

## **CODERE, S.A.**

Audit Report, Consolidated Annual Accounts and  
Consolidated Directors' Report for  
the year ended 31 December 2009

(Free translation from the original issued in Spanish.  
In case of discrepancy, the Spanish version prevails)

## AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the shareholders of Codere, S.A.

We have audited the consolidated annual accounts of Codere, S.A. (parent company) and subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the parent company. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain, which require the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

In accordance with Spanish Corporate Law, the parent company's Directors have presented, for comparative purposes only, for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash-flow statement and consolidated notes to the accounts, the corresponding amounts for the previous year as well as the amounts for 2009. Our opinion refers solely to the 2009 consolidated annual accounts. On 26 February 2009 other auditors issued their audit report on the 2008 consolidated annual accounts in which they expressed an unqualified opinion.

In our opinion, the accompanying consolidated annual accounts for 2009 present fairly, in all material respects, the consolidated financial position of Codere, S.A. and its subsidiaries at 31 December 2009 and the consolidated results of their operations, changes in consolidated equity and consolidated cash flows for the year then ended and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards adopted by the European Union which are consistent with those applied in the previous year.

The accompanying consolidated Directors' Report for 2009 contains the information that the parent company's Directors consider relevant to the position of Codere, S.A. and subsidiaries, the development of the business and other matters and does not form an integral part of the consolidated financial statements. We have verified that the financial information contained in the aforementioned consolidated Directors' Report coincides with that of the consolidated financial statements for 2009. Our work as auditors is limited to checking the consolidated Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the accounting records of Codere, S.A. and subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Antonio Vázquez  
Audit Partner

26 February 2010

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**CODERE, S.A. AND DEPENDENT SOCIETIES**  
**Consolidated Balance Sheet at December 31, 2009 and 2008**  
**(Thousands of euros)**

<u>ASSETS</u>	<u>Note</u>	<u>12.31.2009</u>	<u>12.31.2008</u>
<b>Non-current assets</b>		<b>922,620</b>	<b>943,260</b>
Intangible assets	5	201,354	184,271
Intangible assets and rights		272,723	243,127
Depreciation and Provisions		(71,369)	(58,856)
Tangible fixed assets	6	353,256	373,788
Slot machines		223,401	213,292
Land and buildings		181,099	168,785
Leasehold improvements		84,142	75,049
Technical installations and machinery		41,299	39,215
Other tangible fixed assets		107,250	107,208
Depreciation and Provisions		(283,935)	(229,761)
Goodwill	10	263,149	269,707
Long term financial investments	8	67,711	85,819
Loans and receivables		58,373	75,254
Available for sale financial assets		-	703
Held to maturity investments		8,385	9,862
Other financial assets		953	-
Deferred tax assets	9	37,025	28,968
Other deferred assets		125	707
<b>Current assets</b>		<b>276,418</b>	<b>277,471</b>
Inventories	12	9,457	13,174
Accounts receivable	13	145,716	142,071
Trade receivables		75,795	48,412
Income tax assets		4,116	3,986
Other accounts receivable		65,805	89,673
Short term financial investments	14	25,862	34,009
Held to maturity investments		1,218	235
Other loans and investments		24,644	33,774
Other short term investments		5,178	4,925
Cash and cash equivalents	20	90,205	83,292
<b>TOTAL ASSETS</b>		<b>1,199,038</b>	<b>1,220,731</b>

The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

**CODERE, S.A. AND DEPENDENT SOCIETIES**  
**Consolidated Balance Sheet at December 31, 2009 and 2008**  
**(Thousands of euros)**

<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>	<u>Note</u>	<u>12.31.2009</u>	<u>12.31.2008</u>
<b>Shareholders' equity attributable to equity holders of the parent</b>	15	<b>41,845</b>	<b>54,272</b>
Share capital		11,007	11,007
Additional paid-in capital		231,280	231,280
Retained earnings		(117,031)	(86,463)
Revaluation reserves		4,879	4,987
Translation differences		(107,373)	(95,969)
Profit/(Loss) for the year attributable to equity holders of the parent		19,083	(10,570)
<b>Minority interests</b>	15	<b>19,624</b>	<b>20,663</b>
<b>Total Shareholders' equity</b>		<b>61,469</b>	<b>74,935</b>
<b>Non-current liabilities</b>		<b>875,668</b>	<b>840,516</b>
Deferred revenues		784	1,043
Provisions	16	31,158	41,900
Long-term debt	17	843,726	797,573
Payable to credit entities		68,475	47,341
Deferred tax liabilities	9	32,659	29,718
Issued senior notes		657,766	656,727
Other accounts payable		84,826	63,787
<b>Current liabilities</b>		<b>261,901</b>	<b>305,280</b>
Trade accounts payable	17	88,195	89,276
Bonds and other marketable securities		3,604	3,319
Payable to credit entities	17	20,294	53,719
Other non-trade payables	17	132,931	129,145
Income tax liabilities	17	12,958	23,056
Accrual accounts and others		3,919	6,765
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,199,038</b>	<b>1,220,731</b>

The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

**CODERE, S.A. AND DEPENDENT SOCIETIES**  
**Consolidated Income Statement for the years 2009 and 2008**  
**(Thousands of euros)**

	<b>Note</b>	<b>12.31.2009</b>	<b>12.31.2008</b>
Operating revenues	3	967,925	1,050,024
Net revenues from gaming activities		952,178	1,026,732
Other revenues		15,747	23,292
Operating expenses	3	(847,001)	(944,508)
Materials used and other external expenses		(71,406)	(92,135)
Personnel expenses		(174,918)	(175,707)
Depreciation and amortization		(92,798)	(92,612)
Variation in operating provisions		(3,353)	(2,267)
Other operating expenses		(490,551)	(549,062)
Impairment of assets		(13,975)	(32,725)
Gains or losses on asset disposals		(4,730)	1,541
<b>CONSOLIDATED OPERATING PROFIT</b>	<b>3</b>	<b>116,194</b>	<b>107,057</b>
Financial revenues		7,723	10,829
Other interest and similar		7,643	10,618
Revenues from marketable securities and non-current loans		80	211
Financial expenses		(76,159)	(77,235)
Financial expenses on debts and similar expenses		(76,159)	(77,235)
Exchange gains (losses), net		10,040	11,461
<b>CONSOLIDATED INCOME/(LOSS) BEFORE TAXES</b>	<b>3</b>	<b>57,798</b>	<b>52,112</b>
Corporate income tax	18	(36,681)	(46,816)
<b>CONSOLIDATED PROFIT/LOSS FOR THE YEAR OF CONTINUING</b>	<b>3</b>	<b>21,117</b>	<b>5,296</b>
Profit/(loss) of discontinued operations	22	-	(9,496)
<b>CONSOLIDATED PROFIT/(LOSS)</b>		<b>21,117</b>	<b>(4,200)</b>
Attributable to:			
Minority interests		2,034	6,370
Equity holders of the parent		19,083	(10,570)
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>		<b>21,117</b>	<b>(4,200)</b>
<b>Basic and diluted Profit (Loss) per share (in euros)</b>	<b>21</b>	<b>0.38</b>	<b>(0.08)</b>
<b>Basic and diluted Profit (Loss) per share attributable to equity holders of the parent (in euros)</b>		<b>0.35</b>	<b>(0.19)</b>
<b>Basic and diluted Profit/Loss per share from continuing operations attributable to equity holders of the parent (in euros)</b>		<b>0.35</b>	<b>(0.02)</b>

The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

**CODERE, S.A. AND DEPENDENT SOCIETIES****Consolidated Statement of Comprehensive income for the years 2009 and 2008 (Income and expensed recognised in Equity) (Thousands of euros)**

	<b>2009</b>	<b>2008</b>
<b>Consolidated Profit/Loss for the year</b>	<b>21,117</b>	<b>(4,200)</b>
Hedging (Note 21.d)	(15,970)	11,507
Translation differences	(11,687)	(56,969)
<b>Other Consolidated comprehensive income</b>	<b>(27,657)</b>	<b>(45,462)</b>
<b>Total Comprehensive income for the year</b>	<b>(6,540)</b>	<b>(49,662)</b>
Attributable to Equity holders of the parent	(8,291)	(55,972)
Attributable to Minority Interests	1,751	6,310

