling in a safe environment. Be betting, emotion, excitement, fun, closeness, safety, confidence and social commitment!

Vision

- Be leaders and pacesetters and create trends.
- Cast light on our industry and dignify it.
- See the spark in the eyes of our people, giving them opportunities to grow and develop.
- Exceed our shareholders' expectations.

Values

- Put the customer at the center.
- With integrity and transparency.
- Working in teams committed to excellence.
- With an innovative approach leveraged by technology.
- With an emphasis on efficiency to ensure our viability.

In 2019, we have shown that values like transparency, integrity, efficiency, and teamwork must be an absolute priority for the group, always putting the customer first. That's why, over the past year, Codere has sought to promote this new vision, transforming its purpose into a reality and promoting its values in the company's everyday work in order to ensure that its cultural transformation is authentic and consistent.

Codere renews its visual identity to strengthen its commitment to its customers.

During 2019, the company renewed its corporate visual identity to strengthen its digital strategy and reflect this process of cultural transformation.

That is why, nearly four decades after it was founded, Codere has redesigned its logo, simplifying it with an even, simple font and leaving behind the clover symbol that had been used so far.

This visual identity will become a single global brand that is more direct, modern, and digital. It has been designed with the goal of providing the company with a solid image, as part of a new move toward the globalization of the group.

These are also the concepts behind the company's new *claim* **"The Game Changes with Us,"** which also expresses this constant drive to challenge the present through innovation, integrity, and excellence, in order to constantly improve the customer's experience.

The necessary unity of these two processes highlights the idea that the new brand does not just entail an esthetic change, but rather that it is based on a more profound dynamic. The new logo encapsulates and projects the implementation and internalization of our values as distinctive and necessary for our organizational success.

These efforts have already begun to show results. According to the studies produced by *Brand Finance*, an international independent consulting firm specializing in brand assessment, Codere was the Spanish brand that had the third greatest increase in its perception during the year, with its reputation increasing by 51.2% over the previous year.

Codere, Real Madrid's Official Sports Betting House and sponsor of the NBA in Mexico

To help promote the new brand, Codere Group has sought to consolidate its relationships with the best gambling partners. That is why it renewed its **sponsorship of Real Madrid C.F.** for three seasons during 2019, with rights to extend for two more years.

Since 2016, Codere Group has been the teams' Official Sports Betting House, which allows both institutions to share their values of fair play, efforts for excellence, and leadership on the playing field.

Codere is firmly committed to its international expansion and a strategy focused on putting the customer first.

The consolidation of the relationship between Codere Group and Real Madrid, C.F. has made it possible to launch a new sport, ***Aerofootball,*** in Spain, where the stars are Real Madrid players. Codere Group customers can follow the games and play on line and can make live bets.

This year, Codere Group has also pursued a strategic partnership in the world of sports entertainment, by continuing into a sponsorship deal for Mexico and Colombia with the prestigious NBA basketball league.

In the future, Codere Group will continue with complementary initiatives that raise the visibility of the brand and its purpose, vision, and values.

A sustainable model of growth

As the backbone of our transformation, the *2018-2021 Strategic Plan* was approved in 2018. The strategy established by the Plan for this period was to continue and strengthen Codere Group's leadership in its main markets, maintaining the strictest adherence to regulations to promote the true spirit of responsible gambling.

In 2019, Codere Group has consolidated this strategy, carrying out specific activities in the realm of each of the five pillars established in the *2018-2021 Strategic Plan*.

Customer-centric

- Move forward in our management model, which places customers at the center of our strategy, to offer an experience more relational than transactional.

- Knowledge, care, and respect for the user and their needs, thanks to a deeper, more streamlined, and more digital connection.

- Codere is implementing techniques to analyze customers' data and behavior, as well as formulas to differentiate and segment users in order to provide segmented entertainment to each user.

Omni-channel

- Omni-channel coordination seeks a continuous relationship with customers, which can begin in one channel and end in another with continuity in communication, experience, or sales.

- A process has been initiated to redefine, design, select, and improve all of the channels through which customers connect to Codere Group, with the goal of improving the combination of customer's on-site and digital experience.

Digitization

- Use technology intensively to improve and foster interactions with customers, gathering information about customers' every action and decision in order to segment, personalize, and improve their experience.

- Simplify and automate *back-office* activities to make them more streamlined and efficient, and monitor and prevent high-risk behaviors.

Capital and operational efficiency

- Simplify and globalize the organization to make it more dynamic and adaptable to a changing environment that is becoming more and more global, challenging, and digitized.

- Optimize the capital and financial resources structure, both when investing in various growth opportunities and in financing at the operational level, which will give the company long-term stability to undertake its business dealings.

- Establish a strict process for the selection of opportunities based on returns on investment, using criteria that allow us to compare opportunities in various geographic regions, and with rigorous processes for approvals by an Investment Committee and by the Board of Directors, where appropriate, followed by close monitoring of the execution of each project.

Consolidation in strategic markets

- Focus on markets with proven competitive advantages, track records, and high barriers to entry.
- Grow in fragmented markets, with a large presence of small operators that have problems keeping up with growing technological and compliance requirements.
- Identify vertical growth opportunities in the markets where we operate.
- Continuously reassess and test our profit analysis models.

03.2

Transforming the Business

Codere is a multinational group devoted to entertainment and leisure. It is a leading player in the private gambling industry, with nearly four decades of experience and with presence in seven countries in Europe (Spain and Italy) and Latin America (Argentina, Uruguay, Mexico, Colombia, and Panama). The company is the only listed Spanish company in the industry. It carries out its activities with complete transparency, responsibility, and commitment to customers, investors, employees, regulators, and other stakeholders.

Codere Group pursues a strategy of sustainable growth, which fosters the creation of value through a firm commitment to the responsible development of its entertainment products and services.

The company began its activities in 1980 as an operator of arcade machines in the Community of Madrid. Since then, it has diversified its activities in the gambling industry and has become a leading player in the entertainment industry. Specifically, Codere Group:

- **Is the only company in its industry listed on the stock exchange in Spain.**
- **Is the leading player in its industry in Latin America.**
- **Is one of the main operators of AWP machines and on-site sports betting in Spain.**
- **Has a very broad customer base, which it connects to through a range of products and differentiated channels.**
- **Has a solid operating profit and history of growth.**

Codere Group has 12,529 employees as of year-end 2019. These employees are committed to providing their customers with entertainment products and services that give them experiences related to their motivations, through the various options offered by the company: gambling machines, gambling houses, sports betting, racetracks, and online gambling.

The transformation begun in 2018 and has entailed a profound, thorough change in the company, beginning with its cultural foundations and reflected in the company's image. This process has sought to review the company's strategy, business model, organization, and operating model, in order to foster improvements in efficiency and the creation of value.

During the first year of the implementation, from an organizational perspective, the company evolved toward a regional model, which generated significant efficiencies.

In the second year of the process, the market continued to present major challenges, especially regulatory challenges, but also important opportunities that required that we continue to increase our response capacity, efficiency, and operational competence.

That is why in 2019, the company continued to improve its organizational structure through the implementation of a simpler, more global model that ensures that its management team's talent and experience are aligned with the main challenges and opportunities.

This new organizational model implies the segmentation of the retail business through the creation of three COOs, one for the Americas, another for Spain, and another for Italy, given the specific characteristics of the on-site business in the Italian market. The retail business COOs are responsible for the operational management of all of the on-site businesses in their region. In addition, the position of the online business COO continues to exist.

On the other hand, the positions of regional managers have been created, one for Europe, another for Latin America (ex. México), and another regional manager specifically for Mexico, given the importance of this market for Codere Group. Among other matters, the regional managers will focus on institutional work, the implementation of a *CSR Plan*, and the acquisition of new opportunities in their regions.

To support operations, an important role has been given to the cross-functional areas, specifically Human Resources, IT, Finances, and Security, whose international coordination activities will be carried out together with the country managers. Specifically, a new position has been established that reports directly to the CEO, with technology and digitization responsibilities.

Finally, in order to assist the CEO in promoting the most strategic aspects, we maintain an office to support the CEO, with responsibilities in matters involving corporate communications, branding, and omni-channel coordination.

Thus, the current organizational structure covers the operational and functional management of the business under three regional Chief Operating Officers (COOs), while external and institutional relations are the responsibility of the regional managers and country managers in each region and country. Management is supported by management committees, centers of excellence, and shared services centers in order to promote synergies throughout the organization.

In addition, 2019 saw the production of the ***Codere Management Model***, which identifies both desirable behaviors and actions that are unacceptable for the organization with regard to each of the group's values. In the future, this model will be the core of the organization's management style.

03.2.1 The company's functional organization chart

BOARD OF DIRECTORS

Chairman

Norman Sorensen Valdez

CEO

Vicente Di Loreto

Office of support to the CEO
- Corporate communications
- Omni-channel coordination

Internal Audit
Adolfo Carpena

Technology and Digitization
Luis Sánchez

Economic/Financial
Ángel Corzo

Security
Serafín Gómez

Legal Counsel and Compliance
Sebastián Cuenca

Human Resources
Álvaro de Ansorena

Corporate Development
Óscar Iglesias

COOs

Retail COOs
Alberto González del Solar (Americas)
Alejandro Rodino (Spain)
Alejandro Pascual (Italy)

Online COO
Moshe Edree

Regional Managers

Europe
Alejandro Pascual

Mexico
Rodrigo González

LATAM
Bernardo Chena

Country Managers

Colombia
Felipe Toro

Uruguay
Gabriel Gurméndez

Argentina
Juan Ordóñez

Panama
Lucas Alemán

* *Note: Organization chart as of February 2020*

03.2.2 Business lines

During its nearly 40 years of activity, Codere has maintained its commitment to provide its customers with excellent entertainment and leisure services. This is shown by the fact that there are now 1,100,000 users registered for its *online* games worldwide, while in the retail channel, its customers number more than two million.

Our users can enjoy the entertainment services provided by Codere Group through two channels, retail and online, and through an omni-channel experience.

Thus, when retail customers play on-site or vice-versa, the company can identify them as omni-channel and treat them differently from other customers, communicating a unified message in terms of gambling experience, promotions, bonuses or activities.

- 56,886 gambling machines.
- 9,345 bars.
- 8,592 sports betting machines.
- 2,694 gambling tables.
- 1,162 arcade rooms.
- 261 sports betting stations.
- 149 gambling houses.
- Four racetracks.
- Online gambling in Spain, Mexico, Colombia, and Panama.

03.2.3 Worldwide presence

Codere is an international leader in the private gambling industry and operates gambling machines, gambling houses, arcade rooms, sports betting, racetracks, and online gambling solutions in Europe (Italy and Spain) and Latin America (Argentina, Uruguay, Mexico, Colombia, and Panama). At present, its main area of business is gambling machines, which represent more than 85% of its gross profit.

In order to reduce its risk exposure, the company is pursuing geographic diversification of its risk. In 2019, its core markets, Argentina, Mexico, Spain and Italy, represented 23%, 22%, 14%, and 25% of the group's total revenue, respectively, and 28%, 32%, 16% and 8%, of the Group's Adjusted EBITDA (pre IFRS 16).

The **global gambling industry** has grown consistently over the past 12 years, with a CAGR (compound annual growth rate) of 3%, despite the financial crisis of 2007-2012. However, this trend is not the same for all the countries where the group operates. For example, in Spain, gambling levels have not yet reached levels prior to the crisis, although the composition of demand has varied and has grown in some forms of gambling at the expense of others.

In addition, the company has posted consistent margin expansion since its business began to recover on the back of the financial restructuring effort. Today, Codere is maintaining EBITDA despite considerable tax increases in its main markets and the recession affecting Argentina.

Below is a description of the key characteristics of Codere's business in each of its markets:

Spain

Codere is the number-two operator of slot machines in Spain and the leading player in the on-site sports betting market. The group operates in every Spanish region and has a significant online presence. The company operates Spain's largest bingo hall (Bingo Canoe) as well as other gambling houses.

Operations

Codere's business in Spain comprises the traditional slot machine segment, sports betting, online gambling, and, to a lesser extent, the operation of gambling houses, where in addition to traditional slot machines there are other products such as electronic roulette tables and sports betting and bingo stations. Specifically, at year-end 2019, the company was operating 9,937 machines, 1,064 bingo stations, and 7,189 sports betting stations in 7,147 bars, 1,026 arcade rooms, 61 sports betting stores run by the company, and three bingo halls.

Profitability in Spain was 48 million euros of adjusted EBITDA (IFRS 48), 41 million euros of adjusted EBITDA (pre IFRS 41) in 16. This business unit accounted for 14% of the group's consolidated income.

Mexico

Codere is Mexico's number-one gambling house operator, with 96 gambling houses equipped with 21,830 machines, 93 sports betting stations and its online activity. The company also holds a license, renewed in 2018, to operate an entertainment complex in Mexico City which encompasses the Las Américas racetrack (Hipódromo de las Américas), a kids' park, and Centro Citibanamex, Latin America's largest convention center (which is being operated by CIE [*Compañía Interamericana de Entretenimiento*] under an outsourcing agreement executed on June 1, 2013 and renewed in 2019).

Operations

Codere's core business in Mexico is the creation and management of gambling houses where it operates slot machines and, in some cases, gambling tables, bingo, and sports betting. The company also has incipient online activity across the country. The business is conducted mainly through AMH, in which the company has an 84.8% stake, and Codere Mexico, a wholly-owned subsidiary. Between each of these companies' subsidiaries, Codere holds 135 permits to operate gambling houses. Those permits terminate between 2027 and 2048.

As for profitability, adjusted EBITDA reached a record high of 117 million euros (IFRS 16) and 83 million euros (pre IFRS 16) in 2019.

Codere's market share stands at over 25% and it is expected to continue to gain share as the company invests further and grows in this country. This business unit accounted for 22% of the group's consolidated income.

Argentina

Codere Group is the largest gambling room operator in the Province of Buenos Aires, with 13 gambling houses, 6,861 slot machines, and 11,692 bingo stations. Codere's gambling houses are located primarily in and around Buenos Aires (eight houses), the tourist city of Mar del Plata (four houses), and the provincial capital of La Plata.

Operations

Codere's operations in the country are carried out through bingo licenses (one per hall), which are due to terminate in two cycles, the first running from 2021 to 2024 (eight licenses) and the second from 2028 to 2029 (five licenses). In these halls, we operate slot machines as well as traditional bingo games.

The Argentinian business unit recorded an adjusted EBITDA of 78 million euros (IFRS 16) and 73 million euros (pre IFRS 16) in 2019.

The company's market share in this market is estimated at close to 43%. This business unit accounted for 23% of the group's consolidated income.

Italy

Codere is a leading player in Italy with 11 bingo halls (with 5,139 stations) and 8,505 slot machines. It is also one of the 11 network license holders operating in this market. There were 14,822 slot machines, a mix of own and third-party machines, connected to this network at year-end 2019.

The bingo business is operated through 11 licenses, one per hall. Those licenses are being operated on a temporary basis until the government determines the new concession regime, pending since 2016. The license held by Codere Network and the video-lottery terminal (VLT) licenses expire in March 2022.

Over the past few years, Codere's Italian business suffered significant regulatory and tax impacts. In particular, the enforcement of the 2016 Stability Act translated into a decrease of nearly 30% in the number of the company's machines. The gambling tax for VLTs and AWPs also rose considerably.

Codere's profitability in Italy amounted to 29 million euros of adjusted EBITDA (IFRS 16) and 21 million euros (pre IFRS 16) in 2019. This business unit accounted for 25% of the group's consolidated income.

Other countries

At 31 December 2019, the company had 11 casinos, one racetrack, eight sports betting stations, 3,015 slot machines, and online activity in Panama; nine gambling houses, 70 sports betting stations, and 4,430 slot machines in Colombia; and the Casino Carrasco and HRU businesses, which include six gambling houses, 2,308 slot machines, the Maroñas and Las Piedras racetracks in Montevideo and 29 sports betting stations in Uruguay. These operations accounted for 12% of the group's consolidated income.

Promotion of responsible gambling

04

04.1

Introduction

Codere places its commitment to responsible gambling at the center of its sustainability and corporate social responsibility strategy.

Codere is firmly committed to carrying out its activities in a responsible manner, minimizing the potential social impact of its entertainment services by implementing best practices, fostering transparency, and promoting public policies that support guarantees for users, protect vulnerable groups, and ensure the sustainability of the industry.

Codere worked throughout the year to develop its *2020 CSR Plan*, in order to ensure that the corporate social responsibility actions carried out by the groups' business units are standardized and are present in all aspects of the company's activities. To this end, it has formed a committee made up of General Management, the group's regional managers, the corporate directors of the main areas, external advisors, and other members. This plan reflects the company's strong determination to implement best practices and promote regulations that protect users to the greatest extent possible, beyond merely complying with existing laws. An essential part of this plan is the development of measures to promote responsible gambling.

Responsible gambling means that consumers make an informed decision -a rational, sensible choice of gambling options- where their only goal is entertainment and the value of their bets is never greater than what they can afford. This reduces the risk of problem or pathological gambling behaviors.

Therefore, Codere has developed plans in this regard with a responsible gambling program that helps users make rational, informed, and sensible choices for their gambling options, taking the user's personal background into account and approaching gambling as a fun activity carried out without interfering in the user's life or their social, professional or family duties.

Under this approach, responsible gambling policies must be primarily based on information as a prevention mechanism, so that players can make rational decisions, and on detecting and monitoring high-risk behaviors, so that operators can take preventive measures with regard to these behaviors.

Codere bases its responsible gambling policies on prevention, awareness-raising, and the detection and management of high-risk behaviors.

04.2 Responsible gambling measures

Codere seeks to offer an appropriate, healthy entertainment environment to give its customers gambling opportunities with all possible protections, minimizing any undesired impact its various business activities could have on society. It is also important to remember that Codere, like other major companies in the industry, firmly believes in regulations that give users the tightest protection possible and ensure the sustainability of the industry.

In this context, Codere has worked intensely throughout the year on its *2020 Corporate Social Responsibility Plan*, which sets the stage for the launch of new responsible gambling measures.

The company's commitment to responsible gambling fulfills the requirements of legislation in the jurisdictions where it operates. However, the company goes beyond simply complying with legal requirements and establishes its own requirements for itself to optimize user protection and promote stronger protective regulations.

Codere's actions are organized around four main pillars that it seeks to apply to its stakeholders:

Prevention

Codere strives to give users information mechanisms in order to foster transparency and informed decisions. To that end, the group focuses on providing general information on responsible gambling and on the risks that could be caused by uncontrolled gambling.

Awareness-Raising

The group consistently promotes and conducts research on responsible gambling, with the goal of making these studies public in order to raise awareness among users and dignify the industry. Internally, Codere carries out programs to raise awareness among its staff on this matter, especially for frontline staff.

Detection

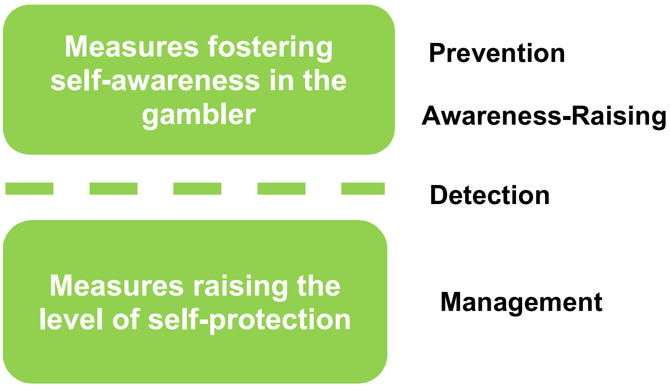
The group is committed to drafting protocols for detecting high-risk behavior among registered users. Once the high-risk behavior has been identified, Codere carries out actions to help the user recognize his or her high-risk situation.