The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

**CODERE, S.A. AND DEPENDENT SOCIETIES**  
**Consolidated Statement of Changes in Equity for the year ended December 31, 2009**  
**(Thousands of euros)**

	Share Capital	Additional paid-in capital	Retained earnings	Revaluation reserves	Translation differences	Results attributable to the equity holders of the parent	Shareholders' equity	Minority interest	Total Shareholders' equity
Balance at 01.01.09	11,007	231,280	(86,463)	4,987	(95,969)	(10,570)	54,272	20,663	74,935
Consolidated Profit / (Loss) for the year	-	-	-	-	-	19,083	19,083	2,034	21,117
Other consolidated comprehensive income for the year	-	-	(15,970)	-	(11,404)	-	(27,374)	(283)	(27,657)
Total Consolidate Comprehensive income	-	-	(15,970)	-	(11,404)	19,083	(8,291)	1,751	(6,540)
Provision for put options (Note 16)	-	-	194	-	-	-	194	-	194
Reversion tax effect of capital issuance costs 2007 (Note 9)	-	-	(3,731)	-	-	-	(3,731)	-	(3,731)
Reversion of Revaluation Reserves	-	-	108	(108)	-	-	-	-	-
Reserves of treasury shares (Note 15)	-	-	(13)	-	-	-	(13)	-	(13)
Acquisitions of minority interests (Note 4)	-	-	(586)	-	-	-	(586)	(470)	(1,056)
Dividends paid	-	-	-	-	-	-	-	(2,320)	(2,320)
Transfer of results to retained earnings	-	-	(10,570)	-	-	10,570	-	-	-
Total variation in equity	-	-	(14,598)	(108)	-	10,570	(4,136)	(2,790)	(6,926)
Balance at 12.31.09	11,007	231,280	(117,031)	4,879	(107,373)	19,083	41,845	19,624	61,469

The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

**CODERE, S.A. AND DEPENDENT SOCIETIES**
**Consolidated Statement of Changes in Equity for the year ended December 31, 2008 (Thousands of euros)**

	Share Capital	Additional paid-in capital	Retained earnings	Revaluation reserves	Translation differences	Results attributable to the equity holders of the parent	Shareholders' equity	Minority interest	Total Shareholders' equity
Balance at 01.01.08	11,007	231,280	(66,428)	5,080	(39,060)	(9,927)	131,952	25,551	157,503
Consolidated Profit / (Loss) for the year	-	-	-	-	-	(10,570)	(10,570)	6,370	(4,200)
Other consolidated comprehensive income for the year	-	-	11,507	-	(56,909)	-	(45,402)	(60)	(45,462)
Total Consolidate Comprehensive income	-	-	11,507	-	(56,909)	(10,570)	(55,972)	6,310	(49,662)
Provision for put options (Note 16)	-	-	(1,842)	-	-	-	(1,842)	-	(1,842)
Reversion provisions of capital issuance costs 2007	-	-	369	-	-	-	369	-	369
Reversion of Revaluation Reserves	-	-	93	(93)	-	-	-	-	-
Acquisitions of minority interests (Note 4)	-	-	(20,235)	-	-	-	(20,235)	(5,819)	(26,054)
Dividends paid	-	-	-	-	-	-	-	(5,379)	(5,379)
Transfer of results to retained earnings	-	-	(9,927)	-	-	9,927	-	-	-
Total variation in equity	-	-	(31,542)	(93)	-	9,927	(21,708)	(11,198)	(32,906)
Balance at 12.31.08	11,007	231,280	(86,463)	4,987	(95,969)	(10,570)	54,272	20,663	74,935

The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.

**CODERE, S.A. AND DEPENDENT SOCIETIES**  
**Consolidated Cash Flow Statement**  
(Thousands of euros)

	Note	2009	2008
Operating profit		116,194	107,057
Expenses that do not represent cash movements:			
Depreciation and amortization		92,798	92,612
Impairment of assets	11	13,975	32,725
Other operating expenses		17,636	26,353
Income that does not represent cash movements		(1,762)	(17,160)
Changes in working capital from operating activities		(21,205)	8,044
Corporate income tax		(44,781)	(54,820)
	20.e)	<u>172,855</u>	<u>194,811</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>			
Capital expenditures		(101,554)	(120,359)
Long term loans		15,954	4,400
Investments		(832)	(25,334)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	20.e)	<u>(86,432)</u>	<u>(141,293)</u>
Changes in financial debt		(47,713)	18,482
Changes in other bank loans		33,801	(9,317)
Dividends		(1,475)	(5,280)
Changes in other financial debt		5,950	6,510
Net investment in treasury shares		(14)	-
Interest income		1,781	5,473
Interest expense		(68,421)	(69,505)
Net cash effecto of exchange rate changes		(1,482)	(3,053)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	20.e)	<u>(77,573)</u>	<u>(56,690)</u>
<b>EFFECT OF CHANGES IN EXCHANGE RATES</b>		<u>(1,937)</u>	<u>(4,787)</u>
<b>NET CHANGE IN CASH POSITION</b>		<u>6,913</u>	<u>(7,959)</u>
Reconciliation			
Cash and cash equivalents at beginning of period		83,292	91,251
Cash and cash equivalents at end of period		<u>90,205</u>	<u>83,292</u>
Cash flow variation	20.e)	6,913	(7,959)

There join additional separations of the amounts of this picture in the Note 20.e)

The accompanying Notes are an integral part of these IFRS-EU Annual Accounts.



## **CODERE, S.A. AND DEPENDENT SOCIETIES**

Report on the 2009 Financial Year

### **1. DESCRIPTION OF THE CONSOLIDATED GROUP**

The Codere Group is headed by Codere, S.A., with registered offices at December 31, 2009 at Avenida de Bruselas, 26 Alcobendas, Madrid (Spain), and it was incorporated in July 28, 1998, as a result of the total spin-off of the former Codere. At this time, Codere became the managing company of the assets allocated to certain gaming activities.

Codere, S.A. and its dependent companies (“Codere Group” or “the Group”) are mainly engaged in business activities in the private gaming industry, consisting primarily of the operation of amusement and slot machines, sports betting, bingo halls, casinos and racetracks in Spain, Italy and Latin America.

Pursuant to Article 2 of its bylaws: “The Company’s corporate purpose is as follows:

- a) Investment and reinvestment activities in real estate, hospitality, amusement and slot machines, casinos, bingo halls and other lawful gaming activities; the use of its funds to acquire ownership interests in Spanish and foreign corporations with the same or a similar corporate purpose; and the coordination of the provision of legal, tax and financial advisory services.
- b) The subscription, derivative acquisition, ownership, operation, management and sale of marketable securities and shareholdings, excluding those subject to specific legislation.

The Company may carry on its business activities directly or through ownership interests in other entities with a similar corporate purpose, provided that the legal requirements for carrying on the business activity in question “are met”.

For the purposes of the present consolidated annual accounts, the Parent Company’s subsidiaries are listed in Exhibit I.

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATION PRINCIPLES

### a) Basis preparation and comparison

The Directors of the Parent Company have prepared the accompanying Consolidated Annual Accounts in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU).

Until the financial year 2005, the Group's annual accounts were prepared according to Spanish GAAP. As from January 1, 2006 the Codere Group has prepared its consolidated annual accounts under International Financial Accounting Standards (IFRS-EU). However, these annual accounts cannot be considered as first-time adoption of IFRS-EU since the consolidated financial statements for 2004 and 2005 prepared under these standards were released for various purposes.

The Codere Group has adopted the latest version of all the applicable standards issued by the Regulation Commission (hereinafter IFRS-EU) that may be mandatory.

According to IAS 1 requirements, information in these 2009 consolidated financial statements is presented comparatively with the information of 2008 and consequently it does not constitute 2008 consolidated financial statements by itself.

As it is required by the IFRS-UE, these 2009 consolidated financial statements contain figures of the previous period for comparison purposes. Owing to the fact that IAS 1 (revised) has been adopted during this fiscal year, "Presentation of financial statements", the name and format of financial statements have been modified compared to 2008 consolidated financial statements.

### Comparability

For more transparency and detail, results derived from gains or losses on asset disposals have been reclassified as a separate line, showing net incomes and expenses for these concepts. During 2008, those figures were included in "other revenue" and "other operating expenses", respectively:

<b>Consolidated Income Statement</b>	Thousands of euros	
	Debit	Credit
Other revenues	4,302	-
Other operating expenses	-	(2,761)
Gains or losses on assest disposals	-	(1,541)
Total	<b>4,302</b>	<b>(4,302)</b>

Two new lines have been added to the balance sheet:

- Other non-trade payables: It includes the new line income tax liabilities amounting to 23,056 thousand euros (12,860 thousand euros in 2008)
- Other accounts receivable: It includes the new line income tax assets amounting to 3,986 thousand euros (4,183 thousand euros in 2008)

b) Accounting policies

The present consolidated annual accounts, drawn up in accordance with IFRS-EU, are presented in thousands of euros, rounded to the nearest thousand, except where otherwise indicated.

The IFRS-UE Consolidated Annual Accounts are made up of the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes. They are prepared on the historical cost basis except for financial instruments held for trading that have been measured at fair value and the land and buildings, which are reflected at their historical cost value taking as the historical cost the revalued value up to the fair value at the time of first application of IFRS-UE.

The accounting policies adopted in the preparation of the consolidated annual accounts for the financial year closed on December 31, 2009, are consistent with those used in the preparation of the consolidated annual accounts for the financial year closed on December 31, 2008, and have been uniformly applied by all the companies in the Group.

*b.1) New standards, amendments and interpretations*

Standards, amendments and interpretations applicable with effective date during financial year 2009 are the following:

Standards, amendments and interpretation applicable in 2009		Effective for annual periods beginning on
IFRS 2 (amendment)	Share-based payments	1st January 2009
IFRS 7 (amendment)	Financial Instruments: Disclosures	1st January 2009
IFRS 8	Operating Segment	1st January 2009
IAS 1 (revised)	Presentation of Financial Statements	1st January 2009
IAS 23 (amendment)	Borrowing Costs	1st January 2009
IAS 32 (amendment)	Financial Instruments: Presentation	1st January 2009
IFRS 1 (amendment)	First-time adoption of IFRS	1st January 2009
IAS 27	Consolidated and separate financial statements	1st January 2009
IFRIC 14	“IAS 19 –The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”	1st January 2009
IFRIC 9 (amendment)	Reassessment of Embedded Derivatives	30th June 2009
IFRIC 13	Customer Loyalty Programmes	1st July 2008
Improvement project published by IASB in May 2008, which affects the following standards and interpretations:		
IAS 1 (amendment)	Presentation of Financial Statements	1st January 2009
IAS 19 (amendment)	Employee benefits	1st January 2009
IAS 23 (amendment)	Borrowing Costs	1st January 2009
IAS 28 (amendment)	Investment in Associates	1st January 2009
IAS 36 (amendment)	Impairment of Assets	1st January 2009
IAS 38 (amendment)	Intangible Assets	1st January 2009
IAS 39 (amendment)	Financial Instruments: Recognition and Measurement	1st January 2009

Directors consider the adoption of these new standards has not had a significant impact in the equity and financial position of the Group, in its income statements and its requirements to disclosure information.

In addition, the following standards and interpretations have been issued and are going to come into force shortly but have not yet been adopted by the Group:

Standards, amendments and interpretations which are not yet applicable and the Group has not adopted them in advance		Effective for annual periods beginning on
IFRIC 12	Service Concession Arrangements	1st January 2010
IFRIC 17	Distribution of Non-cash Assets to Owners	1st July 2009
IAS 27 (revised)	Consolidated and separate financial statements	1st July 2009
IFRIC 18	Transfers of Assets from Customers	1st July 2009
IFRS 3 (revised)	Business Combinations	1st July 2009
IFRS 5 (amendment)	Non-current assets held for sale and discontinued operations	1st July 2009
NIC 32 (amendment)	Classification of Rights Issues	1st February 2010
NIC 39 (amendment)	Hedging using internal contracts	1st July 2009

IASB has issued IFRS 9 instruments as well as an improvement project for several standards in 2009. They are pending to be adopted by EU and they are being evaluated by the company management.

The directors do not consider that the adoption of these new standards will have any significant impact on the consolidated annual accounts of the Group.

#### *b.2) Intangible assets*

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

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

The installation of exclusivity rights are capitalized at acquisition cost and amortized over the term of the related contract, which generally ranges from three to ten years.

The Gaming Licences are paid off for the period of the concession associated therewith. Likewise, the only intangible asset that the Group has with an indefinite lifetime are the non-redeemable installation rights and the brands, which are not amortized, amounting 14,934 and 9,103 as of 31<sup>st</sup> December 2009 and 8,930 and 14,686 as of 31<sup>st</sup> December 2009 respectively.

For those intangible assets having finite useful lives, amortization is charged to the consolidated income statement on a straight-line basis over the relevant estimated useful life. The intangible assets are amortized from the date they are available for use. The amortization rates applied are as follows:

	Annual Depreciation Rate
Computer software	20%
Installation rights	10% - 33%
Gaming licences	2,5%-6,6%
Leasehold assignment rights	10% - 20%
Clients' portfolio	4,5%

### *b.3) Tangible fixed assets*

Tangible fixed assets are carried at cost. Nevertheless, at the first time adoption of IFRS-EU, the Group adopted the decision to revalue land and buildings, using this fair value as cost at that moment.

This revaluation of such land and buildings is recognized directly in equity. A decrease in carrying amount arising on the revaluation of such land and buildings is first charged as an expense in the consolidated income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Leases under terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent expenditure on tangible fixed assets is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expended as incurred.

Non-removable installations in bingo halls and casinos are depreciated over the shorter of the term of the related lease contracts or the depreciation period used for such assets.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each component of the tangible fixed assets. The elements are depreciated from the date they are available for use. Land is not depreciated. The depreciation rates applied are as follows:

	Annual Depreciation Rate
Slot machines	10% - 40%
Amusement machines	10% - 40%
Other installations, tools and furnitures	7% - 30%
Information processing hardware	10% - 30%
Transport equipment	10% - 30%
Buildings	2% - 3%
Leasehold improvements	10% - 30%
Technical installations and machinery	7% - 30%

Financial expenses related to loans directly attributable to acquisition, construction or production of tangible assets, in the terms and conditions included in the revised IAS 23, are recorded as part of the cost of that asset. There are not asset acquired of this category in 2009.

Standards related to the impairment of assets are explained in note 2.b.7.)

#### *b.4) Goodwill*

All business combinations are accounted for by applying the purchase method of accounting. Goodwill represents the difference between the acquisition cost and the fair value of the net identifiable assets acquired and liabilities assumed.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment. The goodwill is assigned to the Group's cash generating units which coincide, in general, with the operative segments, which correspond to geographical areas (except the division for activities in Spain and Italy), as the cash generating units which make up the lines of activity (slot machines, bingo and casinos), do not provide sufficiently detailed information

for individual analysis, since normally several different kinds of operations coincide in the same location; for example, slot machines may be installed in bingo halls and casinos (Note 3).

Nevertheless, and given the market characteristics of the Codere Group in Italy (Note 10), the Management of the Group has opted to modify, in the 2007 financial year, its system of management for operations in that country, starting to assign the goodwill to the following groups of cash generating units: indirectly operated slot machines (business in which Codere has a part, but without being involved in the operation), and bingos.

#### *b.5) Financial investments*

Financial investments classified as held for trading are stated at fair value, with any resultant loss or gain recognized in the consolidated income statement. The fair value is their quoted price at the consolidated balance sheet date.

Loans, receivables and financial investments where the Group has the positive intent and ability to hold to maturity, are stated at amortized cost less impairment losses.

Other financial investments held by the Group are classified as available-for-sale and are stated at fair value, less all necessary sale expenses, with any resultant gain or loss being recognized directly in equity. When these investments are sold, the cumulative gain or loss previously recognized directly in equity is then recognized in the income statement.