Management

Codere provides information and assistance on responsible gambling and high-risk behavior in order to mitigate the possible negative effects that could arise from gambling. It also carries out actions to enforce legal requirements, such as, in Spain, banning minors and persons on the banned gamblers list (*Registro*

General de Interdicciones de Acceso al Juego, RGIAJ).

In addition, there is a second classification of measures, based on the content of the measures:



In this context, Codere is devoted to implementing prevention measures that consist of giving users information on responsible gambling and advising them of the risks associated with gambling and the general bans regarding minors or gambling self-exclusion lists.

At the same time, the group is implementing awareness-raising actions, for both its employees and its users, with regard to the risks associated with irresponsible gambling.

Thanks to the detection measures, Codere can identify intensive or high-risk players to handle them based on their risk level. Once they have been identified, the company applies the management actions that are appropriate for the user's risk profile.

Codere Group goes beyond compliance with the existing laws in its efforts to establish policies that optimize user protection in an environment of responsible gambling.

Codere seeks to become a pioneer in mechanisms for access to gambling, offering complete security to high-risk groups.

The company also wishes to become a perfect example of self-regulation: it fully complies with regulations, promotes additional responsible gambling measures, and implements these additional measures.

Prevention measures such as information mechanisms

- The creation of a "Safe Gambling" section, which includes information on the operator's licenses and permits, and a "Responsible Gambling" section, with links to public websites.
- Clear notification of the banning of minors and the consequences of violating this ban, both in online gambling and in on-site gambling.
- Information:
    - We provide information on the prohibition against gambling by minors on all of our gambling websites and apps, as well as in areas established for on-site gambling.
    - We ensure the visibility of our logo, which reminds users that only adults aged 18 and over

are allowed to participate in areas established for gambling by Codere Group.

- Verification of the age of players:
    - When players create an account on www.codere.es or in a physical Codere Group location, the company asks them for their first name, last name, ID number, and date of birth. Codere then checks this information on the Identity Verification Online Service provided by the Online Gambling Agency or the equivalent regional government agency, in order to ensure that the user is aged 18 or over.
- Control of adverts
    - Codere Group's advertising campaigns are not aimed at minors and are based on ethical, responsible principles that take into account the time of day, messages, and media outlets.
    - The Group's business communications express users' right to self-exclusion in a clear, visible fashion.
- Registered users can check the history of their bets, their time spent gambling and other information on their behavior.
- Helpline for responsible gambling, indicating whether this service is provided directly by the operator or by third parties, and the nature of the assistance provided.
- Reference to studies and projects involving responsible gambling.
- Tools to monitor gambling:
    - Access to online history of gambling activities in real time, with filters for casino and sports betting. Option to establish preset frequency, time, game, and amount spent.
    - Self-assessment test available.

Awareness-raising measures and publication of research on responsible gambling

- Promotion and dissemination of research on responsible gambling conducted independently or jointly with other operators or companies. All the above is performed with objective criteria and indicators to bring transparency and credibility to the industry.
- Internal information campaigns to raise awareness among the Group's staff.
- Annual training plan that specifically deals with responsible gambling, prioritizing frontline employees and managers who are in direct contact with customers or their management.

Measures to detect high-risk behavior

- Establishment of protocols to detect high-risk behavior by registered users. Objective indicators will be used in these protocols, such as the volume, frequency, and variability of bets or deposits.

- Informing the customer by email or a similar channel if we detect that the user may be developing high-risk behavior.

- Suspension of the gambling accounts of customers registered on the banned gamblers list, as well as those customers who have voluntarily exercised their right to suspend their account. When the suspension is in force, the player can no longer place deposits or bets.

Management measures

- A customer helpline will be set up to give customers assistance and information regarding responsible gambling. No additional fees will be charged for the service, which will provide information on the risks of gambling activities, the option of carrying out a self-assessment test, and the rights of self-exclusion and self-ban.

- Establishment of new measures controlling access to facilities in order to avoid entry by minors and individuals registered on the banned gamblers list.

The *2020 Corporate Social Responsibility Plan* also sets out the company's position on the main concerns of Codere stakeholders around the world regarding the gambling industry, so as to provide the response that best meets society's expectations for the industry.

Regulation of advertising

The company understands that the excessive advertising that could result from inadequate regulation of gambling advertising does not guarantee the best protection for vulnerable groups or ensure that potential addictive behaviors are prevented in the best way possible.

That is why, in the markets where Codere operates, it promotes the development of regulations that seek to reconcile the public interest with the sustainability of operating companies.

In this regard, Codere strives to ensure that gambling continues to be a source of entertainment in a safe environment for consumers.

At the same time, the company works to have the established restrictions apply to all advertising, regardless of the format or whether the advertising operator is public or private.

Planning of gambling establishments

A regulated development of the industry reduces the intensity of competition and access to the activity. The group promotes regulations governing the opening of establishments, their size, and the kinds of games that can be offered, provided that these are not retroactive and allow for the renewal of pre-existing licenses.

Control of access to gambling

The group is firmly committed to controlling access by minors and users registered on self-ban lists. Codere strongly believes in strict compliance with the law in this area. It defends zero tolerance on access and works closely with public and private institutions to spearhead the move toward a more protection-focused, exhaustive control.

As part of this commitment, the Group is working to develop technological controls and deploy them in various forms of access to gambling, in all of its areas of business and channels. One example of these controls is Codere's subscription to the "Phishing alert" service for online gambling in Spain, promoted by the regulatory authorities. This mechanism detects identity theft and makes it difficult for high-risk groups to access gambling using the accounts of friends and family.

Reputation of the industry

Given the current negative, distorted views of the gambling sector, Codere strives to increase the production and dissemination of accurate information on the industry and to cooperate with the industry and with government agencies in producing studies.

This year, together with Cejuego and the Politics and Government Institute (IPOLGOB) of the Universidad Carlos III of Madrid (UC3M), the company launched the *2019 Gambling in Spain Yearbook*, a publication that provides an overview of the state of the industry in Spain by compiling figures from the different areas in the industry. It also launched the *2019 Gambling and Society Report*, which seeks to provide information on Spaniards' habits and attitudes towards gambling.

In Italy, since 2017 the company has supported, together with Sistema Gioco Italia, Fundación Bruno Visentini, and Universidad Luiss de Roma, the *Report on Social Perception of Gambling*, and in Colombia, this was the first year that it presented the *2019 Gambling in Colombia Yearbook*, the first study of the gambling industry in the country.

04.2

Our shares in 2019

In addition to the development of a 2020 *CSR Plan*, associated with the implementation of a battery of new responsible gambling measures for the group, throughout 2019 a series of responsible gambling actions were carried out in each of the countries where Codere operates, thereby adapting its actions to the reality of each country.

Spain

During 2019, Codere worked with the Spanish Federation of Gambling Businesses (COFAR) to develop a quality certificate as part of a *Responsible Gambling Certification Program*. This program provides the required standards for certifying hotel establishments for their commitment to social responsibility, specifically their commitment to responsible gambling. In 2020, all hotel establishments with AWP (which represents a total of 6,075 machines) are expected to be certified.

- The goal of the program is to provide a safe, regulated environment for customers playing in hotel gambling areas, by identifying establishments that have been recognized for offering responsible gambling.

- Certification will require training the establishments' employees in the principles and practices of responsible gambling and verifying the effective implementation of these measures.

- In addition, the establishment will have informational flyers with the ten commandments of responsible gamblers and the resources needed to identify and correct possible high-risk behavior. It will also have a *COFAR Certification Manual*, which will contain prevention measures, detection measures, and instructions for actions.

Codere is an exemplary company in terms of information and transparency in the gambling industry. It now performs this role as a member of the gambling companies' association CEJUEGO, where it contributes to communicating an accurate image of the industry to society and government agencies. In this context, it publishes studies like the *Gambling in Spain Yearbook*, an overview of figures describing the industry, and the *Social Perception Report*, on Spaniards' relationship with existing gambling opportunities, both produced by Universidad Carlos III of Madrid.

Also, Codere has decided to join Jdigital, the Spanish Online Gambling Association, whose primary objective is to protect the interests of the online gambling industry in Spain in order to promote industry regulations that allow the sustainable development of the industry while providing users with the greatest protection possible.

Codere has renewed its commitment to Autocontrol, of which it has been a member since September 2015. Autocontrol is the Association for the Self-Regulation of Advertising Communications, which manages the system for the self-regulation of advertising in Spain. Therefore, Codere:

- Is committed to fulfilling the *Autocontrol Advertising Code of Conduct* in all of its advertising communications.

- Can rely on the consulting services from the Autocontrol Technical Bureau if there are any questions about the legal or ethical appropriateness of its advertising.

- Commits to complying with any resolutions issued by the Advertising Board, an out-of-court dispute resolution body, as a result of any possible claims filed with the Board, whether by consumers, associations, companies, or other industries or agencies.

Finally, Codere Spain cooperates with the National Commission Against the Manipulation of Sports Competitions and Betting Fraud (CONFAD) with the goal of preventing and eradicating corruption and manipulation from sports betting and competitions. This cooperation will take place through three working groups: analysis and diagnosis, information and awareness-raising, and regulatory and operational studies.

Argentina

In 2019, in Argentina, Codere consolidated and expanded its responsible gambling program ***called "Cuando el juego no es juego" (When gambling isn't a game)***, reaching all of its employees in the country. The goal of this initiative, which is essentially focused on prevention, is to express Codere's commitment to responsible gambling through information-sharing with the public, training gambling house staff, and the presence of healthcare workers with experience in addictions (counselors). The program is organized around three pillars:

- Promotion and dissemination of the concept of responsible gambling. Awareness-raising and information-sharing actions, including community talks on compulsive gambling and non-substance addictions, information-sharing about Codere's *Responsible Gambling Program*, and messages in gambling houses about responsible gambling for *International Responsible Gambling Day*.

- Training of gambling-house staff. All frontline employees are trained by specialized psychologists on the problem of compulsive gambling and how to detect it.

- Counseling. The counselors are healthcare professionals specializing in problem gambling behavior, who are available at the gambling houses to provide advice and information to gamblers and their relatives and friends. In 2019, further progress has been made with the presence of on-site counselors in two new gambling houses, thus reaching a total of four houses with counseling professionals.

In 2020, Codere will continue to strengthen its program in Argentina by launching an e-learning tool about responsible gambling and by expanding the presence of counselors to more gambling houses. Finally, the group is seeking to spread the word about its program by describing the experience in a publication and through media publicity actions.

Panama

In Panama, the group has proven its commitment to responsible gambling by placing informational material in magazine advertisements, to inform the public of the company's commitment to CSR and the need for sensible gambling. All communications and advertising materials produced by the company include the "responsible gambling" phrase and logo. In addition, this year, an internal awareness-raising campaign on the issue was carried out through digital communications sent to all Codere employees.

Furthermore, Codere has worked with the Gambling Control Board (JCJ) and the National Racing Commission (CNC) to fight doping in the equestrian sector in Panama.

Mexico

In Mexico, Codere has promoted responsible gambling by training its staff together with the Centro de Integración Juvenil (Youth Integration Centre), a non-profit civil association that was founded to fight compulsive gambling and other addictions, and by informing the public of the risks of irresponsible gambling. Specialized training actions with employees have been carried out with this organization in gambling houses, helping staff see the need for prevention and giving them tools to detect symptoms of problem gambling.

Also in 2019, information posters were placed in visible, strategic locations in gambling houses, making it easier to receive specialized help for those customers who need it. This initiative was supported by the "Jugadores Anónimos México" Association (Gamblers Anonymous), which is focused on compulsive gamblers.

Italy

In Italy, the Piamonte region has organized training courses for all of the employees of the Rivoli Gambling House. This course lasts 16 hours and deals with the regional legislation against pathological gambling. The training activity began in October 2019 and will end by the end of July 2020.

Moreover, Codere Italy is actively cooperating with local institutions to identify the best solutions to stop phenomena like compulsive gambling. Thanks to the "*Giocco responsable"* (Responsible Giocco) project, Codere has implemented information actions for both customers and employees regarding detrimental phenomena in gambling. It has also launched an online platform with free legal training, available to all gambling operators connected to the Codere network, which covers highly relevant issues such as pathological gambling, the profile of a pathological gambler, and actions to prevent compulsive gambling.

To cooperate with the central government, Codere acts both independently and through the association that it is a member of Sistema Gioco Italia/Cofindustria. The company exchanges information and regulatory proposals with government agencies in order to promote best practices in gambling regulations.

One of the most noteworthy of these joint actions with institutions is the *In nome della legalita* campaign, an event in collaboration with local institutions and control bodies on issues related to gambling and its potentially distorted perception. The company also organizes events such as the *IV Campania Region Health Committee* and providing its own contributions to improve existing legislation.

Codere participated together with ASCOB (Association of Bingo Distributors) in the preparation of the research project "Giocco d'azzardo e comportamenti di salute," carried out by the University of Bologna, which emphasizes bingo halls' power to monitor high-risk behavior and suggests corrective measures.

Colombia

In 2019, Codere Colombia continued to participate in activities promoting the visibility and transparency of the industry. One example of this is its sponsorship of the first ***2019 Gambling in Colombia Yearbook,*** presented at the Gambling Colombia Conference. This publication seeks to inform readers of the importance of gambling as a legal economic activity that generates employment and wealth, through an analysis of gambling activity in Colombia and its structure, contributions, and importance.

Meanwhile, Codere Colombia has continued to actively support Coljuegos, the Industrial and Commercial State Firm Administering the Profit-Making Monopoly over Gambling in Colombia, in its initiative "Juego Bien, Responsable" (Appropriate Responsible Gambling"). The primary goal of this cultural strategy for Responsible Gambling is to help players make informed decisions. It also strives to restrict gambling by minors and people with compulsive gambling problems. Codere Colombia is actively working to draft self-regulation guidelines for the advertising and promotion of gambling activities, especially sports betting, due to the negative effects it can have for these groups.

Governance, ethics and compliance

Cementing the culture of responsibility

05

05.1 Introduction

Codere's equity structure consists of a share capital of € 509,714,801.80, that is fully subscribed and paid up and is divided into 118,538,326 shares with a par value of €4.30 each, in book-entry form and admitted to trading on the Spanish stock exchanges of Madrid, Barcelona, Valencia and Bilbao.

In 2019, Codere's equity structure barely changed, which means that by the end of year, the company's free float[1] was 20.63% of the outstanding shares, keeping a stable core shareholding that makes up approximately 80% of the share capital.

Furthermore, the company has bonds listed on the Irish Stock Exchange for a total 500 million euros at a 6,75% interest rate and 300 million dollars at a 7.625% rate, both lots maturing on 1 November 2021.

Codere Group has a stable core shareholding that makes up approximately 80% of the share capital.

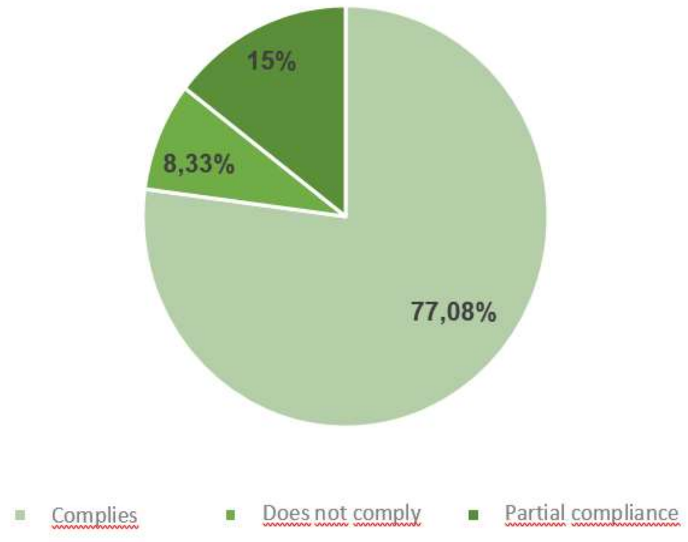
At the end of 2019, the Codere Group's capital structure based on shareholders with shareholdings in excess of 3%, was as follows:

Shareholder	Number of shares	Ownership
Silver Point Capital Management, LLC.	27,484,746	23.19%
M&G Investment Management Limited	24,854,750	20.97%
José Antonio Martínez Sampedro	16,681,354	14.07%
Abrams Capital Management LLC	10,340,354	8.72%
Contrarian Capital Management LLC	8,557,954	7.22%
Evermore Global Advisors LLC	6,169,162	5.20%
Rest - Free float(1)	24,450,006	20.63%
TOTAL	**118,538,326**	**100.00%**

[1] Members of the Board of Directors at the end of 2019:

05.2 Corporate Governance

Codere, as the only listed Spanish company in the gambling industry, focuses on leading a proactive approach in Corporate Governance. Therefore, it does not merely comply with legal requirements, it also strengthens its commitment to best practices in this regard. Indeed, in 2019, Codere Group had a 77% level of compliance of the recommendations set forth in the *Good Governance Code of Listed Companies* approved by the CNMV (Spanish Securities Market Commission).



Likewise, as proof of its commitment to good corporate governance, Codere has expressly assigned the Appointments and Remuneration Commission different roles in Corporate Governance (e.g. overseeing and revising the corporate social responsibility policy and practices and proposing detailed changes to the Board of Directors regarding its structure and development).

Aware of the great importance of regulatory compliance in its business, Codere has voluntarily formed a Compliance Committee that focuses on checking and tracking the Group's compliance with gambling regulations and rules.

Specifically, in 2019, Codere has doubled the meetings to agree the *Financial Statements* and the *Report on Corporate Tax Policy* so as to solve any doubts that the directors may have during the analysis and provide any relevant data in advance so that they may make informed decisions. Along these lines, with a view to controlling the financial information, the Group has agreed, with its auditors, to limited examinations of the financial statements every quarter starting in 2020.

Board of Directors

Codere is governed by the General Meeting of Shareholders and the Board of Directors as the top governing bodies in the Group.

The Board of Directors is in charge of the company’s management and representation. Therefore, the Board deals with all matters related to the company’s governance, management and administration. The Board’s most important role is to agree the business strategy and make sure it is delivered and revised.

On the other hand, Article 7 of the Board of Directors Regulations foresees a series of functions assigned to the Board of Directors exclusively, including the agreement of the Group’s general policies and strategies; the establishment of new businesses; the disposal of fixed assets or approval of capex projects of over three million euros; the appointment and dismissal of senior executives; operations linked to directors, significant shareholders and related persons; or the issue of bonds or other similar securities by the Group or its subsidiaries.

During 2019, the Board of Directors held 19 meetings and the most relevant matters discussed were the following:

- **Economic-financial matters:** approving economic and financial matters, monitoring risks regularly, issuing debt through subsidiaries in Uruguay and Panama, and taking out loans in Spain and Mexico.

- **Capex projects:** opening a new Casino in Panama and acquiring the Crown Casino Mérida venue in Mexico.

- **Strategic contracts:** extending the sponsorship contract with Real Madrid Club de Fútbol for another three years and extending the license for the SAP platform for another five years.

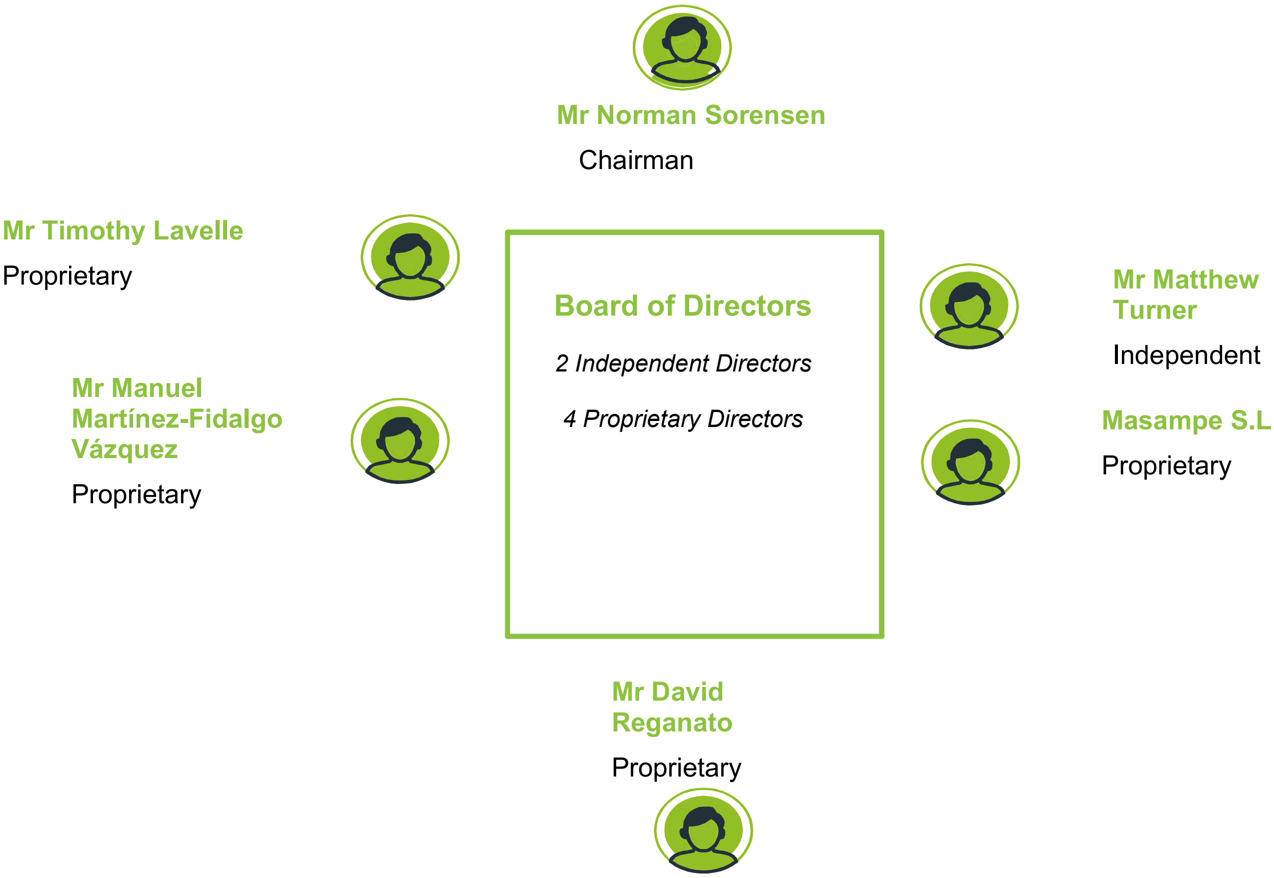
- **Risk management:** updating the *Report on the Corporate Tax Policy* and the Group’s risk map; agreeing the risk tolerance level for 2020. Directly supervising and informing the market of any accounting inconsistencies detected.

  In this regard, the Board of Directors, having informed of these facts, instructed two renowned companies, Kroy and Alvarez y Marsal -neither of them linked to Codere-, to conduct an independent investigation so as to determine the amount and origin of the facts identified and to appraise potential measures and tools to tighten Codere Group’s in-house controls. Furthermore, the Group also ordered several additional tasks within the company to ensure maximum transparency in our compliance with the best accounting practices and best corporate governance practices.

- **Corporate Governance:** putting forward new directors at the General Meeting of Shareholders, agreeing the new *Directors’ Remuneration Policy* and appointing different senior executives, including the Retail COO.

Back to the Table of Contents

Name	Position	Directorship	Share in the Share Capital
Mr Norman Raúl Sorensen Valdez	Non-executive Chairman	Independent	0.068%
Mr David Reganato	Member	Proprietary	0.00%
Masampe S.L (represented by Mr Pío Cabanillas Alonso)	Member	Proprietary	14, 063%
Mr Matthew Turner	Member	Independent	0.016%
Mr Manuel Martínez-Fidalgo Vázquez	Member	Proprietary	0.025%
Mr Timothy Lavelle	Member	Proprietary	0.00%



Until 26 June 2019, Mr José Antonio Martínez Sampedro and Mr Luis Javier Martínez Sampedro were proprietary directors of the Board of Directors but left their position on such date. On that same date, the Ordinary General Meeting of Shareholders agreed to appoint Mr Alberto Manzanares Secades and Mr Fernando Sempere Rodríguez as proprietary directors and they accepted their appointment on that date. However, unable to balance their professional activities with the engagement required for their position as directors, they resigned as directors on 7 October 2019 and 6 November 2019 respectively.

In keeping with prevailing legislation, specifically the recommendations made in the *Good Governance Code of Listed Companies* approved by the CNMV (Spanish Securities Market Commission), the Board of Directors' work is also performed through three committees with specific roles: the Audit Committee; the Compliance Committee; and the Appointments, Remuneration and Corporate Governance Committee.

Audit Committee

Codere's Audit Committee's overriding task is to support the Board of Directors with its financial and risk monitoring duties, check communications with the markets and control the running of the Internal Audit Department.

In 2019, the Audit Committee held twelve meetings. There was only one occasion when not all the members attended the meeting. On such occasion, Mr Mathew Turner delegated his vote to his proxy, Mr Norman Sorensen.

During the last year, the Audit Committee carried out its role as expected, fully and smoothly, according to the current laws and the internal rules on its running and organization as set forth in the Codere's Board of Directors Regulations.

It is worth highlighting the task performed in directly overseeing the investigation, analysis and resolution of the process related to detecting the accounting inconsistencies.

Name	Position	Category
Mr Norman Raúl Sorensen Valdez	Chairman	Independent
Mr Matthew Turner	Member	Independent
Mr Timothy Lavelle	Member	Proprietary

Functions of the Audit Committee:

- Put forward external auditors to be appointed by the Board of Directors and liaise with said auditors, always safeguarding their independence.
- Oversee the internal audit and know the process of financial reporting and the internal control systems. Regularly check the risk control and management systems and report to the Board of Directors on risk control and potential shortcomings detected.
- Report on annual accounts, prospectus and on regular financial statements that are to be filed with the appropriate regulatory bodies.
- Oversee the communications strategy and liaise with shareholders and investors, as well as oversee and assess the interaction with the Group's different stakeholders.

Compliance Committee

Codere is aware that regulatory compliance is of utmost importance and that is why the Group has formed a Compliance Committee that is specifically devoted to checking and monitoring compliance with the Spanish and international regulations on gambling. Furthermore, the Compliance Committee also assesses the existing internal control systems related to legal duties in terms of gambling and money laundering.

In 2019, the Compliance Committee has held up to nine meetings. There was only one occasion when not all the members attended the meeting. Also, several members of the management team and a few external advisors attended Compliance Committee meetings as guests.

Among the most relevant actions taken by the Compliance Committee in 2019, the following actions stand out:

- It has analyzed and reported to the Board of Directors its opinion about the suitability of the Corporate Manager of IT and Digitalization, of the Corporate Manager of Compliance and Legal Counsel, of senior executives and of potential Proprietary Directors for their positions.

- It has been informed of and has proposed improvements in reply to the requirements made by the authorities for transparency in gambling.

- It has approved the update of the Group's *Global Manual for Risk Management in Anti-money Laundering and Counter Terrorist Financing* as well as the *Self-assessment Report and Risk Matrix on Anti-money Laundering and Counter Terrorist Financing* of the business unit in Spain.

The Compliance Committee helped deal with accounting inconsistencies identified during regular internal controls.

Name	Position	Category
Mr Matthew Turner	Chairman	Independent
Masampe S.L (represented by Mr Pío Cabanillas Alonso)	Member	Proprietary
Mr Manuel Martínez Fidalgo Vázquez	Member	Proprietary

Functions of the Compliance Committee:

- Ensure compliance with Spanish and international regulations on gambling and money laundering.

- Assess Codere's internal control systems regarding its gambling-related reporting and transparency duties and propose improvements.

- Establish and oversee a system that will allow employees, customers, suppliers and third parties with whom the company has a contractual relationship to report, confidentially and anonymously, any possible irregularities -especially regarding finances and accounting- that may be detected.

- Monitor the safety systems and measures deployed for Codere's operations and regularly report these to the relevant executives.

Appointments, Remuneration and Corporate Governance Committee

The Appointments, Remuneration and Corporate Governance Committee's duties include assessing the competencies, knowledge and experience of the directors, and report the appointments and dismissals/resignations and those of senior executives in the company; proposing and overseeing the company's remuneration policy and reviewing and suggesting improvements in terms of compliance with the internal rules of conduct regarding the securities markets.

In 2019, the Appointments, Remuneration and Corporate Governance Committee held twelve meetings. All members attended all twelve meetings.

Among the most relevant actions carried out by the Appointments, Remuneration and Corporate Governance Committee in 2019, it is worth mentioning:

- The agreement of a new *Directors' Remuneration Policy* for 2019, 2020 and 2021 when the three-year *Remuneration Policy* agreed in 2016 expired.
- The self-assessment process of the Board of Directors and its committees, which ended with the approval of the *Action Plan*.
- The Committee gave its opinion to the Board of Directors agreeing to the appointment of the Corporate Manager of IT and Digitalization, the Corporate Manager of Compliance and Legal Counsel, senior executives and the potential Proprietary Directors.
- For the first time, the Appointments, Remuneration and Corporate Governance Committee has analyzed and reported to the Board of Directors regarding the *Non-Financial Statement* that must be included in the company's financial statements, as well as the *Integrated Reporting* for 2018 that follows the principles of the IIRC framework, as well as the drawing up of the reports on sustainability within the *Global Reporting Initiative* (GRI Standards) and the guidelines on filing non-financial reports by the European Commission.

Name	Position	Category
Mr Matthew Turner	Chairman	Independent
Mr Norman Raúl Sorensen Valdez	Member	Independent
Mr David Reganato	Member	Proprietary
Masampe S.L (represented by Mr Pío Cabanillas Alonso)	Member	Proprietary

05.2.1 Directors' Remuneration Policy

The Appointments, Remuneration and Corporate Governance Committee, in the course of its role, put forward a proposal before the Board of Directors to agree a new policy that kept the general principles and also added a series of changes to adapt to the company's new governance. Specifically:

- The new policy eliminated all references to the remuneration of executive directors.
- It eliminated the remuneration of the independent lead director.
- It added new remuneration for the non-executive chairperson of the Board.
- The new *Remuneration Policy* set a maximum remuneration of € 2,000,000 per year for all the directors together.

Codere's *Remuneration Policy* was adopted by the Ordinary General Meeting of Shareholders on 26 June 2019 with the vote in favor of 79.8% of the shareholders attending the Meeting in person or by proxy. This Policy is based on a fixed amount per year for directors that will depend on which committee or committees each director sits on, and on the positions they each hold and the level of engagement and responsibility they have.

The directors are remunerated for:

Being a member of the Board.

- Being a member of the Audit Committee, making a distinction between the chairperson and the member.
- Being a member of the Appointments, Remuneration and Corporate Governance Committee, making a distinction between the chairperson and the member.
- Being a member of the Compliance Committee, making a distinction between the chairperson and the member.
- Non-executive chairperson.

Based on the policy agreed by the General Meeting of Shareholders, the Board then established the following terms:

Position and responsibility	Allocation/ year
Member of the Board	€ 100,000
Chairperson of the Audit Committee	€ 51,000
Member of the Audit Committee	€ 50,000
Chairperson of the Appointments, Remuneration and Corporate Governance Committee	€ 51,000
Member of the Appointments, Remuneration and Corporate Governance Committee	€ 50,000
Chairperson of the Compliance Committee	€ 51,000
Member of the Compliance Committee	€ 50,000
Non-executive Chairperson	€ 149,000

Specifically, the Board of Directors, at the request of the Appointments, Remuneration and Corporate Governance Committee, will take into consideration the criteria of independence and responsibility when stipulating the appropriate remuneration. In any case, the maximum remuneration per year for all the directors together will be € 2,000,000, which is lower than in 2016 when the maximum amount was € 3,000,000.

Codere Group's Board of Directors is committed to ensuring full transparency in all remuneration items paid to the directors by providing transparent and sufficient information in line with the general good governance practices
for the recognition of functions established in international markets on directors' remuneration.

05.2.1 Self-assessment and action plan

The self-assessment process of Codere's Board of Directors is run internally and includes the assessment of the Board itself and of its committees. For the assessment, the directors fill in a form with questions about the running of the Board and its committees as well as a section on the performance and contribution of each director with a special focus on the chairpersons of each committee.

The conclusions reached are presented to the Appointments, Remuneration and Corporate Governance Committee which then reports to the Board of Directors and prepares an *Action Plan* to correct any shortcomings detected during the assessment process.

Level of performance of the *Action Plan 2018*

Managing conflicts of interest

As for the improvements agreed in the *Action Plan* for 2018, the Audit Committee is in charge of dealing with and managing conflicts of interests (also checking and dealing with linked operations) as a result of the changes made to the Board of Directors Regulations agreed in accordance with the *Action Plan for 2018*.

Greater knowledge of senior executives' skills and duties and their attendance to the Audit Committee

In order to improve the Board of Directors' knowledge of the senior executives' skills and duties and pursuant to the *Action Plan* for 2018, senior executives have been encouraged to attend the Board meetings for them to keep the directors informed of the matters in their area.

This meant that each Chief Operating Officer in the Group attended at least two Board meetings in 2019 and gave reports on the progress made in the business, sales figures and forecasts for each of their territories or business lines. The Corporate Manager of Development also attended several meetings to report on the different projects under way and to provide updates on the status of previously approved projects. The Corporate Manager of HR also attended a Board meeting to inform the directors about a certain appointment. Lastly, the General Manager, the Corporate Manager of Finances and the Manager of Compliance and Legal Counsel attended the Board of Directors meetings on a regular basis.

Many of these executives also reported to the Audit Committee to cover the shortage of operations staff in said Committee that had been detected during the assessment of the Board of Directors and its committees.

Action Plan 2019

In 2019, the yearly assessment of the Board performance in 2018 took place and this body approved the resulting report that did not point out any concerns in the areas related to senior executives but did maintain the concerns related to conflicts of interest.

Based on this assessment, the Board of Directors adopted the following measures for improvements included in the *Action Plan for 2019*.

Measures for more efficient meetings

- The Board of Directors has agreed to limit the length of its meetings.
- Each item on the agenda will have a time limit to discuss, analyze and, if appropriate, adopt the necessary resolutions, specified to the person reporting and answering queries and the secretary and under-secretary will control the time.

Improving the "Director Portal"

- Introduction of improvements on the operation and management of the app used as "Director Portal" to make it easier to handle the information.

Tighter monitoring of confidentiality

- It has been agreed that the company should conduct a thorough examination of the directors' confidentiality duty by commissioning a report by an external expert.

05.3
Compliance

Codere Group's strategy for Compliance is based on standards that go beyond the legal and regulatory requirements in the industry in all the countries it operates in with a view to strengthening the true spirit of responsible gambling and fair play.

As a result, Codere's compliance rules are an essential component of its business strategy. In particular, the Group is closely involved in ensuring strict compliance with all laws related to anti-money laundering and counter terrorist financing. The Group also urges the implementation and monitoring of matters attached to ethics and integrity, implementing and developing all procedures that may be pertinent to its business under said standards and requirements.

For such purposes, Codere Group relies on the manuals and documents adopted by the Board of Directors of Codere S.A. that set forth the standards for the activities carried out by the Group's professionals as well as their interaction with suppliers, customers and third parties.

The *General Compliance Plan* and the *Code of Ethics and Conduct* are general documents that set forth the principles and duties required from the company and all other documents and procedures thereafter will be subject to said guides.

The Codere Group's *Code of Ethics and Conduct*, which is available to all its shareholders, employees, customers, suppliers, partners and society in general, embodies the company's commitment to the principles of business ethics and transparency in all its operations. This *Code of Ethics and Conduct* must be acknowledged and upheld by all group employees and executives and by all new hires.

Pursuant to this Code, Codere undertakes to conduct its activities in accordance with the laws in force in the countries it operates in. Based on the highest international standards, namely the United Nations Universal Declaration of Human Rights, the International Labor Organization Conventions, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD *Guidelines for Multinational Enterprises* and the UN Global Compact.

The implementation and monitoring of these aspects is entrusted to the Corporate Department of Compliance and Legal Counsel who reports to the Compliance Committee of Codere S.A. and coordinates the local Compliance departments in all the countries Codere Group operates in.

Among other functions, the Corporate Department of Compliance and Legal Counsel is in charge of developing and implementing global policies on anti-money laundering and counter terrorist financing and on ethics and integrity as well as overseeing and controlling their enforcement and the training of employees in these areas.

With regards to the applicable policies and regulations, certain controls and actions are executed to ensure the appropriate compliance with these principles.

1- **Identification of customers, due diligence on employees, suppliers and partners:** without prejudice to the general concepts that may be considered in the documents produced by the corporate management, each country has specific procedures and requirements to identify its customers depending on whether they are using online or offline games, and to analyze their gambling behavior and report them to the authorities if suspected of money laundering.

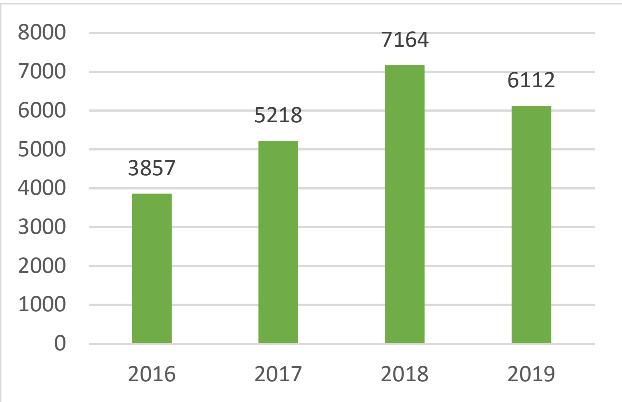
   Additionally, and to guarantee compliance with the legal duties and our ethical standards, the professionals and third parties who work for Codere Group are required to submit certain documents and information and to undergo a series of checks by the Compliance department.

Due diligence conducted in 2019

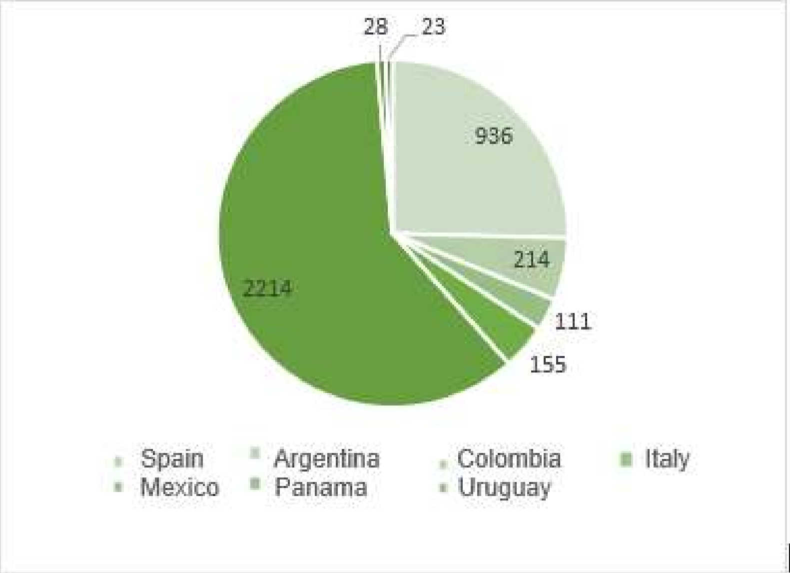
Country	Own	Third parties
Spain	1	3,651
Argentina	224	196
Colombia	111	242
Italy	0	51
Mexico	87	681
Panama	44	274
Uruguay	312	44
Total	**779**	**5,139**

2- **Special courses** for Codere Group's professionals, in particular administrators and senior executives, on the areas of the current laws on anti-money laundering and the code of ethics and integrity.