If an available-for-sale investment does not have a quoted market price in an active market and other methods of determining fair value do not result in a reasonable estimate, the investment is measured at cost less impairment losses.

In the consolidated balance sheet, loans and accounts receivable maturing in under 12 months from the balance sheet date are classified as current and those maturing over 12 months from the balance sheet date as non-current. The Group records provisions for impairment on loans and accounts receivable when there are circumstances that reasonably permit them to be classified as doubtful

Acquisitions and other dispositions of usual financial assets are recognised on the date of the negotiation which corresponds to the date when the Group arranges to acquire or sell an asset.

Information regarding derivative financial instruments is detailed in the note b.21.



#### *b.6) Inventories*

Inventories mainly include bingo cards and bars and restaurants inventories. Inventories are stated at the lower of acquisition cost or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

#### *b.7) Impairment*

##### *b.7.1) Impairment of tangible and intangible assets*

At each end of year the presence or otherwise of indications of possible impairment of the value of the fixed non-current assets is evaluated, including goodwill and intangibles. If there are such indications, or when it is a matter of assets whose nature demands an annual analysis of impairment, the Group estimates the recoverable value of the asset, and this is the larger of the fair value, deducted from transfer costs, and its value in use. This value in use is determined by means of the deduction of future estimated cash flows, applying a rate of deduction before tax which reflects the value of the money over time and considering the specific risks associated with the asset.

When the recoverable value of an asset is below its net accounting value, it is considered that there is an impairment of value. In this case, the carrying value is adjusted to the recoverable value, assigning the loss to the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to such cash-generating units and then, to reduce the carrying amount of the other assets in the unit based on an individual analysis of the assets impaired.

For those assets which do not generate highly independent cash flows, the recoverable amount is determined for the cash generating units to which the valued assets belong.

The charges for depreciation of future periods are adjusted to the new accounting value during the remaining useful lifetime.

When new events take place, or changes of pre-existing circumstances, which show that a loss due to impairment recorded in a foregoing period might have disappeared or been reduced, a new estimate is made of the recoverable value of the corresponding asset. The losses due to impairment that have been recorded previously only revert if the hypotheses used in the calculation of the recoverable value had been changed since the most recent loss due to impairment was recognised. In this case, the carrying value of the asset is increased up to its new recoverable value, with the limit of the net accounting value which that asset would have had if no losses due to impairment in previous periods had been recorded. The reversion is recorded in the income statement and the charges for

depreciation in future periods are adjusted to the new carrying value. The losses due to impairment of goodwill are not the object of reversion in subsequent periods.

In order to determine the calculations of impairment, the Group estimates future cash flows for each cash generating unit has been done using projection models including the most relevant operational, financial and macro-economic indicators in each case. The explicit projection horizon used is five years. Since then on, a specified terminal value is estimated as a perpetual annuity calculated with a constant growth rate. The first year of the explicit projection horizon is based on the detailed budgets approved at each unit for the next financial year and includes, when appropriate, the variations due to significant developments that have occurred after their approval. The subsequent years of the explicit projection horizon reflect the ups and downs reasonably expected according to the strategies and action plans defined by the Group for each of the markets where it operates, in accordance with their distinctive characteristics and their individual competitive dynamics.

For goodwill, the recoverable amounts are estimated as of the date of the balance sheet. The losses corresponding to acknowledged goodwill impairments cannot be reversed in future periods.

#### b.7.2) Impairment of financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative losses that have been recognized directly in equity are recognized in the current year profit and loss account even though the financial asset has not been de-recognized. The amount of cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

An impairment loss of an investment in an equity instrument classified as available-for-sale is not reversed through the profit and loss account, rather through equity.

If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit and loss account, this loss would be reversed through the profit and loss account.

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. An impairment loss of a held-to-maturity security or a receivable carried at amortized cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

*b.8) Cash and cash equivalents*

Cash and cash equivalents is comprised of cash at banks, cash on hand, and short-term deposits with an original maturity of three months or less, which are not subject to significant fluctuations.

*b.9) Capital issuance cost*

Expenses incurred in connection with increases in capital are applied as a reduction to the proceeds received under Retained Earnings, net of any tax effect.

*b.10) Treasury shares*

Treasury shares held by the Group are reported at cost as a reduction in Shareholders' equity, under Retained Earnings. The gain or loss on disposal of these shares is recorded in equity.

*b.11) Provisions and contingent liabilities*

A provision is recognized in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date.

Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect the current best estimate of the related liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

For its part, contingent liabilities are considered to be those possible obligations arising as a consequence of past events, the materialisation of which is conditional upon one or more future events independently of the will of the consolidated companies. These contingent liabilities are not the object of accounting record, with the details there of being presented in the report (Note 2.e).

*b.12) Financial liabilities*

Financial liabilities are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated income statement over the period of the borrowing based on an effective interest rate.

Contracts that create an obligation to purchase own equity instruments for cash or another financial asset give rise to a financial liability equal to the present value of the redemption amount. The financial liability is recognized initially, at fair value (the present value of the redemption amount) against equity. Subsequently, the financial liability is measured in accordance with current rules and movements in fair value are accounted for as gain or loss in the income statement. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity, under “Retained Earnings” (see Note 16).

Debts maturing less than 12 months from the consolidated balance sheet date are classified as current and those maturing at over 12 months, as non-current.

The Group records financial liabilities disposals when obligations are cancelled or expired. Difference between the carrying amount of a financial liability cancelled or transferred to third parties and the consideration paid is recorded in the income statement of the fiscal year.

Regarding derivative financial instruments, there is detailed information in Note 2.b.21.

#### *b.13) Foreign currency transactions*

Foreign currency transactions are translated into functional currencies at the exchange rates prevailing on the date of the transaction or the appraisal, in the case of reversal items.

Foreign currency transactions other than those in euros are translated into functional currency at the exchange rates prevailing on the transaction date. Exchange gains or losses arising on the settlement of balances arising from foreign currency transactions are recorded in the profit and loss account as they arise.

The monetary items denominated in foreign currency are converted into the corresponding operative currency at the rate of exchange at the end of the year. All the positive and negative differences of exchange, whether realised or not, are assigned to the account of results of the financial year, except the differences of exchange generated by intra-group monetary items which are considered to form part of the investment in a foreign subsidiary, included in the section of “differences of conversion” of the consolidated property.

Foreign currency non monetary items which have been measured at their historical cost value, will be converted as of the date of the transaction and foreign currency non monetary items which have been measured at fair value, will be converted using exchange rate as of the date fair value is established

#### *b.14) Income tax*

Income tax in the consolidated profit and loss account includes both current and deferred taxes. Income tax expense is recognized in the consolidated income statement except to the

extent that the tax relates to items directly recognized in equity, in which case the tax is also recognized in equity.

The consolidated income statement for the financial year includes the expense for Company Tax of the consolidated companies by global and proportional integration, in the calculation of which the amount of the tax accrued over the financial year, the differences between the taxable base and the consolidated accounting result, as well as the bonuses and deductions in the amount to which the group companies have a right are contemplated.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the consolidated balance sheet date, and any adjustment to tax payable in respect to previous years.

Deferred income tax is recorded, using the liability method, for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes calculated at the consolidated balance sheet date.

Deferred taxes relating to the following temporary differences are not recorded: goodwill not deductible for tax purposes and the initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred taxes to temporary differences that arise in investment in subsidiaries and associates are recognized except when the Group could control the date of the temporary differences reversal and it is possible that they were not going to be reverted in the foreseeable future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is expected to be settled, based on tax rates (and tax laws) that have been enacted at the consolidated balance sheet date.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

#### *b.15) Recognition of revenue and expenses*

Revenues and expenses are recognized on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenue for the main business lines are posted to accounts as follows:

- Slots: Revenues from slot machines are recorded as the net win collected, including taxes payable, except in Uruguay where there are no direct taxes.
- Bingo: Revenues from bingo halls are recorded as the total amount of bingo cards sold, according to their face value, less bingo prizes, which are recorded as a deduction of the gross revenue.
- Casinos and others: Revenues are recorded at the net amount collected by the operator.
- Racetracks: the total amount wagered by players is recorded as revenue, less racetracks prizes.
- Betting: This income is entered into the accounts as the net takings for the operator.