Course on Anti-Money Laundering and the Code of Ethics 2019



- Number of employees signing the *Code of Ethics and Conduct* by country



3- Whistleblowing hotline

The company has opened a Whistleblowing hotline for all its stakeholders to report any concerns on code violations in whichever country it operates in, or on the breach of regulations or procedures. Its running and control are regulated by a specific policy to guarantee confidentiality, independence and protection as required by the Spanish and international regulations to not harm the parties involved.

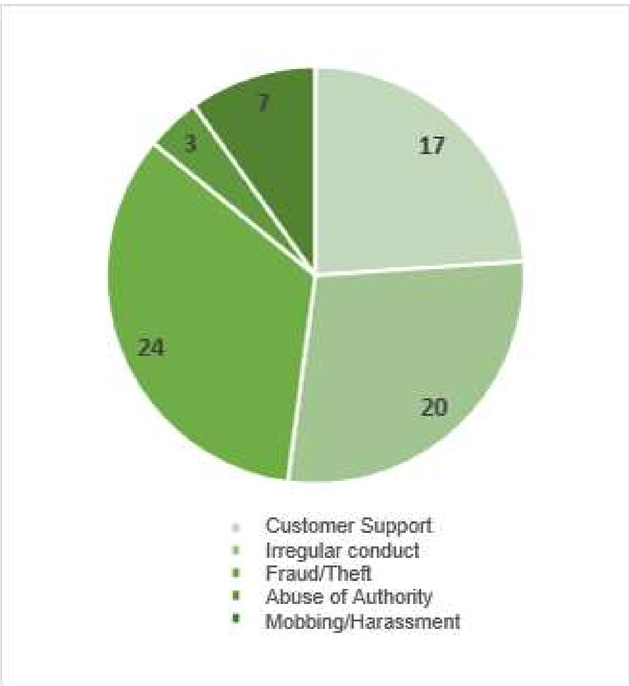
There are Whistleblowing hotlines at both corporate level and business unit level. These are managed locally with the support and supervision of the Corporate Department of Compliance and Legal Counsel, as well as other departments that may be involved in investigating the concern. In 2019 we received 86 concerns in total. 96% of these concerns have been solved successfully and the remaining 4% are being solved.

Concerns reported in 2019

Country	Number of concerns
Spain	38
Argentina	4
Colombia	6
Italy	0
Mexico	20
Panama	11
Uruguay	4
Total	**83**

Whistleblowing hotline

Upon receiving the concerns, the company classifies them into five different groups: irregular conduct, customer support, fraud, mobbing and harassment and abuse of authority.



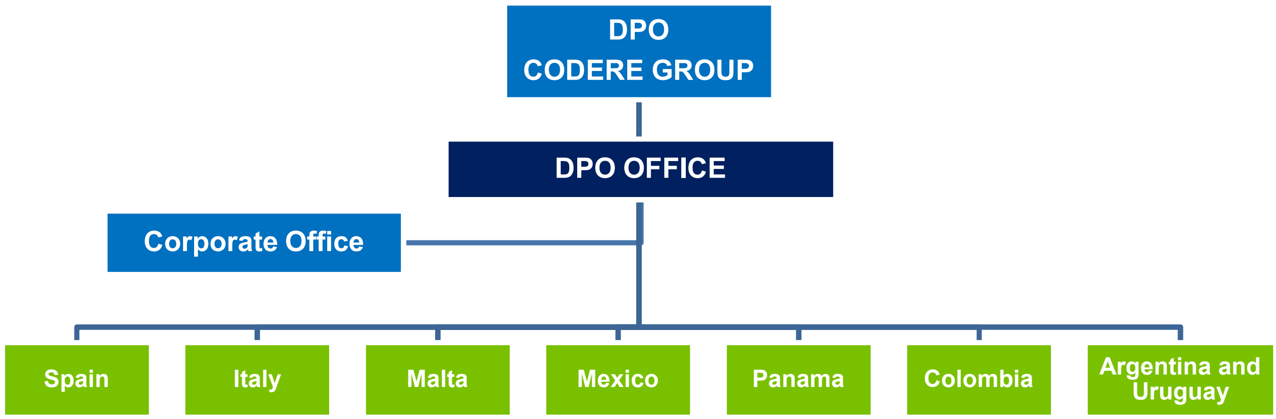
05.4 Data protection

For Codere, personal data protection is a priority to avoid the risks entailed in mishandling the data.

Codere has always aimed to comply with all regulations in general but now in particular, the company is adapting its systems to the new EU General Data Protection Regulation through Codere Group's Data Protection Officer (DPO) and the DPO Office made up of the people in charge of the privacy of our different business units.

Personal data protection has special relevance in certain business lines and Codere is fully aware that the online services used to provide its online games are a critical element in this area given their high exposure to cyberattacks [2]that may compromise users' privacy. Therefore, the company's organizational and technological processes are subject to regular checks and improvements employing state-of-the-art technologies to guarantee the security of its information and that of all the people who have provided their data.

Codere is fully involved in controlling access to its services by minors, persons on the banned gamblers list[3] and persons whose behavior is suspicious based on the criteria foreseen in the regulations on anti-money laundering. For this reason, the company has established controls and verification checks during its registration and login process, both automated and manual, to avoid vulnerable groups from accessing this type of services.



The company made major progress in personal data protection in 2019 and is further improving it by implementing a series of initiatives aimed at perfecting personal data protection in the company, including the following:

- In May 2019, Codere's Board of Directors appointed a Data Protection Officer (DPO) for the entire Group as required from online gambling companies by the EU General Data Protection Regulation and the recent Spanish Organic Act on Data Protection and the Management of Digital Rights, so as to standardize personal data protection across all our business lines in the different territories.

- We have led different training and actions to raise awareness among employees, such as training

[2]For more information on the system deployed by Codere to prevent and fight cyber-attacks, please see the following section.
[3] System used to gather the information required to fulfil the subjective right of citizens to be banned from facilities and gambling.

the heads of departments on the data protection regulation and internal communications to ensure that all the staff is sufficiently informed about privacy.

- We have assessed the impact made by our processing activities on data protection that may entail a risk for stakeholders in order to detect and correct any weaknesses. Furthermore, the company has designed and implemented a series of corrective measures.

- The company has formed partnerships with leading technological suppliers to improve and optimize the activities involved in processing personal data, providing our systems and business processes with more security and transparency.

- Codere hires external consultancy firms who constantly guide the company on the matter of compliance with the data protection regulation.

In 2020, Codere Group will continue to run projects for the management of personal data protection with a view to redoubling its efforts to guarantee a secure, reliable and transparent processing of its customers' personal data. For this reason, and to standardize data protection across the different territories, we will boost Privacy Governance in Codere Group by forming a Privacy Committee.

Codere will also strengthen its commitment to new technologies to ensure that personal data are processed securely, always working closely with the Corporate Department of Information Security.

As reliable proof of Codere's level of compliance with the data protection regulation, the company, since the EU General Data Protection Regulation came into force in 2018, has not received or been subject to any penalty proceedings by the data protection controllers and has therefore not been penalized for this matter.

05.5 Cybersecurity

Cybersecurity is a growing concern for Codere and, therefore, the Group has made major efforts these past years to equip the company with systems that will prevent and handle risks related to potential cyberattacks.

The importance of these risks lies in the nature of Codere's business. The company, as an operator of the gambling industry, bases its activity on an increasingly complex technology that must guarantee the best customer experience but also the validity and reliability of the results. Likewise, maintaining a high level of security and reliability of the information and systems is essential from both a regulatory and a reputational point of view.

Some of the largest risks faced by the company in this area are fraud and the misuse of personal data, as mentioned above. Moreover, the risk linked to suppliers is extensive, in terms of software and machines and in the processing of payments and the development and maintenance of apps and online tools. Lastly, as in any other company, Codere is exposed to a greater or lesser extent to the risks of identity theft, malware and system crashes and the resulting downtime or data leaks, among other threats.

In order to assess the strength of its security against these threats, Codere conducted a technical analysis in 2017 with the help of an external advisor. Based on this analysis, the company developed a first *Security Master Plan* (SMP) to improve this strength. During 2019, Codere worked on upgrading the security defining new actions that will be part of a new *Plan 2020-2022*.

The SMP establishes a control structure that defines the priorities, responsibilities and resources needed to improve security at strategic, tactical and operational levels. Codere has built its system based on this control system to fight cyberattacks and it consists of three levels or barriers:

- A **first barrier** that is made up the employees for whom we make a considerable effort to train and raise awareness.

- A **second barrier** made up of the software and hardware that wards off the attack or, in the worst-case scenario, contains it during the first stages.

- Finally, if the cyberattack could not be contained, there is a **third barrier** that, according to Codere's risk management model, involves transferring the risk through a cyber-insurance to third parties to fundamentally mitigate the company's losses.

In 2019, the company began to implement new measures aimed at strengthening the system control and start the work required to form two control committees: the Executive Committee and the Operational Committee.

Regarding the training on data protection mentioned above, we also made employees aware of cyberattacks and the measures required to protect information correctly.

Cyber-Security Programme

Codere has hired a specific insurance that protects the company's business worldwide and is a first for the industry.

To do so, Codere started with a diagnosis of insurable risks where most risks of cyberattacks and frauds were pointed out as priorities for the Group.

Given that the insurance market does not yet provide a combined cover for these two types of risks, the policy we finally took out focused on cyber risks. Hence, the company had to tackle its anti-fraud programme separately.

Being a multinational, the process of taking out the policy was complex. Codere had to conduct a thorough analysis to choose the supplier, taking into account different criteria like their experience in covering cyber risks, their quality and expertise in handling incidents and, naturally, their financial soundness.

Another remarkable action was the company's subscription -as part of its Compliance and Corporate Social Responsibility strategy- to the Phishing Alert service in online gambling promoted by the Spanish Directorate General of Gambling (DGOJ).

This service offers online gamblers who register a system that detects attempted identity theft. This meets social demand for a tighter protection of vulnerable groups, including minors or self-banned gamblers, to make it harder for them to access online gambling through other peoples' accounts.

This service completes the efficiency of already existing measures in Codere to guarantee user identification systems and secure access to online gambling, as well as citizen protection, so as to minimize the potential negative effects of an irresponsible use of the activity.

05.5

Risk management

In Codere Group, all actions aimed at controlling and minimizing risks keep in line with the basic principles of action set by the Board of Directors in the *General Policy of Risk Control and Management* and the *Risk Tolerance Statement*, including:

- Integrating the risk-opportunity view.
- Segregating, at an operational level, the areas in charge of analysing, controlling and overseeing risks.
- Guaranteeing the appropriate use of instruments to cover risks.
- Transparent information on the Group's risks and the operation of the systems developed to control them.
- Ensuring compliance with the rules of good corporate governance and the values foreseen for the company in its *Code of Ethics and Good Governance*.

This policy defines the main action areas as well as eight types of risks identified by the company, including: risks of corporate governance, operational risks, regulatory risks, tax risks, debt risks, country risk, technological risk and reputational risk. Codere Group's main stages and activities in its risk control and management system are as follows:

Responsibilities of the Risk Control and Management System in Codere

1. The definition of risk tolerance by the Board of Directors.

2. The yearly identification and analysis of relevant risks carried out by the leaders of each business unit and/or department at a local level.

3. The yearly update of the company's different risk maps (local, technological and corporate).

4. The reporting of the main risks, especially those above the limits established by the Board of Directors.

5. The implementation and control of the enforcement of policies, guidelines and limits through the appropriate procedures and systems that are required to minimize the impact of risk materialization.

6. The regular assessment and reporting of the outcome of the follow-up of risk control and management.

7. The audit on the system performed by the senior executives in the Internal Audit area.

Also, Codere Group has a *Tax Risk Policy* at a corporate level that is revised by the Audit Committee.

Locally, each business unit regularly reports on the activities performed and the risks that have materialized in each country. Such information is gathered by the Internal Audit area and used to update the risk maps and draw up the *Integrated Report* that is to be submitted to the Audit Committee.

By updating the company's risk maps, Codere's Internal Audit defines its work plan for the year and the risk management process. To draw up the plan, they check the internal processes and procedures and the implementation of improvements determined during the year. The plan defines the risks that have materialized during that year.

Furthermore, on a yearly basis, the different internal audit areas in each country undergo an internal procedure called the Quality Review. Every year, the Internal Audit department organizes cross-reviews of the projects in each country, which means that subsidiary managers assess each other. This leads to synergies and the implementation of standard procedures across the board.

Milestones reached by the Internal Audit areas in 2019

1. Operational audits performed focusing on large risks under each country's specific plan.

2. Continuity of the warning system to prevent the loss of profit and to follow up the Mexican project "*Revenue Assurance*" that has now been expanded from Mexico to Panama and Spain.

3. Maintenance of the Monitoring Committees for the recommendations.

4. Verification of the appropriate Compliance in the gambling houses and tax controls.

5. Improvements in gambling software.

6. Opening of the specific line of activities on line in several due diligence processes for company acquisitions.

Codere Group's procedure for risk control and management

In 2019, several types of residual risks materialized. These are risks that persist after implementing the control procedure:

Regulatory risk

The gambling industry is strictly regulated worldwide. The activities carried out by the company in its physical facilities and on line are subject to different laws depending on the country they are in. In some cases, the company has to undergo rigorous controls, with limited licenses and high taxes whereas in other cases, it faces strong competition and low taxes. In all cases, tax, compliance and data protection regulations are relevant. Due to this, flexibility and power of adjustment to the environment are key drivers in Codere. In Spain alone, each of the 17 autonomous communities in the country regulates its own laws on on-site gambling, whereas *online* gambling is subject to national laws that apply to the entire country.

In this regard, the regulation of certain aspects linked to the gambling industry (e.g. tobacco, opening times or restrictions on their location) may have a negative impact on the Group's revenue and its power to expand the business. Furthermore, the authorities may deny, revoke, suspend or reject the renewal of licenses that the Group already has, as their renewal can carry uncertainty when the regulations are not clear or may be amended or open to different interpretations.

Reputational risk

In all industries there is a clear link between regulatory risks and reputational risks, especially in today's information and communications era. This reality is clearer still in an industry where regulations and laws are being constantly amended and where public perception has not always been favourable.

The gambling industry is complex and its reality as an important economic sector that creates jobs and contributes to the state coffers has not always reached society. This has led to the establishment of a group in Spain called Cejuego (Council of Gambling Businesses) that gathers approximately 75% of the country's turnover, in order to get through to society and improve the industry image.

Country risk

The company has diversified its activity and operates in different regions to limit its exposure to political and economic risks. However, as all businesses, it is sensitive to the tensions in the countries it operates in.

Risk of corruption and bribery

Corruption and bribery are some of the major risks faced by Codere Group in the course of its business. The Board of Directors, aiming to further the fight against this problem and taking a preventive approach, adopted a *Global Manual Against Corruption and to Prevent Irregularities* on 27 February 2017. This manual can be viewed on the corporate website.

The manual comes with a *Practical Anti-corruption Guide* that identifies the main types of corruption that may affect Codere Group's activity, as well as a series of preventive measures, including the Whistleblowing hotline and the due diligence procedures for suppliers, trade partners, customers and employees.

Operational risks

During some of the internal checks that the Group runs repeatedly, we detected inconsistencies in the income statements of some Latin American subsidiaries (Mexico, Panama and Colombia) in 2019. The Board of Directors and the Audit Committee, upon being informed of these potential inconsistencies, ordered several investigations, both internally and externally, to identify any relevant aspects related to said inconsistencies and to ensure maximum transparency in our compliance with the best accounting practices and best governance practices.

These analysis quantified the impact of said inconsistencies as 16.5 million euros on the reported consolidated profits before tax of 30 June 2019. This impact was announced to the markets through the publishing of relevant facts and the reporting of revenue statements and the consolidated interim financial statements of September 2019.

Furthermore, the internal analysis and investigation conducted by the external firms concluded that:

- No additional impact was detected on the Group's liquidity and there were no signs of inappropriate use or withdrawals of funds.
- This was an isolated incident that only affected the accounting revenue statements of those subsidiaries for that year.
- The Corporate Area of Spain was not involved and there were no other territories or years affected by the accounting inconsistencies.

The Group's control systems have worked correctly and, thanks to them, the inconsistencies were identified and promptly reported to the Audit Committee and Board of Directors for them to set in motion the necessary internal and external mechanisms to remedy and investigate the incident and ensure maximum transparency in our compliance with the best accounting practices and best governance practices.

Risk of security breaches on gambling platforms

The existence of weaknesses in the gambling operational platforms could lead to unauthorized access and/or tampering with the gambling systems, which result in the loss of profits or sensitive information in the operations.

As soon as Codere Group detects this type of threats or risks, it launches its action plans to contain the threat and recover the expected margins through:

- The Group's participation in the relevant industry associations.
- The relevant relationships with institutions.
- The establishment of plans to optimize processes and improve operative efficiency.

The activities carried out by the company in its physical facilities and on line are subject to different laws depending on the country they are in.
The Group has established plans to optimize and improve operative efficiency and these have helped mitigate the impact of risks that have materialized.

Other extraordinary risks

In February 2018, José Antonio Martínez Sampedro and Luis Javier Martínez Sampedro took legal action against Codere S.A. to challenge the corporate resolutions adopted by the Appointments Committee on 1 December 2017 and by the Board of Directors on 12 January 2018. In April of that same year, the Company gave its statement of defense against the legal action and the hearing for evidence was set for some time between May and June 2020.

In addition, with regard to the Arbitration proceeding requested by José Antonio Martínez Sampedro and Luis Javier Sampedro in February 2018 before the International Chamber of Commerce against Codere S.A. and certain directors and shareholders, on account of the resolutions adopted by the Board of Directors on 12 January 2018, in 2019 the plaintiffs lodged their claim and the defendants gave their statement of defense, requested the dismissal of the action and filed a counterclaim against José Antonio Martínez Sampedro and Luis Javier Martinez Sampedro and Masampe. The Hearing should take place between June and July 2020 and the final arbitration finding is not expected before December 2020.*

*The status of these two proceedings is detailed in the note on legal actions in Codere Group's consolidated annual report.

05.6 Transparency

Codere Group is the only listed company in the gambling industry, which means that it is obliged to *report* information to the market and meet transparency standards that are far stricter than for its competitors.

Codere, as a listed company:

- Is obliged to apply the IAS/IFRS in its accounting books.
- Prepares an *Annual Corporate Governance Report*.
- Prepares the *Annual Report on Directors' Remuneration*.
- Is subject to *Non-Financial Reporting*.
- Informs the market of any Relevant Events occurred during the financial year.

The fact that Codere draws up this *Integrated Report* shows its commitment to transparency, which is one of the Group's top values.

Codere's firm focus on transparency is seen at different levels in the company. Therefore, Codere is transparent both internally with its employees and organization, and externally with investors and the market in general.