#### *Interest income*

Interest income are recognised by using the effective interest rate method. When a receivable records an impairment loss, the Group reduces carrying amount to its recoverable value, which is calculated as estimated future cash flows, discounted at the original effective tax rate of the instrument, and it continues updating the receivable as interest income. Loans interest income which recorded impairment loss are recognised using the original effective tax rate.

#### *b.16) Assets held for share*

Assets held for sale are recognized at the lower of carrying amount and fair value, deducting, if applicable, any costs associated with their sale.

#### *b.17) Earnings (losses) per share*

The Group has calculated earnings per share for both 2009 and 2008. The information on diluted earnings/loss per share is the same as provided for earnings/loss per share, since at year end of both there were no commitments affecting this calculation.

#### *b.18) Business combinations*

During the first half of 2008, the Company proceeded to effect the allocation of the purchase price for Recreativos Cósmicos, S.L. (acquired on December 28, 2007) to the assets and liabilities acquired and the contingent liabilities taken on; once this process was complete, it generated the allocation of an intangible asset called "Client Portfolio" in the amount of 3,268 thousand euros. In consequence, the Goodwill initially recorded has been reduced by this same amount (Note 5).

The Recreativos Cósmicos, S.L. company operates on the island of Mallorca, where it has over 1,000 slot machines, approximately, of which 275 correspond to type B machines and the rest to type A and children's machines. These are active in 131 bars, 8 owned halls and in 12 hotels. This acquisition was made through the entity Recreativos Mae, S.L.

The process for allocating the purchase price for Recreativos Cósmicos, S.L. to the assets and liabilities acquired and the contingent liabilities taken on has been carried out using various assessment methods depending on the type of assets and/or liabilities involved, as well as the best information available. In addition to the various considerations made in the determination of the fair values, the advice of independent experts has also been called in. The outcome of this process has been the identification of the fair values of the assets and liabilities of Recreativos Cósmicos, S.L.

The table below gives the carrying value, the fair value, the goodwill and the acquisition price of the assets acquired and the liabilities taken on in this operation (in thousands of euro):

Concept	Recreativos Cósmicos, S.L.	
	Carrying Value	Fair value
Intangible fixed assets	722	3,990
Tangible fixed assets	598	598
Other current assets	1,135	1,135
Liabilities for deferred taxes	-	(980)
Current liabilities	<u>(916)</u>	<u>(916)</u>
Value of the net assets	<u>1,539</u>	<u>3,827</u>
Cost of acquisition		<u><b>6,000</b></u>
<b>Goodwill (Note 10)</b>		<u><b>2,173</b></u>

Likewise, the impact on the cash derived from the purchase of these companies is as follows:

	Thousands of euros
Cash and equivalents of cash in the companies acquired	34
Cash paid in the purchase including the associated costs	<u>(1,300)</u>
Total net cash outgoing	<u><u>(1,266)</u></u>

#### *b.19) Related parties*

The Group considers its direct and indirect shareholders who exercise control over the company, subsidiaries, associates, joint ventures and key directors to be related parties.

#### *b.20) Staff commitments*

The group recognizes a bonus provision when there are contractual obligations or when this practice in the past has generated an implied obligation. Retirement bonuses are recognised for the amount accrued at year end for those companies outside Spain which required by local labour agreements to pay them (see Note 16).

#### *b.21) Hedge contracts*

The Group enters into hedge contracts to hedge foreign exchange rate changes affecting the operations of Mexico and Argentina, which account for a significant percentage of the Group's total sales.

These contracts' aim is to hedge an important percentage of the consolidated sales of the Group. Sales denominated in Argentinean pesos and Mexican pesos which are subject to the economical risk of the Group due to the fluctuations in the exchange rate of these currencies regarding the euro. Through these hedge contracts, exchange rate variations in order to reduce fluctuations in the consolidated sales in euros of the Codere Group.

These hedge contracts entered by Codere Group are forwards. These forwards consists on a contract on credit whose aim is to establish on the date of contracting expected exchange rate when buying or selling Argentinean or Mexican pesos versus American dollars and/or euros. Main features of these forward contracts are:

- There is a exchange rate for buying or selling these currencies listed in regulated markets
- It constitutes a binding contract among the parties, top financial entities and Codere Group.
- Basics conditions are not standardized, every financial entity establish its exchange rates on credit according to supply and demand
- It does not involve an initial payment
- Liquidation will be calculated on differentials between the price agreed and the market price on the date of the forward or the date of the liquidation.



The price of the forwards will be established according to the spot, plus/less the interest rate differential between the currencies subject to the exchange, moved to the term of the forward. This interest rate differential capitalized since the current date is the one that allows fixing future exchange rate of the currencies.

The hedged items are identified amounts of sales denominated in Argentinean pesos and Mexican pesos, identified as cash flow hedges on highly probable forecasted transactions. The hedges related to the variation in the cash flows that are attributable to foreign currency risk associated with these forecasted transactions.

The Group measures the effectiveness of a hedge by comparing the cash flow of the estimated sales to which the hedge risk is attributed with the fair value of the hedge instrument. This fair value is calculated by applying to current exchange rate according to its maturity the nominal value of the hedge instrument.

The variations in the fair value of the derivatives which satisfy the requirements and have been assigned to covering cash flows, as they are highly effective, are recognised in equity. The part considered to be ineffective is assigned directly to results. When the expected transaction or the firm undertaking are transformed into the accounting entry of a non-financial asset or liability, the accumulated profits and losses in equity turn to form part of the initial cost of the corresponding asset or liability. In other cases, the profits and losses previously recognised in equity are assigned to results in the same period in which the transaction covered affected the results in the first period in which the transaction covered affects the net result.

Since 2009, the Group has changed presentation of hedge contracts in the Income Statements. Both the ineffective part and the allocation to results are recorded when the transaction affects results, under the “Operating revenues” item. As a result of this change as of 31<sup>st</sup> December 2008, operating revenues decreased in €1,567 thousand and operating expenses increased in the same amount.

#### *b.22) Discontinued operations*

Result of discontinued operations includes the post-tax profit of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation.

#### *c) Consolidation basis*

The consolidated annual accounts comprise the annual accounts/financial statements of Codere, S.A. and its subsidiaries as at December 31, 2009 and 2008. The annual accounts/financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. When applicable, adjustments are made to bring into line any different accounting policies that might exist.

### *c.1) Principles of consolidation*

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated annual accounts include the results for the part of the reporting year during which the Group had control. See variations of the consolidation scope in Note 4.

### *c.2) Subsidiaries*

Companies in the Consolidated Group are considered as subsidiaries and consolidated by the full consolidation method when: (i) the dependent company is one in which the Parent Company has a direct or indirect holding of over 50% and holds a majority of the voting rights in their decision-making bodies; or (ii) other companies in which the Parent Company has a holding of 50% or less when there are agreements with other shareholders that enable the Codere Group to exercise effective control over their direct management.

Codere Group consolidates by the full consolidation method subsidiaries of Spain AWP in which it does not have a direct or indirect majority of the voting rights (see Appendix I subsidiaries whose activity is to operate AWP in Spain and whose participation is 50% or less). Codere Group holds the control in those subsidiaries, because it has the power to govern its financial and operating policies. Specifically, Codere Group is responsible for the following areas of activity: accounting policies and systems, taxability, internal and external audit, net win revenue management and system, management of customers relations, management, cash centralized management, technical support, payrolls and recruitment, system infrastructure and development of corporate contracts.

### *c.3) Joint Ventures*

Multigroup companies (joint ventures) are those entities over whose activities the Group has joint control, established by contractual agreement. They are consolidated by the proportional consolidation method, which involves recognizing a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated annual accounts on a line-by-line basis.

In the 2009 financial year, the companies consolidated by proportional integration were the following:

Administradora Mexicana del Hipódromo, S.A. de C.V.  
Asociación en Participación  
Calle del Entretenimiento, S.A. de C.V.  
Carrasco Nobile, S.A.  
Centro de Convenciones Las Américas, S.A. de C.V.  
Codere Apuestas España, S.L.  
Codere Apuestas, S.A.  
Entretenimiento Recreativo, S.A.  
Entretenimiento Virtual, S.A. de C.V.