This year has highlighted how Codere has prioritized the definition of company values and, especially, upholding transparency as a key and essential value. Thus, upon detecting accounting inconsistencies in the first half of 2019, Codere Group acted promptly with firmness, clarity and consistency and adopted the following measures:

- Firstly, the issue was immediately reported to the Audit Committee and the Board of Directors and then to the competent authorities, the external auditors, the market and the employees.

- Secondly, a renowned external advisor was hired to conduct a forensic analysis that would shed light on the situation. In parallel, we provided all the independent forensic information used for the inquiry.

- Thirdly, the Board of Directors is tackling the relevant corrective decisions on disciplinary and organizational matters, adopting measures to introduce organizational changes and tighten internal controls in order to strengthen our operative systems and improve the reliability of our accounting and reporting. In this regard, changes have been made to the operational and financial management team of the business units involved and we have tightened the accounting controls and revenue reconciliation systems while developing projects to tighten internal controls, centralize critical functions and digitize and automate processes and controls.

- Lastly, the Group informed the markets through the publishing of relevant facts and the reporting of revenue statements and the consolidated interim financial statements of September 2019.

Codere firmly believes in transparency as the only means to gain trust and credibility with customers and regulators.

Internally, the Group strengthens its in-house transparency with employees through the **Codere Actualidad (Codere News) portal** that serves a double purpose: it keeps its employees abreast of any relevant events in the company and is also used to strengthen the cultural and strategic change experienced by the Group these past years.

In its strong focus on transparency, it is worth highlighting the Group's efforts to launch its own specific publications with industry data from the different countries as mentioned in previous chapters.

Codere's pillars for tax control

- Codere has established a Corporate Tax Department in charge of keeping our tax duties up to date in the different regions it operates in and driving actions to check and examine compliance.
- Our tax policy includes the principles of responsible business in tax matters.
- Information and approval by the Board of Directors or Audit Committee of relevant tax matters depending on their complexity or impact on results.

Codere Group has a *Corporate Tax Policy* that sets forth the basic guidelines that should govern the Group's decisions and actions in connection with taxes.

The *Corporate Tax Policy*, as all other elements in the Corporate Governance System, is subject to constant reviews and adjusted to permanent changes in the landscape, taking into account the volatility of tax regulations, especially in this industry, and the increasingly demanding requirements of transparency in tax information.

Moreover, the Group complies with the ever-increasing demand of tax transparency from stakeholders and regulators under standards aimed at constantly improving the quality of the tax information disclosed by the Group.

The Codere Group has a tax control framework that establishes its principles and action guidelines for tax risks.

Codere applies the utmost effort and commitment to strictly complying with tax laws, constantly reviewing its tax policies in each country in order to improve processes and detect errors.

Commitment to investors

06

06.1
Introduction

Codere Group is firmly committed to the creation of value for all of its stakeholders and, in particular, for its shareholders and investors, as owners or potential owners of the company.

This is why, in 2019, the company intensified its communications and relations with shareholders and investors in order to boost their involvement in the organization. This work culminated in the approval, on January 14, 2020, of the *Policy for Communications and Contact with Shareholders, Institutional Investors, and Proxy Advisors*, thereby complying with Recommendation No. 4 of the *Good Governance Code* for listed companies of the Spanish National Securities Market Commission (CNMV).

On January 14, 2020, the Codere Board of Directors approved its *Policy for Communications and Contact with Shareholders, Institutional Investors, and Proxy Advisors.*

06.2

Value creation for our shareholders investors

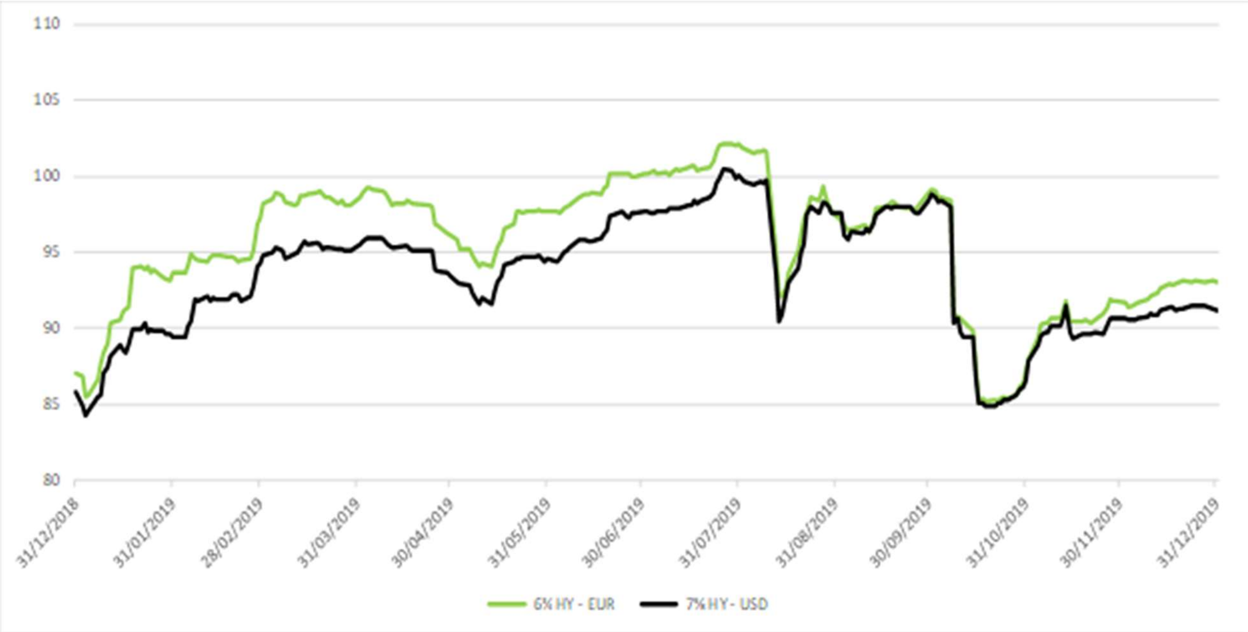
In early 2019, the Codere share price increased by up to 30% as result of market expectations arising from the rumor that Codere was going to carry out a public offering of shares. Beyond this isolated fact, the value of Codere shares has been volatile, with a downward trend. In 2019, the value was hit by two important events.

The first of these was the primary election results in Argentina, which led to the devaluation of the Argentinian peso, causing a drop in share price, since Argentina is a key market for Codere.

- The second event to consider, which explains the loss of value in early October, was the discovery of certain accounting inconsistencies in the Latin American branches in Mexico, Colombia, and Panama during the first half of 2019. This issue led to a downward adjustment of expectations for the Group's profits in 2019.

On the other hand, Codere bonds rallied to levels above par value in the first half of the year, as a result of refinancing expectations. They were also negatively affected by the results of the Argentinian elections, which prompted a decline in the value of the country's sovereign debt and, therefore, Codere's debt quote dropped up to 10 points. Over the following months, Codere bonds managed to recover up to 98% of their value.

Nevertheless, like Codere shares, bonds dropped in early October due to the impact of the accounting inconsistencies that delayed the prospects for refinancing. Since these inconsistencies were detected late in the year, the price of bonds recovered more than 5 points, an upward trend that continued into 2020 and has now reached levels of 93-94%, though this has been recently affected by the general fall of the markets due to the spread of Coronavirus (COVID-19).



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06.3

Fostering the involvement of shareholders and investors

In 2019, the Codere Group maintained open, continuous dialogue with its investors, in both fixed income securities and equities, as well as analysts, credit rating agencies, and other market participants. The Codere Group provided these groups with all relevant information to enrich their analysis of the company and assess the risks and opportunities of investing in Codere stock or bonds.

Throughout 2019, the company published 34 relevant events and kept the market informed of all events of interest. In addition, four quarterly meetings with investors were held, where more than 150 registered attendees were able to listen to the management team and ask the team their questions about the progress of the business.

In addition, the company attended several relevant events where, at meetings with multiple investors, it sought to help investors understand the evolution of the business, the company's strategy and its expectations. The most relevant events were the following:

- *Morgan Stanley's II Annual Leveraged Finance Conference* (April, London): ten meetings with 32 fixed-income investors and attended by the Group's financial director.

- *Deutsche Bank's XXIII Annual Leveraged Finance Conference* (June, London): ten meetings with 40 fixed-income investors and attended by the Group's financial director.

- *Non-deal roadshow*. Europe (London, Paris, and Frankfurt) and United States (New York). Codere organized a non-deal roadshow in July with a view to learning about investors' interests before beginning the refinancing of its bonds. Twenty-eight meetings were held with 40 fixed-income investors and were attended by the Group's financial director and the Corporate Development manager.

- BofAML European Credit Conference (October, London): six meetings with 11 fixed-rent investors and credit analysts, attended by the Financial Planning manager and the Investor Relations director.

- Edison Equity Investors Conference (October, London): three meetings with equity analysts on a roadshow organized by *Edison Investment Research*, followed by a discussion panel to analyze growth opportunities in the industry together with other gambling industry companies (Rank Group, Jackpotjoy, and Bragg Gambling Group) and investors, and also attended by the Codere Financial Planning manager and Investor Relations director.

In addition, as a result of the Codere Group's commitment to strengthen its communications with investors, the Codere Group Board of Directors, in accordance with recommendation 4 of the Good Governance Code for Listed Companies of the Spanish National Securities Market Commission (CNMV), approved at its January 14, 2020 meeting its *Policy for Communications and Contact with Shareholders, Institutional Investors, and Proxy Advisors.* Through this policy, Codere seeks to foster ongoing dialogue with each of the company's stakeholders, in order to promote solid, stable relationships of trust and to strengthen transparency in the interests of the company. The general channels of information and communication with investors include the following:

Spanish National Securities Market Commission (CNMV)

The Spanish National Securities Market Commission is Codere Group's official channel for information for shareholders, institutional investors and the market in general. Codere regularly files all required information with the Spanish National Securities Market Commission (CNMV), as well as other information of interest to its shareholders and investors through Relevant Facts (now Relevant Information [IP] and Other Relevant Information [OIR]). In parallel, this information is uploaded to the company's corporate website.

Corporate website

Codere's website, www.grupocodere.com, is constantly being updated. On the website, investors and the market in general can find extensive information about the Group's areas of activity and geographic presence.

The website has a specific section entitled "Shareholders and Investors," which includes all of the information required by the Spanish Capital Companies Act (*Ley de Sociedades de Capital*) and by the stock market regulations. In addition, the company publishes on its website all documents required by regulations regarding calls to meetings and sessions of the General Meeting of Shareholders, as well as presentations of its quarterly income statement and other relevant institutional or economic/financial presentations. Codere's website also provides direct access to complete recordings of each announcement of its income statements.

Office of investors

Codere offers its shareholders and institutional investors a space for individual replies to their queries. The Group answers information requests correctly and in a timely manner, through an office located at the Codere corporate headquarters, a telephone helpline (+34 91 354 28 19) and an email address (inversor@codere.com).

Through the above email, Codere sends information to a list of institutional investors who have requested it.

Webcasts and conference calls

Codere is committed to directly broadcasting its announcement of its quarterly income statements and other information of interest to the market, which facilitates access and participation by shareholders, investors, analysts, and all those who so wish, as an additional measure to stay informed. In addition, a recording of the broadcast is available for one year on the corporate website.

Conferences and meetings

The Codere investor relations team regularly organizes information meetings on the progress of the Group or other aspects of interest to analysts and institutional investors. The company takes part in international financial conferences organized by third parties, organizes its own roadshows, and receives visits at its corporate offices. In addition, the Group organizes quarterly conference calls with the management team to talk about relevant financial issues with shareholders and investors.

The Codere Group also has an Investor Relations Department within the company's Economic/Financial Division to liaise and communicate with shareholders and institutional investors. This department is responsible for preparing public announcements of quarterly income statements for analysts and investors, responding to requests for information, and organizing conference calls with stakeholders, while maintaining the transparency, consistency and homogeneity of the information at all times.

Employees: the key to cultural transformation

07

07.1 Introduction to the “new” Codere

Codere Group is committed to the observation and defense of its employees’ fundamental rights, internally and externally, and the wellbeing of society, and ethical principles protecting human dignity and sustainable growth.

In the company’s ongoing transformation, the Human Resources Department has an important role as a catalyst for change. As part of fostering this change, it has been essential to learn more about each region’s employees and identify their concerns, in order to make the best possible decisions in scenarios marked by increasing responsibility and future challenges.

That is why in 2019 the company focused its efforts on establishing a new Corporate Social Responsibility model for its employees, which was crafted based on the main concerns expressed by its staff members. A consultation process was carried out with more than 500 employees, who emphasized that their main concerns included strategy; the future of Codere and the stability of their jobs; employee recruitment, retention, and talent development; work/life balance; communication; and quality of life.

The identification of these areas of interest led to a series of projects to improve and implement methods and strategies, such as communication plans, training initiatives regarding responsible gambling, strategies to train employees at gambling houses, and awareness-raising on ethical compliance and whistleblowing hotlines.

This new culture is being spread both internally, through the revision of policies and procedures, the design of the leadership and management model, and behaviors to be adopted; and externally, with customers and other stakeholders, through brand image, employer branding, and advertising campaigns.

Beginning in January 2020, this consultation process will be expanded to the entire organization, analyzing behaviors to be encouraged and/or eliminated in line with the Group’s new culture, and will be followed up on through monitoring tools. Moreover, new initiatives to be implemented will be assessed through surveys.

As part of these actions, the Human Resources Department has promoted “WOW Ideas!,” a program seeking to foster participation by and recognition of employees through their own ideas related to one of the company’s values. Thanks to this program, Codere is able to value its team’s creativity, experience, and knowledge.

In 2019, 260 ideas -with the participation of nearly 360 employees- were assessed by expert committees, and the ideas selected went through an advisory and mentoring process to elaborate them further. This initiative was launched as a pilot project in Argentina and Uruguay in 2019, and in 2020 it will be spread across the board.

07.2

Our employees: key players in our transformation

The project of transformation that is underway in the company depends, to a great extent, on the involvement of its team.

Today, a total 12,529 employees around the world are part of Codere, a slightly greater number than last year.

Multiple factors have influenced the changes in the workforce. First, in order to align the company's objectives with the goals, Codere has strengthened its management team. Secondly, the transformation plan implemented in the Group has entailed the digitization and automation of processes. Globalization and the creation of shared service centers have given rise to a more flexible organization, with renewed profiles and a simplification of structures, making the company more dynamic and significantly improving customer response times.

In any event, the net change in the number of employees has been positive, with a growth of 2.3% over 2018. It is not surprising then that there were more new contracts signed (6,021 last year) than terminations.

The majority of the Codere workforce is between 30 and 40 years old; the staff is made up of both men and women, with 59% and 41%, respectively.

Profile of Codere employees

- **91%** have **a permanent contract.**
- **87%** have **a full-time contract.**
- **41%** are **women; 59%** are **men.**

Codere staff by age ranges*

	2018	2019
<30	3,810	3,768
30-39	4,693	4,655
40-50	2,639	2,928
>50	1,108	1,178
TOTAL	**12,250**	**12,529**

* 2018 information does not include some employees of partners in Italy, Malta, and Israel because at the time, they were not managed by the company's Human Resources Department. This same criteria was followed for all other indicators from 2018.

Codere staff by sex

	2018		2019	
	Total	%	Total	%
Women	4,954	40.4%	5,122	40,88%
Men	7,296	59.6%	7,407	59.12
TOTAL	**12,250**	**100%**	**12,529**	**100%**

With regard to its geographic distribution, more than 70% of the staff was concentrated in Mexico, Argentina, and Spain in 2019, with the rest spread across seven other markets and the corporate headquarters.

Codere staff by geographic distribution

	2018		2019	
	Employees	%	Employees	%
Corporate	124	1.01%	134	1.07%
Spain	1,359	11.09%	1,284	10.25%
Argentina	2,708	22.11%	2,731	21.80%
Colombia	376	3.07%	373	2.98%
Italy	747	6.10%	912	7.28%
Mexico	4,756	38.82%	4,900	39.11%
Panama	943	7.70%	901	7.19%
Uruguay	1,237	10.10%	1,237	9.87%
Gibraltar	-	-	1	0.01%
Israel	-	-	27	0.22%
Malta	-	-	29	0.23%
TOTAL	**12,250**	**100%**	**12,529**	**100%**

In terms of job categories, operational employees, middle managers, and technicians were the largest segments in the staff.

Codere staff by job category

	2018		2019	
	Total	**%**	**Total**	**%**
Senior management	14	0.11%	12	0.10%
Managers	84	0.69%	87	0.69%
Middle managers	1,954	15.95%	2,023	16.15%
Technicians	1,681	13.72%	1,798	14.35%
Administrative staff	482	3.93%	539	4.30%
Operational staff	8,035	65.59%	8,070	64.41%
TOTAL	**12,250**	**100,00%**	**12,529**	**100,00%**

Finally, with regard to the type of contract, the vast majority of Codere staff (91%) had permanent contracts in 2019. With regard to the number of hours worked, only 13% (1,614) were hired part-time.[4]

Total amount and distribution of the different types of employment contracts.

	2018	**2019**
PERMANENT CONTRACTS	**11,125**	**11,428**
Full-time contracts	9,921	10,083
Part-time contracts	1,204	1,345
TEMPORARY CONTRACTS	**1,125**	**1,101**
Full-time contracts	859	832
Part-time contracts	266	269
TOTAL	**12,250**	**12,529**

[4]Annex II of this report includes the list of contracts by age range and professional category.

07.3 Training

Codere considers training to be a strategic investment that bolsters the commitment of its staff. That is why the company promotes the training of all of its staff members throughout their career, on various subjects appropriate to their position and responsibilities.

In 2019, the Training area focused its efforts on programs supporting and facilitating change in the organization. The area invested in designing and developing more flexible, up-to-date learning models, that are not so dependent on traditional methodologies. In addition, we gave priority to building skills considered to be essential.

As part of these efforts, work was done to strengthen the Codere Learning Model, which allows the company to review the purpose and main recipients of learning processes, the most appropriate methodology, and management processes. The goal of this is make them more flexible, effective, and suited to the needs of both the business and today's generations, especially in the context of transforming the Group.

Training hours received by job category

	2018	2019
Senior management	57	92
Managers	1,303	3,078.73
Middle managers	30,836	10,194
Technicians	11,878	6,524.99
Administrative staff	5,242	4,507.50
Operational staff	76,545	12,984.50
TOTAL	**125,866**	**37,381.72**

This training program was carried out through various initiatives around the world, including these outstanding examples:

- **Plan TransFÓRMATE.** This program (begun in 2018) was designed to promote the changes that are taking place in Codere and provide training in the skills needed to accomplish them (see highlighted table).
- **Training programs for new hires.** New hires go through a learning process based on support at their work station and various trainings with their team, which allows them to acquire essential knowledge.
- **Internal promotions.** This includes programs to support employees who begin new positions.
- **Skill training programs.** This initiative trains employees in skills such as leadership, communication, and productivity.
- **Language training:** English, Italian, and Spanish.
- **Training plans in compliance and security.** Some of the most noteworthy subjects have been the anti-money laundering, the prevention of occupational hazards, cybersecurity, and data protection.

Plan TransFÓRMATE

This program was implemented globally in 2018 to extend to 2020 and 2021. The program will feature on-site and online training actions to train employees, promote the changes taking place at Codere, bring teams in line with the projects to transform the Group, and build skills that are essential to executing the planned projects and changes. This program is supported by an online platform that has 2,000 registered employees.

The content of the program comprises training actions of varied duration, organized around five areas of knowledge related to the most important pillars of our strategy:

- **Management of change and transformation**, to bolster the process underway at the company by studying success stories and experiences in other companies.
- **Customer-centric focus**, to analyze the customer's experience at each point of contact with Codere and understand how to boost customer loyalty.
- **Digitization,** to understand the implications of technological development and how to use it in the best way possible.
- **Efficiency,** to learn about models of organizational efficiency, analyzing the essential aspects of both individual work and teamwork.
- **Culture, leadership and personnel management,** to modernize Codere's management model, its values, and its culture and to work on leadership skills.

Locally, Codere has also developed other initiatives, including:

- **Mexico.** In 2019, training here focused on regulatory issues involving NOM 035 (psychosocial risk factors at the workplace), as we will comment below, and on specific training in operational excellence and improved customer service. In June, the 16th Operational Excellence Seminar took place. The goal of the Seminar is to prepare future managers and middle managers who will manage the more than 95 gambling houses in the country.

  In addition, at this business unit, the company helps its employees complete secondary school through the CENEVAL single exam. For three months, employees prepare to pass the test given by the National Evaluation Center. During a six-year period, more than 300 employees have participated in this initiative.

- **Spain.** In Spain in 2019, special emphasis was given to training operators, DATA operators and third-person venues. These efforts focused on product (sports betting) and the development of induction schemes for new employees. At the end of the year, dynamic workshops were held to promote Codere's new values.

- **Italy**. Specific training activities are carried out throughout the year, such as *"Be the Change."* This program helps managers drive change in the organization, builds their leadership skills and fosters their transmission of culture and values to their teams.

- **Colombia.** In 2019, training was especially centered on issues of wellbeing. Training sessions dealt with the Workplace Health and Safety System; Cash Register Fraud Prevention; the System for the Prevention and Control of Money Laundering, the Financing of Terrorism, and the Financing of the Proliferation of Weapons of Mass Destruction (SIPLAFT); actions to promote and strengthen employees' feeling of belonging; and customer service in gambling houses.

- **Argentina.** In 2019, training activities focused on the commercial part of the business (sales), through the "Professional Sales Management" program, the "Commercial Management and Coaching" program, among other programs, and on actions to improve customer experience, special courses on regulations and activities to foster management skills.

- **Panama.** Panama's training activities include training in Security and Compliance (money laundering, detection of counterfeit money, etc.); leadership skill development for middle managers; and customer service, especially for frontline staff.

- **Uruguay.** Several training activities were carried out in 2019, especially courses on new rules for *Anti-money Laundering and Counter Terrorist Financing* and training to promote the role of managers as coaches. In addition, special courses on customer-related issues were also held.

07.4
Talent management

Professional development

The company gives its employees a range of tools to help them access positions with greater responsibility and further their professional development at the company. These tools include the following:

Skills evaluation (SEC)

In order to foster a culture for the management of individuals and teams based on continuous improvement, supervisors and employees meet every year at each business unit to analyze their progress during the year and receive feedback on their performance. This meeting sets the goals and actions for improvement for the following year and the current and future skills that need to be developed.

Global Management Value (VDG)

Codere has designed a management development program to assess the skills of its first-level and second-level management teams. The objective is to identify strengths and areas of opportunity that are in line with the company's growth expectations. The methodology used has focused on *development centers* led by specialized consultants. Based on the results obtained, growth and development plans are established.

As part of the program, 300 evaluations of managers have already been carried out and their respective development plans have been designed.

Rumbo Program

Identifying professional growth potential and expectations is another of the Codere Group's concerns. Through the RUMBO program, using the *situational assessment center* methodology, multidisciplinary teams made up of the Human Resources area, managers, and key supervisors at the company identify employees with the skills to take on future challenges involving greater responsibility. Later, by establishing succession and development plans, coverage of future key positions and high-demand profiles is ensured.

In 2019, the program was launched in Argentina and Uruguay, where approximately 200 people were assessed.

Assessment of managers and operational supervisors

Given that people are the source of the competitive edge in our industry, and as part of a culture of continuous improvement of teams and individuals, Codere Group began a project in 2019 to learn more about and develop the profiles of key partners in its operations, middle managers, and business managers. In a changing environment as competitive as today's world, constantly aligning operational profiles with the needs of the time and with customers' demands guarantees success and constant leadership.

The project began in late 2019 in Mexico with the assessment of 80 gambling house managers; it will continue with the assessment of 700 middle managers in that country. The project will then be carried out in the rest of the Northern Cone countries (Panama and Colombia) and subsequently in the Southern Cone (Argentina and Uruguay). It is estimated that 1,500 to 2,000 key employees will participate in this program in 2020 and 2021.

07.5 Mechanisms to attract and retain the best professionals

All the companies making up Codere Group work to attract, promote, and retain the best talent and to foster the personal and professional growth of the people on its staff.

In terms of talent management, Codere has a standard *Selection Policy* for the Group, based on basic principles that guarantee the quality of the process, the filling in of vacancies, specific equality policies, etc.

In 2019, 8,000 selection processes were carried out, with the resulting number of staff inductions and associated trainings.

Codere has a *Selection Policy* that lays out its process to attract talent. This process is the same for the entire Group and is based on a series of basic principles that ensure its quality and the filling in of vacancies.

In addition, the Company has an *Internal Promotion Policy* that offers its employees the chance to enter positions involving greater responsibilities and advance in their professional careers. In the specific case of Codere Mexico, the company is encouraging the hiring of operational employees who are promoted internally to positions with greater responsibility.

Meanwhile, Codere Spain, through its “Contamos contigo” (We are counting on you) website, encourages employees to apply for vacancies that arise from time to time in the company.

In addition to these initiatives, the company has set up a work environment in which it retains its professionals based on four pillars: internal communications, diversity, equal opportunities, equal pay and wellbeing at the workplace.

Internal communications

As part of the cultural change that is underway in the organization, there has been particular support this year for Internal Communications efforts, with the goal of communicating its strategy, spreading its values, and boosting employees’ involvement in the shared project.

All of this is based on a *Communications Plan* that establishes the Group’s main strategic lines of action in this area. These are agreed upon by the areas involved, the business units, and corporate headquarters through meetings of the Corporate Communications Committee—with participation by the Economic/Financial Department, the Legal Department, and the Human Resources Department—and Communications Committee meetings with the countries.

The following are some of the global tools and methodologies that facilitate constant communication with employees:

- **Codere Actualidad** reflects the values and the spirit of the Group's new culture. This platform distributes a corporate newsletter to employees with the main news involving the company and the industry, as well as monthly editorials by the CEO.

- **Codere Informa** facilitates fluid communication with employees through mailings that give employees up-to-date information on the most relevant issues for the Group.

- **Breakfasts with executives and employees.** These are organized both at a corporate level and in the majority of business units, to discuss a range of important issues for the company.

Locally, these are some of the communications initiatives:

- **CodereLab** consists of the creation of physical spaces to promote internal communications at the corporate headquarters in Madrid and the Rome office.

- **Dialogue Forums** open discussions to reach agreements and agree policies on shifts and other issues, like in Spain with the Workers' Committees.

Also, in 2020, in line with its philosophy of getting to know its employees and understanding their needs, priorities, and motivations, Codere will conduct satisfaction surveys among its employees to improve their wellbeing at the company.

Diversity and equal opportunities

As set forth in the company's *Code of Conduct*, Codere promotes diversity, equal opportunities, and non-discrimination at all times in its employment relationship with its staff. In this context, the company is currently working, along with its specialized expert advisors, to approve an *Equality Plan* that will be published before March 7, 2020.

Codere values the diversity of its employees and has an equitable staff with a variety of nationalities and talents. In 2019, the company comprised employees from 42 countries.

Codere's goal is to promote understanding among the various countries that make up the company. It trains employees to work together, understand codes of behavior, and work with coworkers with different visions.

That is why Codere organizes employee visits to other branches and has a welcome program for employees who move from one job site to another for a project or a transfer, in addition to many other team-building initiatives with all of its staff.

The company works not only to achieve a workplace environment that is free of discrimination, but also to ensure that the workplace is a safe environment where employees' rights are respected. Therefore, in addition to the rules established by the corporate *Code of Conduct* mentioned above, most of the countries have adopted specific measures, such as Uruguay's approval of a *Prevention and Response Protocol against Harassment at the Workplace*.

Hiring people with disabilities is another area in which Codere is working to promote inclusion and equal opportunities. Currently, 0.5% of employees on staff have a disability. This figure will increase in the coming years through specific recruitment schemes.

Furthermore, the company outsources services provided by people with disabilities, such as cleaning services for offices and gambling houses, through specialized job centers. In addition, in some countries there are initiatives involving direct contact with people with disabilities, including the following:

- In Uruguay, the company is in contact with various foundations and institutions to promote the inclusion of people with disabilities and support vulnerable individuals and people at risk of social exclusion.

- In Spain, Codere has signed an agreement with Zauma Inclusión y Diversidad, a specialized consulting firm, to hire people with disabilities.[5]

Equal remuneration

Remuneration is a key tool in attracting and retaining the best talent. That is why the company worked in 2018 to design a new remuneration model with a different structure, a model of fixed remuneration tranches (based on the analysis and assessment of job positions, internal fairness and external competition) and a variable remuneration model (for the short term). This model, which is more in line with today's landscape, is covered by the collective bargaining agreement and guarantees non-discrimination. We already began to use this new model in 2019.

As part of the process of updating the model, employees' remuneration has been revised based on the company's redefinition of job positions, resulting in remuneration tranches that are in line with the market.

Average Remuneration of Directors and Managers

	2018		2019	
	Men	**Women**	**Men**	**Women**
Senior management*	347,540	373,612	371,027	0
Directors	128,222	-	165,177	-

*The following profiles are included in Senior management: 1st level executives of the Company (Group's CEO) and managers reporting directly to the CEO (regional managers, country managers, COOs and other 1st level executives.
**The calculation of director remuneration in 2018 and 2019 takes into account the number of days that each director has been on the Board, and if they have not stayed on the Board for the entire year, the perceived remuneration has been annualized. For this calculation, only the fixed remuneration received for being a member of the Board and its executive committees has been taken into account, and not any received indemnities or other items. Currently, no Codere director receives variable remuneration.

[5] When the individuals hired by Codere are not enough to reach the minimum level established by law, the company requests the appropriate exception certificate from the government to indirectly hire, in this case, people with disabilities through Special Job Centers.

The company's average remuneration increased from 2018 to 2019 for both women and men. However, the differences detected indicate a variable gender gap, depending on the categories, as shown in the table below:

Average Remuneration by Gender and Job Category (Euros) and Pay Gap[6]

	2018				2019			
	Average remuneration men	**Average remuneration women**	**Total**	**Gender gap**	**Average remuneration men**	**Average remuneration women**	**Total**	**Gender gap**
Senior management	347,540	373,611	349,402	-7%	355,418	-	355,418	-
Managers	119,843	97,472	115,315	18%	124,458	102,365	119,887	18%
Middle managers	22,657	19,003	21,486	16%	23,915	19,288	22,316	19%
Technicians	15,712	16,976	16,033	-8%	16,567	17,425	16,790	-5%
Administrative staff	16,036	17,702	17,100	-10%	16,340	19,223	18,167	-18%
Operational staff	9,527	8,648	9,136	9%	10,015	8,920	9,528	10%
TOTAL CODERE	**14,752**	**11,618**	**13,485**	**21%**	**15,471**	**12,132**	**14,107**	**21%**

* Average remuneration was calculated based on the staff at the end of the year. It includes both fixed and variable remuneration, annualizing the amount (considering the employees' actual time at the job during the year). In addition to fixed and variable remuneration, the figure includes the benefits received by employees. Based on the average remuneration, the gender gap was calculated using the following formula: Gender gap = 1 - (average remuneration of women / average remuneration of men)

[6]Annex II of this report includes other indicators related to various areas of Human Resources, such as average remuneration broken down by gender, age, and job category.

Wellbeing at the workplace

Each country where the company is present has adopted various measures related to its employees' wellbeing at the workplace. These measures have focused on the prevention and improvement of health at the workplace, sports initiatives, nighttime transportation of employees to their homes when they end their working day later than scheduled and volunteering and work with NGOs.

Moreover, the company encourages employee unions as a way to facilitate labor relations and continuously improve its employees' working conditions. These working conditions are reflected in the collective bargaining agreements that have been signed. In most countries where Codere operates (see table), most of its employees are subject to collective bargaining agreements, whether as industry-wide agreements or specific agreements with the company.

Percentage of Employees Subject to a Collective Bargaining Agreement by Country

Country	2018	2019
Corporate[7]	100%	100%
Spain[8]	74%	76%
Argentina	83%	84%
Colombia	39%	38%
Italy	100%	100%
Mexico	36%	34%
Panama	23%	17%
Uruguay	95%	94%

Actions to support work/life balance are another key aspect of wellbeing at the workplace.

In this area, Codere organizes work shifts in order adapt it to the Company's needs and those of its employees, through initiatives designed and managed globally.[9]

[7]Employees included in the "Corporate" category correspond to the company's core services.
[8]Employees included in the "Spain" category are those who are mostly work in the business lines for "B" type machines, and the company's own bingos and gambling establishments. The percentage of employees covered by a collective agreement in this last line is less than 100%, since there is no specific agreement for the betting sector in our country, though workers' rights are guaranteed under the reference labor legislation 76% of employees who are covered by an agreement are covered by existing ones for other sectors, such as hospitality, commerce or metal, among others.
[9]Codere carries a highly complexity activity within gambling sector due to its international geographical diversification and particular circumstances of its different work centers (headquarters, branches and businesses: Racetracks, gaming machines, gaming halls, which involve a great deal of structural complexity, especially at the hall level: betting stations, bingos, slot machine rooms). Added to this are the differences that exist between the regional and autonomous community regulations governing these centers (in the case of Spain) and at the country level, since businesses are governed by different regulations depending on the countries in which they are located. Moreover, Codere Group is aware of the importance of creating a work-life balance, offering flexible hours, when the activity permits, or bringing certain services closer to work centers, to avoid employees having to travel and waste time. With these actions we try to find a balance between professional development in our activity and dedication to family life, which leads to a greater contribution of value by employees, while improving their satisfaction with the working environment and conditions.

One of the most noteworthy actions in 2019 was the implementation of the *Working Day and Shifts Policy* for companies in Spain, in accordance with legal requirements. We will continue to work on this globally in 2020. A *Teleworking Policy* is expected to be launched in Spain, Argentina and Italy, which will also include initiatives to encourage workers to disconnect from work. In order to foster wellbeing at the workplace, Panama and Colombia organise recreational and sports activities.

Codere promotes its employees' wellbeing at the workplace, which results in high employee satisfaction with their jobs and a low absence rate.[10] In 2019, the company recorded a very low absence rate (891,005 hours out of a total 28,840,749 hours worked). This figure shows a slight reduction compared to 2018, when there were 990,303 hours of absenteeism.

[10] The absence hours include: hours of unauthorised absence, absence hours because of workplace accident, with or without medical leave, and absence hours for common diseases, with or without medical leave.

07.6 Health and safety at the workplace

The company is working to implement a shared culture of safety in order to prevent any kind of accident from taking place, whether at work or outside work.

To that end, Codere organizes a range of initiatives, such as providing its employees with courses on Fire Prevention, Occupational Hazards Prevention, and First Aid, as well as other actions carried out locally:

- In **Argentina**, occupational hazard insurers (ART) give courses to employee representatives from establishments with a high rate of workplace accidents. These occupational hazard insurers provide information on preventive measures and how to respond in case of accidents or illness at work.
- In **Uruguay**, the company has a prevention expert who visits worksites and analyzes working conditions in terms of employee health and safety.
- In **Italy**, a formal committee has been formed at each worksite, which meets annually to evaluate the activities performed with regard to safety.
- In **Colombia**, there is an Employee/Employer Health and Safety Committee, which is made up of a group of people who are trained to respond to employees' needs. There is also a workplace health and safety policy that is currently in place. Through this policy, Codere Colombia has committed to guaranteeing the identification, evaluation, and control or elimination of the risks present in all of the activities conducted by the company.
- In **Mexico**, employer/employee health and safety committees have also been created.
- In **Spain**, employees have been trained on the subject and health services have been provided.
- In **Panama**, first aid brigades have been organized in all of the casinos. In 2019, two refresher trainings were held on this subject.

Psychosocial risk prevention

In 2019, **Mexico** approved regulations for the prevention of psychosocial risks at the workplace (NOM 035). By doing so, the company has met its goal of ensuring that its actions in this area comply with a public standard approved by an external, technically accredited institution. Although it is only required in Mexico, the company will use it as a basis to develop a general framework for all business units, specifying compliance with each local regulation.

Moreover, in 2019 the company was able to reduce the accident rate by 12,2% compared to the previous year.

Accident rate

	2018			2019		
	Total	**Men**	**Women**	**Total**	**Men**	**Women**
Accidents	*432*	*241*	*191*	*380*	*215*	*165*
Frequency index	*14.58*	*13.66*	*15.94*	*13.18*	*12.61*	*13.99*
Seriousness index	*11.89*	*6.99*	*4.74*	*21.42*	*46.86*	*5.57*
Confirmed occupational illnesses	*9*	*6*	*2*	*18*	*13*	*4*

* The frequency index was obtained by dividing the number of lost time injuries by the number of hours worked, multiplied by 1,000,000.
** The seriousness index was calculated as an average of the seriousness indexes existing in each of the countries in which CODERE is present. These indexes were calculated using the methodology of each country.

Contribution to the local environment

08

08.1

Introduction

Codere Group also believes in the sustainable growth of its environment and therefore fosters value creation for its stakeholders and for the protection of the environment.

For this reason, the company is in contact with groups who are influenced by our business and this helps identify their expectations regarding the organization.

This adds to Codere's contribution to generating wealth in the markets it operates in. In this area, its tax contribution to the state coffers of the countries where it operates is especially significant.

08.2
Contact mechanisms and assessment of the impact on the community

In order to achieve a smooth relationship with its stakeholders, Codere has opened different communication channels that encourage feedback and dialogue.

Through these channels we reach a balance between the business values and the stakeholders' expectations, driving the company to adapt, where possible, the policies and strategies to their concerns and needs.

Codere's stakeholders and main areas of interest regarding the company

Shareholders	Transparency and value creation.
Customers	Regulations to protect vulnerable people.
Employees	Job stability and quality of life.
Investors	Sustainable growth.
Suppliers	Employment terms. Average payment period.
Media	Management of risk groups and impact of problem gambling.
Regulators	Transparency and protection of vulnerable people.

The company, besides its communication channels with employees, shareholders, investors and other groups[11] described in other chapters herein, has also opened communication channels with external stakeholders:

- **Communication channels for customers.** Codere has a customer support service to address different types of incidents and complaints related to the service. This system is based on a procedure that establishes how to address and solve the complaints or incidents reported. This

[11] See Chapter 5: *Commitment to Investors* and Chapter 6: *Employees, the Key to Cultural Transformation*, in this report.

.

same procedure establishes the review of all complaints until finally solved if the initial solution given by the system was unsatisfactory.

Complaints are received through different channels depending on the type of customer:

- Complaints received in the retail business, in partners and facilities are mostly addressed by phone (60%) or email (40%).
- Complaints from end users of the online business are mostly received through the chat (both on the mobile APP and on desktops) and other phone and email channels that have been especially created for online customers.
- Complaints arising from bars are received through the Máquina B Call Center.

In 2019, Codere received over 23,434 complaints and requests to solve incidents through the channels mentioned above.

- **Website**. The group keeps the public abreast of the most important aspects of the business by publishing relevant events, press releases and financial statements on its website www.grupocodere.com, alongside the contact details of the local offices for users.

- **Specific channels for certain stakeholders.** The company fosters communication and dialogue with online and offline customers through the websites of its businesses in the countries it operates in, through points of sale and through customer satisfaction surveys. For the media and journalists in particular, the company has a press room on its website. The company also publishes information regarding investors.