Garaipen Victoria Apustuak, S.L.  
Grupo Inverjuego, S.A. de C.V.  
Hípica Rioplatense Argentina, S.A.  
Hípica Rioplatense Uruguay, S.A.  
Impulsora Centro de Entretenimiento Las Américas, S.A. de C.V.  
Secofach, S.A. de C.V.  
Servicios Administrativos del Hipódromo, S.A. de C.V.  
Sortijuegos, S.A. de C.V.

In 2009 there is no acquisition of new joint ventures but there have been mergers among the Mexican companies.

In the 2008 financial year, the companies consolidated by proportional integration were the following:

Administradora del Personal del Hipódromo, S.A de C.V.  
Administradora Mexicana del Hipódromo, S.A. de C.V.  
Asociación en Participación  
Calle del Entretenimiento, S.A. de C.V.  
Carrasco Nobile, S.A. (\*)  
Centro de Convenciones Las Américas, S.A. de C.V.  
Codere Apuestas España, S.L.  
Codere Apuestas, S.A.  
Crea Producciones para TV, S.A. de C.V.  
Entretenimiento Recreativo, S.A.  
Entretenimiento Virtual, S.A. de C.V.  
Garaipen Victoria Apustuak, S.L.  
Grupo Inverjuego, S.A. de C.V.  
Hípica Rioplatense Argentina, S.A.  
Hípica Rioplatense Uruguay, S.A.  
Impulsora Centro de Entretenimiento Las Américas, S.A. de C.V.  
Impulsora de Bienes, S.A. de C.V.  
Secofach, S.A. de C.V.  
Servicios Administrativos del Hipódromo, S.A. de C.V.  
Sortijuegos, S.A. de C.V.

(\*) New incorporations/establishments during 2008 financial year

During the 2008 financial year, the company styled Carrasco Nobile, S.A. has been included within the company's consolidation perimeter using the proportional integration method and the company styled William Hill Codere Italia, S.r.L. has been excluded from the perimeter as a result of its sale in the month of July, 2008.

Note 7 includes information regarding assets, liabilities, revenue and expenses of the joint ventures in year 2009 and 2008.

#### *c.4) Associates*

Companies in which Codere, S.A. has a direct and/or indirect ownership interest of less than 50% and more than 20%, and at which it does not hold a majority of the voting rights or exercise effective control but in which it has a significant influence, are carried by the equity method.

Investments in associates are recorded in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the associate's equity, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

As of December 31, 2008, there were no companies consolidated into the Group using this method. In 2009 the company Desarrollo Online Juegos Regulados, S.A. is incorporated, which is the only company which consolidates by this method

#### *c.5) Transactions and balances eliminated in consolidation*

The purchases, sales, service provision, financial expenses and income and dividends as well as the balances between group companies have been eliminated in the process of consolidation.

#### *c.6) Year and dates*

In the 2009 and 2008 financial years, the closing date of all companies making up the Codere Group was December 31.

#### *c.7) Minority interest*

These headings in the Consolidated Balance Sheet and the Consolidated Income Statement reflect the proportional part of the net worth and results for the year after taxes of our subsidiaries which have minority shareholders.

In "Minority interests" the Group recognizes equity and income obtained by companies consolidated by the full consolidation method over which the Parent Company does not have 100% effective control due to the percentage interest held by minority partners.

The accounting treatment of the operations of increase of participation in the capital of the companies already controlled via purchases from the minority shareholders that the Codere Group applies to this kind of transactions consists of assigning any difference between the price of acquisition and the net accounting value of the participation acquired from the minority partners equity as shareholders equity.

*c.8) Translations of the financial statements of foreign companies*

Items on the balance sheets and income statements of the foreign companies whose operating currency is not the euro included within the consolidation scope are translated to the operating currency of the dominant company by applying the year-end exchange rate method, whereby:

- All assets, rights and obligations are translated using the exchange rate prevailing at the accounting year end of each foreign company. Goodwill from acquisitions of foreign operations, similar to adjustments to fair value of assets and liabilities that arise from the acquisitions, is considered a foreign denominated assets, and translated at the year end exchange rate.
- Income statement items are translated using the average exchange rate method for the transaction of each month.
- The difference between the equity of foreign companies, including the income statement balance as per the above point, translated using the historical exchange rate and the net equity position resulting from the translation of assets, rights and obligations as per the first point above is recorded, as a positive or negative figure as appropriate, as equity on the consolidated balance sheet under “Translation differences”.

*d) Use of estimates*

The preparation of consolidated annual accounts in conformity with IFRS-EU requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Reviews to accounting estimates are recognized in the period in which the estimates are revised if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods. The main estimates recorded by Codere Group are detailed in the note 2.e) and in note 11.

*e) Critical aspects of the evaluation and estimation of uncertainty*

*e.1) Possible modification in the shareholder structure*

At year end 2008, there were risks for Codere Group related to changes in the shareholder structure in Codere S.A. due to a possible change of the “reference shareholder“ (the

Martinez Sampedro or the Franco) or the risk that the interest of the main shareholder (the Martínez Sampedro) could differ from the interest of the rest. To this respect, it is important to highlight the following information:

In March, 2006, Masampe Holding, B.V. (“Masampe Holding”), a company controlled by Mr. José Antonio, Ms. Encarnación and Mr. Luis Javier Martínez Sampedro (the “Martinez Sampedro” family), acquired from Mr. Jesús and Mr. Joaquín Franco Muñoz (the “Franco” family) 17,882,207 shares in Codere, S.A. and from Intermediate Capital Investment, Ltd. (“ICIL”) 1,104,362 shares in Codere, S.A., for an initial total amount of 391 million euros, of which 41 million euros were paid in cash and the remainder was deferred until April 30th, 2007 (162 million euros) (“Second payment”) and April 30th, 2008 (187 million euros) (“Third payment”), pursuant to the Sales Contracts signed between the parties.

The Second payment was made to the Franco family and to ICIL on July 2, 2007.

At the same time, in case of breach of contract, including default on the instalments payment, these contracts also considered in their turn that the Franco family and ICIL would have the right, as their sole recourse vis-à-vis the failure to meet the payment obligation of the Martínez Sampedro family, to demand that the Martínez Sampedro put up for sale (as described in the section entitled *Offer for Sale* below), at the most, all of the shares in Codere, S.A. that they might own, directly or indirectly, for the payment of the sums outstanding which, in this case, would automatically be adjusted in the light of the amount effectively obtained from the sale referred to above.

Masampe Holding subscribed financial contracts to get the necessary amount to pay the second instalment to Franco and ICIL for the purchase of shares referred above. This amount came to €340 million and an annual interest rate of Euribor +7.5% with capitalization and payment at its maturity (15<sup>th</sup> December 2015). Under that financing, real guarantees, warrants were not granted except the universal responsibility of Masampe Holding.

The agreement includes a series of undertakings assumed by Masampe Holding, equivalent to those normally established in this kind of financing agreement in European markets, including the following:

- a) The undertaking to ensure that Codere, S.A. complies with all of the terms and conditions for the issue of Group bonds.
- b) Massampe Holding possibility to incur in new loans is limited unless net debt ratio with respect to EBITDA, calculated on the consolidation of Masampe Holding and Codere Group, was lower than a specific figure.

Both in this financing contract of Masampe Holding and in the issue of bonds of Codere Group, this limit is subject to some exceptions that allow Codere, S.A. some flexibility, and the assumption of up to €200 million of bank debt drawn at any moment, refinancing

of existing debts, hedge operations and other operations permitted under conditions of issue bonds of Codere Group.

c) Neither Masampe Holding nor Codere, S.A. may encumber or transfer in any way nor dispose of any other assets or properties on terms equivalent to those established in the Codere bond issue.

The Martínez Sampedro family undertook to ensure Masampe Holding complies with its obligations pursuant to the PIK Financing Agreement.

On April 29, 2008, the Martínez Sampedro did not effect the Third payment in connection with the shares of the Franco family (approximately 176 million euros plus accrued interests). On November 13, 2008, after the conclusion of the deadline for payment of the third instalment, the Franco family informed the Martínez Sampedro family of its intention to begin the process for the Offer for Sale of the shares in Codere, S.A., as had been agreed by the parties in the sale contracts mentioned earlier. This procedure for offering shares for sale implies the sale of all the shares in Codere, S.A. held directly or indirectly by the Martínez Sampedro family.

The purchase and sale agreement does not restrict either the Martínez Sampedro nor the Francos from participating as buyers in the sale process. If the Sale Process were completed and resulted in a change in the reference shareholders, Codere Finance (Luxembourg), S.A. might be required by the bondholders to buy back its bonds, providing the participation of the Martínez Sampedro family or the Franco family (the “Permitted Holders”) was less than 35% and a shareholder other than Martínez Sampedro family or the Franco family acquired more than 35% of the voting rights in Codere S.A and the stake held by the new shareholders acquiring the same exceeds the joint stake held by the “Permitted Holders”. In such a case, the Codere Group must make a repurchase offer for the bonds at 101% of their face value. The Senior Debt Contract also establishes provisions requiring early payment in the event that the Martínez Sampedro family fails to maintain control of Codere, S.A.

On July 28, they reached a transactional agreement to terminate the Sale Process relating to the Martínez Sampedros holding in Codere, S.A. (approximately 71% of Codere’s total shares outstanding)

The above mentioned transactional agreement involves the delivery of 2,000,000 of shares from Codere SA, via assignment, by the Martínez Sampedros to the Francos, representing a total of 3.634% of Codere’s share capital. Following the delivery of these shares, the parties are satisfied and have no remaining claims in relation to the March 2006 Sale and Purchase Agreements.

Since July 28, 2009 there are no risks regarding changes in Codere SA shareholder structure

*e.2) Renewal of bingo licenses in Argentina*

On October 6, 2009, the *Instituto Provincial de Lotería y Casinos de la Provincia de Buenos Aires*, or “IPLyC” (the gaming regulator of the Province of Buenos Aires) resolved and communicated Resolution 75/09, which renews until June 30, 2021, the La Plata license which Codere Group operates Platense bingo hall in La Plata, in accordance with Decree 3198 and Resolution 456/06.

Resolution 456/06 (this resolution permitted the holders to renew or extend the licenses to 2021 by paying renewal fee based on the average monthly canon tax paid under the licence in 2005 multiplied by the number of years of the licence extension or renewal) stipulated for the renewal of the La Plata license an up-front renewal fee of AR\$28 million (equivalent to €5 million as of December 31, 2009) and a canon tax surcharge of AR\$66 million (equivalent to €12 million as of December 31, 2009) accrued and payable in 60 monthly instalments. Prior the date of the Resolution 75/09 publication, this canon tax surcharge was provisionally accrued in the consolidated financial statements of the Group waiting for the formal license renewal. When Resolution 75/09 was resolved, it was reversed the amount recorded in respect of that canon tax surcharge from 1<sup>st</sup> January 2007 to the date the resolution was passed. This reversal results in a expense reduction of AR\$36 million ( equivalent to €6 million as of December 31, 2009) reflected in “Other operating expenses” and an increase in tax expenses of AR\$ 13 million (equivalent to €2 million as of December 31, 2009) reflected in Corporate income tax of the consolidated Income Statement.

Resolution 75/09 stipulated the same AR\$ 28 million up-front renewal fee, but modified the canon tax surcharge to AR\$ 138 million that include AR\$66 million stipulated in Resolution 456/06 and an additional complement for that payment (equivalent to €25 million as of December 31, 2009), accrued and payable in 60 monthly instalments starting November 1, 2009. On the other hand, this resolution stipulates the payment, 30 days after its publication, of the AR\$28 million up-front fee plus and advance payment of 10 of the 60 monthly instalments, equivalent to AR\$ 23 million (equivalent to €4 million as of December 31, 2009) that were paid by Codere Group on the date required and reflected in “accounts receivable”.

On January 27, 2010 it was published Decree 3116 to renew licences which expire between 2008 and 2011. This decree affects Puerto and San Martín halls that have been operating with a temporary extension of their licenses until December 31, 2009. At the close of year we recorded AR\$5.4 million and AR\$55.4 million (equivalent to €1 million and €10.2 million as of December 31, 2009) in “Intangible Assets”corresponding to the renewals of the Puerto and San Martin halls respectively (see note 5). Companies of the Codere Group which operate these bingo halls are in compliance with applicable requirements of IPLyC and the Directors and their legal advisors estimate renewals of both licenses will be formalized in short term as it is stipulated in the above mentioned decree 3116.



### *e.3) Modification of the agreement for the Codere Network concession*

On January 27, 2009, the “Atto aggiuntivo ed integrativo alla Convenzione di concessione” document was signed between Codere Network, S.p.A. and the Italian regulatory body, the AAMS (Amministrazione Autonoma dei monopoli di Stato), which modified the concession charge from 0.8% of the amounts gambled paid by Codere Network, S.p.A. since January 1, 2007. The modification is as follows:

- 0.3% corresponds to the concession charge;
- 0.5% corresponds to a deposit created temporarily and to be returned to the concession holders on the basis of rules regarding the levels of investment in the network and the levels of service obtained; as of the date of publication of these consolidated annual accounts, these rules had not yet been published.

On December 31, 2008, a deposit was recorded under the heading “Other short-term credits and investments” on the attached balance sheet for 6,054 thousand euros, which has been entirely provisioned under the heading “Other provisions”.

In 2009 the AAMS has assessed the change in the levy for 2008 and 2007 and paid Codere Network, S.p.A. a total of €2,942k and €3,091k for those years, respectively. As a result of this assessment, at 31 December 2009 the €6,054k which had been provided for in 2008 was reversed. This reversal was reflected in the income statement at 31 December 2009 under “Other operating expenses”.

With respect to the change in the levy for 2009, the Codere Group considers that 96.5% of the 0.5% described above will be recovered. As a result of that estimate, at 31 December 2009 a deposit has been reflected under “Other short-term loans and investments” on the accompanying balance sheet amounting to €3,150k and a provision has been recorded of €110k under “Other Provisions”.

### *e.4) Claims in Italy*

#### Assessment of gaming tax on recreational machines (“PREU”)

Concerning the penalties for the delay in paying the gaming tax on the operations of recreational machines (“PREU”), set out below is the current situation and the situation during 2009:

With respect to the 2004 and 2005 PREU assessment, on 1 July 2009 Codere Network, S.p.A. received a second notification (with respect to the first notification, a reduction was requested of the amounts calculated) from AAMS Lazio according to which the following amounts were due:

- €0.00 in respect of PREU for 2004 and 2005,

- €1,415,956.73 in respect of reduced penalties,
- €901,982.98 in respect of interest.

On June 30 2009 Codere Network, S.p.A. asked and obtained from AAMS the deferral in 60 instalments of the amounts indicated in the second notification. As a result, at 31 December 2009 the consolidated financial statements record an amount of 4,623 thousands euro under “Other long-term payables” and 1,623 thousands euro under “Other short-term non-trade payables”.

With respect to the 2006 PREU assessment, on 17 December 2009 Codere Network, S.p.A. received a second notification (with respect to the first notification, a reduction was requested of the amounts calculated) from AAMS Lazio according to which the following amounts were due:

- €0.00 in respect of PREU for 2006,
- €0.00 in respect of reduced penalties,
- €0.00 in respect of interest.

Concerning the 2007 PREU assessment, on 30 December 2009 Codere Network, S.p.A. received an initial assessment notification from AAMS Lazio for the amounts for 2007 in which the following amounts were due:

- €0.00 in respect of PREU for 2007,
- €1,289.42 in respect of reduced penalties.
- €136.01 in respect of interest.

Additionally, due to notifications mentioned above regarding PREU assessment for fiscal years from 2004 to 2007, Codere Network S.p.A. had a credit with AAMS amounting to 3,307,743.73 euros.

#### Court of Auditors (Corte dei Conti) and AAMS

On 10 May 2007 the Regional Attorney of the Lazio Court of Auditors (Corte dei Conti) asked AAMS officials and all gaming concessionaires, including Codere Network S.p.A., to submit allegations in relation to the following instances of non-compliance:

- (a) Failure to start up the telemetric network within the established period of time. Non-compliance initially quantified at 480 thousands euro.
- (b) Failure to activate the network within the established period of time. Non-compliance initially quantified at 1,200 thousands euro.