- **Social Media** The company is active on the most relevant social media platforms as a means of encouraging dialogue with its followers and the people interested in our business.

08.3 Value creation for our stakeholders

In accordance with our *Policy for Corporate Social Responsibility*, Codere fosters fair compensation for all those contributing to the success of our business project, thus boosting the increase of wealth among our main stakeholders. During the 2019 period, the company distributed over 1,315.5 million euros between them.

Value creation for Codere's stakeholders (million euros)

	2019
Amount produced by the company	1,389.4
Amount distributed among stakeholders	**1,315.5**
Employees (wages paid)	**158.3**
Suppliers (purchases and contracting)	**378.8**
Shareholders (dividend payout)	**6.5**
Public Administrations (taxes)[12]	**703.2**
Financial entities (interests paid)	**68.8**
Amount withheld by the company (A-B)	**73.8**

08.3.01 Tax contribution

As mentioned in the previous section, the different taxes paid by Codere Group in the countries where it operates are a significant contribution to the sustainability of public expenses and, therefore, society's governance.

Subject to the OECD methodology, based on the cash criteria, Codere Group's total tax contribution in 2019 was 536 million euros, only including taxes paid, i.e. those that entail an expense for the Group.

Among all the taxes paid, the most notable tax is the gambling tax (in its various modalities) paid by Codere Group which resulted in a contribution to the tax agencies of the countries in which it operates of 413.3 million euros. In terms of profit tax paid by the company, the contribution to the tax agencies of the countries in which it operates amounted to 40.6 million euros in 2019.

In addition, Codere is subject to other real estate or corporate tax, which amount to approximately 61,4 million euros in the Group's financial results in 2019.

Additionally, it is worth highlighting that Codere pays a considerable sum for Value Added Tax (VAT) and similar indirect taxes, as gambling is exempt from indirect taxes in most of the countries it operates in, which means that it cannot deduct taxes and, therefore, recover most of the tax paid for this, which implies

[12] Regarding the relationship with Public Administrations, Codere Group did not receive any government subsidies in 2019.

a VAT cost of 20.7 million euros.

On the other hand, Codere makes other tax contributions that it collects on behalf of third parties. In particular, the company withholds taxes on wages which amount to 26.8 million euros; as well as contributions to Social Security imposed on both employee and the company, which amount to 54.3 million euros.

In addition, in 2019 Codere has collected tax withholdings on behalf of customers, as well as suppliers, for a total of 58.9 million euros. Additionally, it has collected VAT amounting to 27.3 million euros.

Other taxes in million euros (2018-2019)

Million Euros	**2018**	**2019**
Gambling tax contribution	436.9	413.3
Other taxes	65.5	61.4
Non-deductible VAT	25.7	20.7
Company Tax	44	40.6
TOTAL	**572**	**536**

Company Taxes paid by Codere Group in millions of euros (2018 - 2019)

Million Euros	**Corporate income tax or equivalent tax**		**Withholding tax**		**Other**		**Total**	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
Argentina	18.4	16.9	2.6	1.4	0.4	0.5	21.4	18.8
Mexico	14	14.8	1.6	1.4	0	0.0	15.6	16.1
Colombia	0.2	0.1	0.2	0.3	0	0.0	0.4	0.3
Spain	1.2	1.5	0.4	0	0	0.0	1.6	1.5
Italy	1.8	1.7	0	0	1.4	0.0	3.2	1.7
Panama	1.4	1.2	0.3	0.3	0	0.0	1.7	1.5
Uruguay	0.1	0.4	0	0.1	0	0.0	0.1	0.5
Israel	0	0.1	0	0	0	0.0	0.0	0.1
TOTAL	**37.1**	**36.7**	**5.1**	**3.4**	**1.8**	**0.5**	**44.0**	**40.6**

Earnings before tax by country in million euros (2018 – 2019)

Country	**2018**	**2019**
Spain	-12.9	2.6
Mexico	19.6	-11.7
Argentina	54.6	44.6
Colombia	-2.7	-5.3
Italy	4.2	-3.2
Uruguay	0.6	1.9
Brazil	-5.5	-0.7
Panama	1.9	-12.3

Main offices	-62.8	-40.6
Online	-	-8.1
TOTAL	3	-32.8

08.3.02 Contribution to the development of the local community

Likewise, Codere contributes to the development of the local communities where it operates, supporting different programmes devoted to foster education and culture and to protect vulnerable people.

These programmes are channeled through four main areas of action.

Education

Fostering education, especially among children, is one of the most important areas in the Group's activities with the communities where it is present.

In this regard, some of the most important programmes are:

- **"Edificando vidas" (Building lives) programme.** After its success in 2018, Codere Panama has renewed its comprehensive programme called "Edificando Vidas" (Building Lives) with the technical Academy for jockeys Laffit Pincay Jr. This programme for young people at risk, consists of a course to help them become jockeys whilst helping them with their personal development and with their integration in the family environment and society in a way that will ensure a positive social integration after training as jockeys. From the start, this programme has had the support and psychosocial guidance of the Fundación Dando la Milla Extra (Giving the Extra Mile Foundation) and of the Instituto Nacional de Formación Profesional y Capacitación para el Desarrollo Humano (INADEH, National Institute of Vocational Training and Skills for Human Development).

- **"Futuros Egresados" (Graduate Futures) Programme.** This activity is carried out in Uruguay and focuses on guiding pupils with a critical background to stop them from dropping out of Secondary School in state schools. So far, the programme has helped 22 students get through Secondary School.

Additionally, in 2019 we have supported other initiatives and programmes for students in other countries as a means of ensuring that the gambling industry makes progress in a responsible and sustainable way. Some of the most outstanding programmes are *"Cuando el juego no es juego"* (When gambling is not a game) in Argentina or *"Programa de juego responsable"* (Programme for responsible gambling) in Mexico.[13]

Training and employment

Codere Group's commitment to education also extends to training young people for jobs. Codere is aware that this is one of the best contributions it can make to society as a business and this is why it **creates opportunities in its local communities**.

The most remarkable initiative in this area is the training programme launched in Uruguay every year in honor of the Gran Premio José Pedro Ramírez, an emblematic horse race in Río de la Plata.

Through this programme, over 100 youths get a work placement in the company and enjoy their first work

[13] The details of these initiatives are available under the "Responsible Gambling" section.

experience after being trained for different areas in the company.

Philanthropy and development

The company's commitment to philanthropy and development is reflected in its social initiatives and fundraisers for projects that aim to cover the needs of different groups:

- **"Codere te da la mano" (Codere gives you a hand) Programme** Codere Panamá runs this initiative through the "Donate a nappy" activity where volunteers gave out 4,277 disposable nappies for hundreds of babies and toddlers living in extreme poverty in the country.

- **"Race for the cure".** Codere Italy promoted this charity event to raise funds for the fight against breast cancer by buying race kits for the employees who were taking part in the marathon.

- **MODERS Forum.** Codere Mexico sponsored this forum that aims to promote mothers as drivers of social transformation towards a more innovative and responsible Mexico.

- **"Vinculación Comunitaria" (Community bonding) Programme** Codere Argentina has developed a new programme for community bonding based on different actions aimed at bringing communities closer, like charity shopping, corporate volunteers and actions focused on environmental sustainability.

Sports

Codere carries out several actions to promote sports and improve people's quality of life and health in the communities it operates in. The most outstanding examples in 2019 are the actions led in Mexico, including:

- **Opening of the Codere Park**, a space that is open to the public for them to practice athletics.

- The **football pitch called "Los Olvidados"** (The Forgotten) was built in an underprivileged area in the city to draw the youth into the world of sports and keep them away from drugs.

For these activities, Codere works with different non-profit organizations, foundations and entities. In 2019, the company contributed a total 5,621,849 euros to these organizations.

08.4

Minimizing our environmental impact

Given the company's business, Codere does not have any liabilities, expenses, assets or provisions or contingencies of an environmental nature that may be material to the Group's equity, financial state and performance. It is not surprising that Codere's operations have no serious impact on the environment. Its impact mostly involves power and water consumption and greenhouse gas emissions and certain types of waste. Codere develops different actions to minimize the environmental impact and help achieve national and international goals set in the environmental policies.

Optimization of resources

Codere, as part of its different policies aimed at managing the impact of its business, is developing an *Energy Efficiency Plan* for its offices and sites in Spain to ensure a more sustainable use of its energy resources that will protect the environment by reducing power consumption and CO_2 emissions, thus reducing the impact on the climate change.

Through this plan, the company has implemented an automation system that shows and controls power consumption remotely to help optimize it. This system is based on a global tool that allows us to administer the use of power at each site and control the main facilities.

The company has estimated that, by implementing this plan, it can reduce up to 25% of its power consumption in three years. This is a dramatic reduction that is in sharp contrast to the expected increase of power consumption (up to 4% per year).

So far, the plan has been deployed for the business in Spain. However, we are examining the possibility of extending it to other countries, such as Mexico and Argentina.

Power and water consumption in Codere in 2018-2019 (kWh)*

	2018	2019
Power consumption (kWh)*1	197,978,987	206,642,091
Fuel consumption in (l)2	44,339	57,797
Diesel consumption in (l)	1,228,800	1,138,294
Natural gas consumption (m^3)	332,220	316,576
Water consumption (m3)*3	376,940	401,260

* Calculated according to the invoices available as of the date of the report.

*1The data do not include power consumption in Colombia and Panama for 2018 and 2019.

*2The data do not include fuel consumption from Argentina, Colombia, Italy, Panama and Uruguay for 2018 and 2019.

*3The data do not include water consumption in Colombia and Panama for 2018 and 2019. The data from Spain and Argentina for 2019 are the same as in 2018, since it is estimated that there has been little variation.

Codere has also planned other actions that will have a positive impact on the consumption of this resource. Some of these actions are those aimed at improving energy efficiency in the use of screens and machines or other actions related to means of transport, including the renewal of the Company's fleet -to adapt it to the Euro 6D regulation- or the coming launch of the mobility plan for the staff working at the Company's headquarters.

By adopting these efficiency measures we do not only reduce power consumption, we also have a positive impact on greenhouse gas emissions.

In 2019, these emissions were 192,027 tCO_2eq, mostly from power consumption.

Greenhouse gas emissions by Codere in 2018-2019 (tCo_2eq)-

	2018	2019
Scope 1	4,074	3,829
Scope 2	84,651	88,198

Waste Disposal

Codere wishes to become a global corporation with zero tolerance for plastic waste. With this in mind, it has implemented several actions in its Madrid offices and has started to expand them across the board.

One of these initiatives is to eliminate the use of plastic-bottled water in Codere's offices. To do so, water coolers have been made available in the common areas. Furthermore, the company has promoted the reduction of plastic bottles by handing out glass bottles to its employees. This initiative has entailed the reduction of plastic and has also saved money for the company.

LEED Certificate for the corporate headquarters in Spain

In 2019, Codere kept the LEED (Leadership in Energy & Environmental Design) Certificate it first obtained in 2017 under the silver category. This quality standard is granted by the US Green Building Council to energy-efficient buildings. It is the most prestigious green building standard and acknowledges the responsible use of buildings to maximize their operational efficiency and minimise their environmental impact.

09

09.1 Introduction

Having a stable supply chain is essential for Codere's business model. Suppliers do not only provide basic materials for the company's operations, they also play a key role in the business by providing technologies.

The company applies several procedures to ensure that the company-supplier relationship is managed under the appropriate efficiency, quality and responsibility standards. This way, it supports the business sustainable development and avoids risks that may arise from inappropriate behavior by its employees.

Every year, Codere upgrades its in-house tools to improve supplier management. For this reason, it renews its processes and procedures and boosts digital transformation projects.

09.2 Description of the supply chain

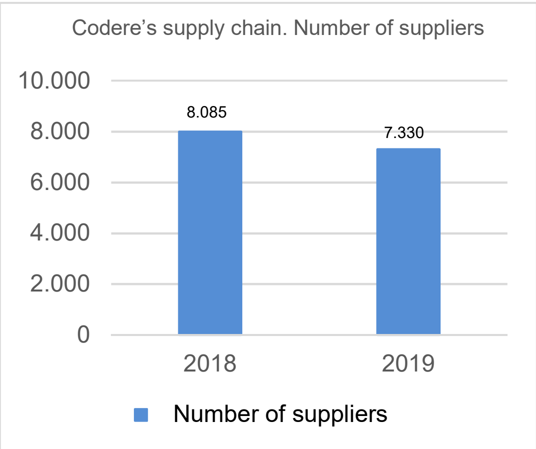
Codere's supply chain is made up of over 10,500 businesses that supply the products and services required to cover the company's different needs.

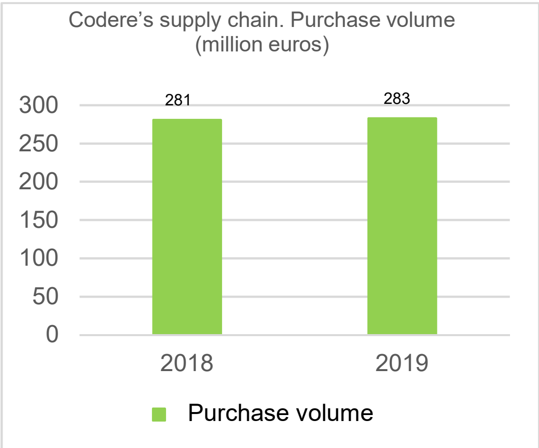
Generally, the Group's supply chain is divided into five large areas:

- **Purchase of gambling equipment**.
- **Purchases of the online business,** mostly consisting of online games and components that are critical to said games.
- **Purchase of betting equipment.**
- **Technological purchases** that include computer tools used by the employees and the contracting of maintenance and development services for the betting platform.

Supplies and other purchases, including phones, marketing, consumption, spare parts, vehicles, travels, etc.).

In total, the purchases made by Codere in its different markets amounted to 188 million euros in 2019, which is 1% more than a year earlier.





* Data for the five groups of purchases and contracting shown in the text. 2018 figures do not include data on betting equipment. The data for gambling equipment purchases do not include figures from Colombia. The data for purchases made in currencies other than the euro have been converted into euros applying the average exchange rate for each year.

09.3 Management of the supply chain

Procedure for purchases and contracting

Codere Group has a *Purchases Policy and Procedure* which lays down the principles that govern its practices in its operations and the restrictions on its expenditure and capex in suppliers. The implementation of this procedure was carried out during 2019, first in Spain and then across the board. Thanks to this guide, the company has been able to contain the business unit expenditure and capex, hence saving costs and improving the standard deployment of the procedure.

Alongside this guide and procedure, Codere's supply chain management is subject to principles and guidelines set forth in other in-house rules, including the *Code of Ethics and Conduct*, the *Anti-fraud Policy* and the *Corporate Social Responsibility Policy*.

With this, Codere Group ensures company-supplier relationships based on an ethical and responsible behavior within the legal framework. The company's global outsourcing procedure is overseen by the General Management and the Purchasing Department, and is divided into five areas:

- **Purchasing area.** This consists of the search for, selection and certification of suppliers, the certification of products and services, negotiation and contracting. This area sets the best contractual terms and conditions for the Group companies in accordance with their needs.

- **Virtual purchasing pool.** This consists of the procedure followed to certify a purchase and its development depends on the total amount of the purchase. This procedure is done virtually and takes place when the purchase order lacks a framework agreement, i.e. the supplier has not yet been certified. To launch this process, several suppliers must be proposed and then a finalist is chosen. The suppliers are accepted and certified by different profiles in the company depending on the total cost of the order.

- **Procurement area.** This area is accountable to Purchases and is in charge of launching the order, tracking it and dealing with any incidents with the suppliers.

- **Payments area.** This area is not accountable to Purchases and consists of confirming the product/service, posting the expense in the books and receiving and settling the invoices.

- **Framework Agreements.** With this kind of agreements entered into with one or more suppliers, the company can set the terms that govern the contracts that the contracting board may award to suppliers for a certain period of time.

Supplier certification

Supplier certification is part of the Purchasing area and determines whether a supplier can indeed provide their products or services. This is a comprehensive procedure that involves the company's Internal Audit area and the General Purchasing Department.

With a view to restricting business relations to entities that conduct their business in keeping with the highest standards of solvency, honorability and compliance, Codere conducts due diligence on all suppliers of goods or services for operations that equal or exceed 3,000 euros. As a result, any area that needs to engage services and/or purchase goods must send the Compliance Department the information needed to verify and certify the proposed suppliers via the Purchasing Pool.

Supplier certification is especially important in the gambling industry that is subject to such a strict regulatory framework. For instance, suppliers of gambling equipment must be registered as manufacturers/importers in the gambling registries for the relevant region and have the necessary licenses and be registered to sell this equipment. Moreover, suppliers of online games and their critical components must have a license in countries that require it. This license may be a B2B license certified by an external lab or may be purchased, to certify it as a component of Codere's gambling platform by means of a trial to include the supplier in the lab-certified platform.

Digitalized supplier management

Codere has implemented different digitalization projects for the supplier management. Some of the most notable ones are:

- **Implementation of the SAP ARIBA management platform.** This allows the company to automate the purchasing process through a comprehensive cloud-based platform. This solution entails the comprehensive management of whichever purchase, optimising all the expense categories and ensuring suppliers' compliance with regulations. This tool makes it easier to track the entire purchasing process. Also, the system tightens control over the transactions in the area as it allows the people in charge to handle, through a control panel, each purchase project, check its status and control the volume and operations in real time. During 2019, the company implemented the platform in Spain and Italy and will start its expansion to other countries in 2020.
- **Implementation of VIM (Vendor Invoice Management)** This policy has allowed us to digitalize the administrative process for accounting and payment management.

Responsibility in the supply chain

Codere's commitment to society implies strengthening its ties with local suppliers in the countries it operates in. This strategy provides the added benefit of reducing operational risk by shortening product delivery times.

Throughout 2019, the company worked with a large percentage of local suppliers in each of the aforementioned purchase categories. This percentage rose to 100% in the purchase of gambling equipment. Lastly, aware of how important it is to strengthen suppliers' solvency, Codere has optimized its average payment period. In 2019, the average payment turnover[14] was 30 days, which is below the legal maximum period of 60 days stipulated in the Spanish Act 15/2010.

[14] Data referred to Codere, S.A and its subsidiaries in Spain. This calculation is in accordance with the Spanish Act 15/2010 and the resolution of 29 January 2016 adopted by the Spanish Institute of Accounting and Audits (ICAC).

ANNEXES

Annex I. About This Report and the Materiality Matrix

This document is Codere's Integrated Report 2019 and is based on the new Global Reporting Initiative standards. By doing so, the company aims to improve the quality of the information disclosed to its stakeholders. Furthermore, through this report, the company meets the requirements foreseen in the Spanish Act 11/2018 of 28 December on non-financial information and diversity.

The information included herein refers to Codere's business during 2019 and the main impacts made by the operations on its stakeholders.

To prepare this report, we have taken into account the guidelines and principles marked by the GRI standards, including:

- **Participation of stakeholders.** The report has been prepared subject to stakeholders' expectations on Codere's performance. To do so, Company's leaders have appraised already detected expectations but we have also analyzed several publications on the industry published by other bodies where they develop the most relevant aspects for stakeholders.

- **Sustainability context.** We have assessed the impact of operations on the social, economic and environmental context that surrounds the company.

- **Materiality.** The company has studied the materiality to define the most relevant aspects for the Company. The method followed for this analysis is detailed in Annex II.

- **Thoroughness.** After identifying the material aspects for Codere, we have included information on said aspects throughout the report to allow stakeholders to appraise the Company's economic, environmental and social performance in the past years.

Furthermore, for this report we have considered the GRI principles to encourage the quality of the information:

- **Accuracy**. We have reported accurate information that allows stakeholders to evaluate the Company's performance.

- **Balance.** We have disclosed positive and negative aspects of the operations to provide an objective and comprehensive view of Codere.

- **Clarity.** The information has been laid out in an understandable, clear and accessible way for the stakeholders who will use said information.

- **Comparable data.** The information has been gathered and disclosed coherently to help stakeholders analyze it and compare it easily to the data on other organizations.

- **Reliability** We have detailed the process followed to prepare this report by gathering, collecting and registering all the information so that the contents may be verified and/or assessed externally to appraise the quality and materiality of the information.

- **Timeliness.** Every year, the contents of this report will be updated to provide stakeholders with up-to-date information.

The Annex includes a GRI Table of Contents that shows a list of the indicators reported and the pages where these are. Codere has chosen the “essential” option offered by this standard when following the GRI instructions.

Under the GRI standards, we have conducted a materiality analysis to assess the aspects that are most relevant to Codere and its stakeholders.

For this analysis, we used the list of sustainability aspects suggested in the newly published standards. We have also considered other factors that are relevant to the company and to its stakeholders and had been identified in the different sources used for the analysis.

- Meetings held with the leaders and executives of the key areas in the Company.
- Analysis of the Company’s internal documentation: policies, manuals, presentations, action plans and other relevant documents in this regard.
- Analysis of newspaper clippings with news on the Company published in 2019.
- Benchmarking of contents included in other reports from different companies in the gambling industry.
- Consideration of the main legal initiatives and policies related to sustainability and non-financial aspects, including the Spanish Act 11/2018 on non-financial information or Sustainable Development Goals.

Based on the above, we prepared a materiality matrix that shows 18 material aspects sorted as Critical, Relevant and Miscellaneous depending on their relevance to Codere and its stakeholders.

- Codere's Materiality Matrix –

The coverage of the aforementioned aspects have been sorted below by the impact they have outside and/or inside the organization as per the GRI standards.

-Coverage of material aspects-

Category	Material aspect	Coverage of the material aspect	
		Inside the organization	**Outside the organization**
Economic	Image and brand positioning		X
	Knowledge and access to customers		X
	Operational efficiency	X	
	Consolidation in strategic markets	X	
Environmental	Environmental performance		X
Social	Promotion of Responsible Gambling.		X
	Talent development and management	X	
	Organizational climate, diversity and equality	X	
	Relationship with the community and other stakeholders		X
Ethics and governance	Compliance and crime prevention	X	
	Cybersecurity and personal data protection	X	X
	Corporate Governance	X	
	Relationship with investors		X
Other	Political risk and regulatory and tax pressure	X	X
	Innovation and digitization	X	
	Reputational risk and political opinion	X	X
	Fostering the organization's culture and values	X	
	Managing the supply chain		X

Annex II: List of Human Resource Indicators

-Total amount and distribution of the different types of employment contracts by gender-

	2018		2019	
	Men	**Women**	**Men**	**Women**
PERMANENT CONTRACT	**6,699**	**4,426**	**6,845**	**4,583**
Full-time contracts	6,215	3,706	6,301	3,782
Part-time contracts	484	720	544	801
TEMPORARY CONTRACTS	**597**	**528**	**562**	**539**
Full-time contracts	511	348	480	352
Part-time contracts	86	180	82	187
TOTAL	**7,296**	**4,954**	**7,407**	**5,122**

-Total amount and distribution of the different types of employment contracts by age-

	2018				**2019**			
	< 30	**30-39**	**40-50**	**> 50**	**< 30**	**30-39**	**40-50**	**> 50**
PERMANENT CONTRACT	**3,039**	**4,441**	**2,556**	**1,089**	**3,031**	**4,419**	**2,819**	**1,159**
Full-time contracts	2,526	4,015	2,370	1,010	2,444	3,971	2,583	1,085
Part-time contracts	513	426	186	79	587	448	236	74
TEMPORARY CONTRACTS	**771**	**252**	**83**	**19**	**737**	**236**	**109**	**19**
Full-time contracts	561	215	70	13	522	207	93	10
Part-time contracts	210	37	13	6	215	29	16	9
TOTAL	**3,810**	**4,693**	**2,639**	**1,108**	**3,768**	**4,655**	**2,928**	**1,178**

- Total amount and distribution of the different types of employment contracts by job category-

	Senior management		Managers		Middle managers		Technicians		Administrative staff		Operational staff	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
PERMANENT CONTRACT	**14**	**12**	**84**	**87**	**1,932**	**1,992**	**1,649**	**1,749**	**444**	**493**	**7,002**	**7,095**
Full-time contracts	14	12	-	-	1,919	1,978	1,537	1,613	389	415	5,978	5,978
Part-time contracts	-	-	-	-	13	14	112	136	55	78	1,024	1,117
TEMPORARY CONTRACTS			-	-	**22**	**31**	**32**	**49**	**38**	**46**	**1,033**	**975**
Full-time contracts	-	-	-	-	20	29	32	45	26	37	781	721
Part-time contracts	-	-	-	-	2	2	-	4	12	9	252	254
TOTAL	**14**	**12**	**84**	**87**	**1,954**	**2,023**	**1,681**	**1,798**	**482**	**539**	**8,035**	**8,070**

- Average of types of contracts

	2018	2019
PERMANENT CONTRACTS	**11,638**	**11,224**
Full-time contracts	10,489	9,937
Part-time contracts	1,149	1,288
TEMPORARY CONTRACTS	922	1,151
Full-time contracts	805	1,024
Part-time contracts	117	127
Total general	**12,561**	**12,376**

- Average of types of contracts by gender

	2018		2019	
	Men	**Women**	**Men**	**Women**
PERMANENT CONTRACT	**6,972**	**4,666**	**6,773**	**4,450.92**
Full-time contracts	6,498	3,991	6,245	3,691
Part-time contracts	474	675	528	759
TEMPORARY CONTRACTS	**524**	**398**	**625**	**526**
Full-time contracts	467	338	570	454
Part-time contracts	57	59	55	72
TOTAL	**7,497**	**5,064**	**7,398**	**4,977**

- Average of types of contracts by age

	2018				2019			
	< 30	**30-39**	**40-50**	**> 50**	**< 30**	**30-39**	**40-50**	**> 50**
PERMANENT CONTRACT	**3,314**	**4,672**	**2,551**	**1,100**	**2,958**	**4,422**	**2,713**	**1,129**
Full-time contracts	2,824	4,270	2,374	1,020	2,419	3,976	2,489	1,051
Part-time contracts	490	402	176	79	539	446	224	77
TEMPORARY CONTRACTS	**593**	**222**	**78**	**28**	**746**	**285**	**95**	**24**
Full-time contracts	514	196	71	22	662	258	85	18
Part-time contracts	79	25	**7**	**6**	84	26	10	6
TOTAL	**3,908**	**4,895**	**2,629**	**1,128**	**3,705**	**4,708**	**2,809**	**1,154**

- Average of types of contracts by job category

	Senior management		Managers		Middle managers		Technicians		Administrative staff		Operational staff	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
PERMANENT CONTRACT	**14**	**13**	**89**	**89**	**2,036**	**1,969**	**1,711**	**1,716**	**486**	**496**	**7,303**	**6,943**
Full-time contracts	14	13	89	89	2,022	1,954	1,605	1,582	438	420	6,322	5,879
Part-time contracts	-	-	1	-	14	14	106	134	**48**	76	981	1,064
TEMPORARY CONTRACTS	**1**	**1**	**3**	-	**23**	**25**	**38**	**46**	**45**	**37**	**814**	**1,043**
Full-time contracts	1	1	3	-	21	23	37	44	32	29	713	927
Part-time contracts	-	-	-	-	2	2	2	3	13	8	101	116
TOTAL	**15**	**13.25**	**91**	**89**	**2,058**	**1,994**	**1,749**	**1,762**	**532**	**533**	**8,117**	**7,986**

-Dismissals by gender-

	2018	2019
Women	1,280	1,242
Men	1,697	1,630
TOTAL	**2,977**	**2,872**

*The number of dismissals is only factored in when forced.

- Dismissals by age -

	2018	2019
< 30	1,638	1,659
30-39	889	926
40-50	314	223
> 50	136	64
TOTAL	**2,977**	**2,872**

-Dismissals by job category-

	2018	2019
Senior management	9	1
Managers	20	4
Middle managers	389	309
Technicians	192	103
Administrative staff	91	22
Operational staff	2,276	2,433
TOTAL	**2,977**	**2,872**

-Average remuneration by age range (€)-

	2018	2019
Under 30	7,855	8,172
Between 30 and 39	12,682	13,370
Between 40 and 50	18,770	18,872
Over 50	23,654	24,126
Total general	**13,485**	**14,108**

-Average remuneration by sex (€)-

	2018	2019
Female	11,618	12,132
Male	14,753	15,471
Total general	**13,485**	**14,108**

-Average remuneration by job category (€)-

	2018	2019
Senior management	349,402	355,418
Managers	115,316	119,887
Middle managers	21,487	22,316
Technicians	16,033	16,790
Administrative staff	17,100	18,167
Operational staff	9,136	9,528
Total general	**13,485**	**14,108**

-Average remuneration by job category and gender gap 2018

	< 30				30-39				40-50				> 50			
	Men	**Women**	**Total**	**Gender gap**	**Men**	**Women**	**Total**	**Gender gap**	**Men**	**Women**	**Total**	**Gender gap**	**Men**	**Women**	**Total**	**Gender gap**
Senior management									332,094	373,611	339,014	-12%	357,193		357,193	-
Managers					101,227	57,401	88,706.00	43%	115,255	107,979	113,515	6%	129,238	88,611	123,996	31%
Middle managers	10,124	11,222	10,523	-10%	18,586	17,476	18,182	5%	27,798	23,195	26,422	16%	34,150	32,519	33,901	4%
Technicians	11,311	11,894	11,455	-5%	15,195	16,785	15,603	-10%	18,573	21,137	19,244	-13%	24,537	21,659	23,857	12%
Administrative staff	12,521	11,567	12,030	7,6%	17,482	17,216	17,315	1%	19,571	20,279	20,082	-3%	17,161	22,395	21,145	-30%
Operational staff	6,928	6,900	6,914	0,4%	10,033	9,935	9,985	0,9%	11,177	9,696	10,609	13%	13,460	8,586	12,136	36%
TOTAL	**8,004**	**7,664**	**7,855**		**13,146**	**12,084**	**12,683**		**20,174**	**16,245**	**18,770**		**26,540**	**15,830**	**23,654**	

-Average remuneration by job category and gender gap 2019

	< 30				30-39				40-50				> 50			
	Men	**Women**	**Total**	**Gender gap**	**Men**	**Women**	**Total**	**Gender gap**	**Men**	**Women**	**Total**	**Gender gap**	**Men**	**Women**	**Total**	**Gender gap**
Senior management									343,597		343,59	-	361,328		361,328	-
Managers					109,659	101,434	108,394	7%	117,265	104,433	113,558	10%	139,570	94,025	134,859	32%
Middle managers	10,305	10,877	10,542	-5%	19,943	17,962	19,158	10%	28,729	23,440	27,027	18%	34,689	35,588	34,822	-2%
Technicians	12,418	12,445	12,426	-0.2%	16,264	17,603	16,607	-8%	18,475	21,626	19,243	-17%	24,919	22,145	24,230	11%
Administrative staff	11,274	12,499	11,855	-11%	18,242	18,898	18,663	-3%	20,451	21,807	21,418	-6%	19,698	22,550	21,818	-14%
Operational staff	7,069	7,043	7,057	0,3%	10,364	10,117	10,243	2%	12,155	10,063	11,334	17%	13,724	9,443	12,549	31%
TOTAL	**8,330**	**7,974**	**8,172**		**13,993**	**12,578**	**13,370**		**20,311**	**16,401**	**18,872**		**26,922**	**16,597**	**24,126**	

Annex III: Table of contents related to the requirements of Act 11/2018

This report covers the requirements set forth in the Spanish Act 11/2018 of 28 December on non-financial information and diversity as specified in the following Table of Contents.

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Description of the Group's business model		
Business environment Organization and structure Markets where it operates Targets and strategies Main factors and trends that could affect its future evolution	102-1 102-2 102-3 102-4 102-6 102-7 102-14	4, 5, 7, 11, 12, 13, 16, 18, 19, 20, 22
Description of policies applied by the Group for these matters		
Due diligence procedures applied to identify, assess, prevent and minimize risks and material impacts and to check and control them. Measures adopted	103	44, 51, 52
Results of these policies		
Key indicators of relevant non-financial results that allow the follow-up and assessment of the progress and help compare companies and industries under the Spanish, European and international frameworks of reference used for each topic.		8
Main risks related to these matters linked to the Group's operations		
When appropriate and proportionate, the company's commercial relationships, products or services that may have a negative impact on those areas and how the group manages such risks, explaining the procedures used to detect and assess them under the Spanish, European and international frameworks of reference used for each topic. Information on the impacts detected, giving an itemized list, especially with the main short-, medium- and long-term risks.	102-15 205-1 413-1 407-1 408-1 409-1	53, 54
Key indicators of non-financial results that are relevant to the specific business operations and meet the comparability, materiality, relevance and accuracy criteria.	102-54	8
I. Information on environmental matters		
Detailed information on the current and expected impact of the business operations on the environment and, if any, on health and safety. The procedures used for environmental assessments or certifications. The resources used for environmental risk prevention. The application of the precaution principle. The amount of provisions and guarantees for environmental risks. And specifically:	102-11 201-2 308-1 308-2	93, 94, 95
- Pollution:		
Measures to prevent, reduce or repair carbon emissions that could seriously impact the environment, taking into account any kind of atmosphere pollution from a specific operation.	305-5 305-6 305-7	93, 94
Including noise and light pollution	According to the materiality analysis, this topic is not material for the company's business model.	
- Circular economy and waste prevention and management:		
Actions to prevent, recycle and reuse waste or other methods for waste recovery or disposal.	301-2 301-3 306-2	95
Actions to fight food waste.		According to the materiality analysis, this topic is not material for the company's business model.
- Sustainable use of resources:		
Water consumption and water supply according to local restrictions.	303-1 303-2 303-3 301-1 301-2	Codere did not carry out any specific actions in this area in 2019.

Consumption of raw materials and measures adopted to improve their efficiency.	302-1 302-2 302-3 302-4 302-5	According to the materiality analysis, this topic is not material for the company's business model.
Power consumption, direct and indirect.		94
Measures taken to improve energy efficiency and use of renewable energy sources.		93, 94
- Climate change:		
Important elements of greenhouse gas emissions produced by the company's business, including the use of goods and services that produce them.	305-1 305-2 305-3 305-4 305-5 201-2 305-5	94
Measures adopted to adjust to the consequences of the climate change.		Codere has not adopted any measures in this area.
Targets to reduce greenhouse gas emissions set voluntarily for the medium to long term and the means of achieving it.		Codere has not set any targets to reduce greenhouse gas emissions.
- Protection of biodiversity:		
Measures taken to preserve or restore biodiversity.	304-3 306-5 304-1 304-2	According to the materiality analysis, this topic is not material for the company's business model.
Impact caused by the business or operations in protected areas.		
II. Information on social matters and related to the staff		
- Employment:		
Total amount and distribution of employees by gender, age, country and job category.	102-8 405-1	68, 69, 70, 106, 107
Total amount and distribution of the different types of employment contracts.		
Yearly average of permanent contracts, temporary contracts and part-time contracts by gender, age and job category.		
Number of dismissals by gender, age and job category.	103	107, 108
Average remuneration and its evolution by gender, age and job category or same value.	103	80, 108, 109
Pay gap	405-2	80, 108,109
Average remuneration of directors and executives, including variable remuneration, allowances, compensation, payments to long-term savings schemes and any other wages sorted by gender.	102-35 102-36 102-38 102-39	79
Implementation of policies to disconnect from work.	103	81, 82
Employees with disabilities	405-1	79
- Organization of work:		
Organization of working hours.	103	81
Number of absence hours.	403-2	82
Measures to help enjoy work-life balance and encourage both parents to pursue this.	103	81, 82
- Health and safety:		
Health and safety conditions at the workplace.	103	83, 84
Work accidents, in particular, their frequency and seriousness sorted by gender.	403-2	84
Occupational illnesses sorted by gender.	403-3	84
- Social relations:		
Organization of social dialogue, including procedures to inform and consult the staff and bargain with them.	407-1	78
Percentage of employees covered by a collective bargaining agreement by country.	102-41	81
Result of collective bargaining agreements, especially in health and safety at the workplace.	403-4	81
- Training		
Policies implemented for training.	103	71, 72, 73, 74
Total training hours by job category.	404-1	71
- Universal design for persons with disabilities.	103	Codere buildings meet the standards required in each country regarding access

		for persons with disabilities.
- Equality:		
Measures taken to promote equal opportunities and treatment between women and men.	405	78
Equality plans (Chapter III of the Spanish Organic Act 3/2007 of 22 March for effective gender equality).	405	78
Protocols against sexual harassment sorted by gender.	405	78, 79
Measures taken to promote employment, integration and universal design for persons with disabilities.	405	78, 79. Codere buildings meet the standards required in each country regarding access for persons with disabilities.
Policy against all types of discrimination and, if any, policy for diversity.	405	78, 79
III. Information on the observation of human rights:		
Implementation of due diligence procedures for human rights.	102-16 102-17 412-3 412-2 410-1 412-1	43, 44
Prevention of human right violations and, if any, measures to mitigate, manage and remedy said violations.	412	43, 44
Claims against human right violations.	406-1	46
Promotion and compliance with the provisions of the basic conventions of the International Labor Organization related to respecting freedom of association and the right to collective bargaining; the elimination of discrimination at the workplace; the elimination of forced or compulsory labor; and the effective abolition of child labor.	407-1 406-1 409-1 408-1	43
IV. Information related to the fight against corruption and bribery:		
Measures taken to prevent corruption and bribery.	102-16 102-17 205-1 205-2 205-3	29, 30, 43, 44, 45, 99
Anti-money laundering measures.	205-2	38, 43, 47, 72
Contributions to non-profit foundations and organizations.	103	8, 92
V. Information about the company:		
- Company's commitment to sustainable development:		
Impact of the company's business on employment and local development.	203-1 203-2 413-1	89, 91, 92
Impact of the company's business on local villages/towns and the territory.	203-1 203-2 411-1 413-1 413-2	According to the performed materiality analysis, this matter is not material to the company's business model.
Relationships with local community players and types of dialogue with them.	102-43 413-1	87, 88
Actions towards associations or sponsorships.	102-12 102-13	11, 91, 92
- Subcontracting and suppliers:		
Addition of social matters, gender equality and environmental topics to the purchasing policy.	102-9 308-1 414-1	So far, Codere's purchasing policy does not include this type of criteria apart from compliance with the minimum parameters stipulated by law.
Consideration of your social and environmental responsibility in relationships with suppliers and subcontractors.	414-1 414-2	So far, Codere's purchasing policy does not include this type of criteria apart from compliance

Back to the Table of Contents

		with the minimum parameters stipulated by law.
Supervision systems and audits and their outcomes.	414-1 414-2	Codere carries out external audits on some of its suppliers. These audits focus on financial aspects.
- Consumers:		
Measures for the health and safety of consumers.	416-1	23, 24, 25, 26, 27, 28, 29, 30 and 31
Systems for claims, complaints and their management.	416-2	87, 88
- Tax information:		
Profits gained by country.	201	90, 91
Profit tax paid.	201	90
Public subsidies received.	201-4	In 2019, the Codere Group has not received any government subsidies.