(c) Failure to complete the network connection within the established period of time. Non-compliance initially quantified at 1.778 thousands euro.

(d) Failure to provide minimum service levels. Non-compliance initially quantified at 3,043,288 thousands euro.

The main aspects in 2009 and 2008 with respect to such non-compliance and the corresponding claims by the Corte dei Conti and AAMS, are as follows:

*On the part of the Court of Auditors:*

On 18 March 2008 the Court of Auditors ordered that concessionaries should be subject to proceedings and set the first trial for 4 December 2008. On 11 October 2008, Codere Network, S.p.A. filed a preventive appeal for jurisdiction as it considered the Court of Auditors to lack jurisdiction.

On 4 December 2008 Corte dei Conti suspended the outstanding trial concerning non-compliance as it considered that there were grounds for exception owing to the lack of jurisdiction as set forth in the appeal filed by the concessionaires with the Supreme Court (Cassazione). The suspension of the trial was ordered until the judgment of the Supreme Court was issued and that had to decide on the preventive jurisdiction regime. The trial was held on 27 October 2009 and the Supreme Court published its judgement on 9 December 2009 in which it rejected the appeal filed by the concessionaries and confirmed the full jurisdiction of Court of Auditors. At the date of the publication of these financial statements, Codere Network, S.p.A. is waiting to be notified of the date of the new trial at the Court of Auditors.

*On the part of AAMS:*

Through the Judgement of 1 April 2008, the Regional Administrative Court of Lazio (TAR Lazio) cancelled the procedure followed by the AAMS to determine non-compliance on the grounds that no contradictory procedure had been established for its determination.

On 23 May 2008 the AAMS formally announced the procedure to address the instances of non-compliance that figure in paragraphs (a), (b) and (c) described above, and on 27 May 2008 formally commenced the procedure to address the penalty that figures in paragraph d), and reported that it would be necessary to wait for the appointment of a technical committee to calculate this last instance of non-compliance and the service levels that all concessionaires should have observed. Subsequently, on 6 June 2008 the AAMS quantified the instances of non-compliance established in paragraphs (a), (b) and (c), at 79, 119 and 1.671 thousands euro, respectively and granted the concessionaire a period of time to submit written allegations in its defence. After having examined these allegations, the AAMS finalised the administrative procedures relating to such non-compliance and quantified them at 47 thousands euro with respect to the penalty in (a), 183 thousands euro for the penalty in (b) and, 445 thousands euros with respect to the penalty in (c). The concessionaire has contested such penalties through the three appeals filed with the TAR

Lazio. The TAR Lazio set the trial for 3 December 2008, in order to examine the suspension and subsequently postponed the trial until 28 January 2009, in order to join all the appeals filed by the ten concessionaires covered by the AAMS disciplinary measures. The TAR Lazio took into consideration the AAMS decision of not enforcing the guarantees issued by the concessionaires until the penalties had been examined and therefore without deciding on the suspension, it postponed the trial until 24 June 2009 in order to examine the appeals filed by the concessionaires.

On 12 January 2010 the TAR Lazio published the judgements through which it rejected the appeals filed by Codere Network, S.p.A., and confirmed the validity of the penalty measures established by the AAMS in relation to paragraphs (a), (b) and (c). Codere Network, S.p.A. is assessing the possibility of contesting these judgements before the Cabinet. The non-compliance penalties relating to paragraphs (a), (b) and (c), amounting to 675 thousands euro, have been fully provided for in the consolidated financial statements, as of December 31, 2009.

As of the date of publication of these financial statements, the administrative procedure concerning non-compliance in (d) was on going and the work of the technical committee appointed to define service levels and the arrangement to calculate penalties had yet to be reported.

On 10 January 2009 Codere Network, S.p.A. received a request from the Corte dei Conti requiring it, on the understanding that Codere Network, S.p.A. is a public corporation, to file information concerning bet amounts, profits and the PREU, within a period of 120 days. On 9 May 2009 Codere Network, S.p.A. filed an appeal in which it argued that it was not required to deliver such information as it was not considered a public corporation. At the date of publication of these financial statements, the Group is waiting for the date of the trial to be arranged by the Court of Auditors. It is not possible to determine neither the result of this administrative and legal process nor the final impact on Codere Network S.p.A. Guarantees delivered by the company in order to develop its activity, amounting 14 million euros, were already recorded in previous years as a prudence measure (see Note 16). Anyway, administrators of the Group consider the provision amount as of December 31, 2009, the potential maximum cost for Codere that can arise from this process.

#### *e.5) Merit Holdings, LLC arbitration*

On January 6, 2009, Codere, SA (“Codere”) was notified by the International Court of Arbitration that Merit Holdings, LLC (“Merit”) had sent a request for arbitration against Codere under International Chamber of Commerce (“ICC”) rules. In the complaint accompanying the request for arbitration, Merit alleges that Codere violated the terms of a Consulting Services Agreement (“CSA”) between the parties dated January 9, 2004. Specifically, Merit claims that in the CSA Codere agreed to pay it “performance compensation”, the precise amount to be determined by application of a formula to Codere’s reported financial results. Application of such formula, according to Merit,

suggested that Codere owes Merit at least 9,140 thousand euros in performance compensation under the CSA.

Codere decided not to attend to the International Court of Arbitration and agreed with Merit, the payment of 540 thousands euro approximately in order to avoid the arbitration. This amount was paid to Merit in the second half 2009, therefore the procedure was satisfied and Merit have no remaining claims related to it.

*e.6) Settlement of claim relating to machine malfunction in Argentina*

On October 14, 2006 an individual initiated civil and criminal proceedings against Codere Group claiming AR\$35.7 million (equivalent to approximately €6.9 million as of December 31, 2009) in connection with a prize in that amount displayed on the screen of a slot in Lomas del Mirador bingo hall in the Province of Buenos Aires. The Group believed that due to a malfunction the prize displayed reflected incorrect information provided by the slot machine after a bet on such machine was placed by such individual. On January 4, 2010 we signed a Memorandum of Understanding between the individual and Codere Group in which the Codere Group agrees to pay AR\$1.7 million (equivalent to approximately €0.3 million as of December 31, 2009) which is recorded as a provision in the consolidated income statement as of December 31, 2009.

*e.7) Price adjustment in the purchase of minority stake in Argentina .*

On July 23, 2008 Codere purchased direct and indirect holdings in certain Argentinean subsidiaries, Bingos del Oeste, S.A., Bingos Platenses, S.A. Interjuegos, S.A., Intermar Bingos, S.A. and San Jaime, S.A., for 23,107 thousand euro.

Pursuant the agreement signed on July 23, 2008, the purchase cost included a fixed and a variable amount. The variable amount is related to the assessment of Bingo Platense S.A. regarding the renewal of the license that operates Bingos Platenses hall. It depends on the date of the renewal.

On October 6, 2009, it was renewed the La Plata licence (see Note 2.e.2). The Group will record the purchase adjustment, due to the cease of uncertainties related to this renewal. As of the date of issue of this consolidate financial statements, Codere Group is negotiating with the former shareholder to agree the adjusted price, without this adjusted price resulting in a significant impact in the consolidated income statements.

*e.8) Impairment of non-financial assets*

The Group carries out an assessment at each close to know whether there are indications of impairment for all its non-financial assets. The impairment of goodwill and other intangible assets with an indefinite lifetime is analyzed at least annually or whenever there is any indication of impairment. Non-financial assets are reviewed for the potential

impairment of their value whenever events or changes in the circumstances indicate that the book value may not be recoverable.

If there is objective evidence that a loss has been incurred due to impairment, the amount of the loss is valued as the difference between the asset's carrying value and the current value of the estimated future cash flows discounted at the effective interest rate. Note 11 includes further information in this regard.

*e.9) Provisions for taxes and other contingencies*

The Group acknowledges a provision in connection with taxes and other contingencies in accordance with the accounting policy indicated in section b.11 of this note. The Group has effected estimates and judgements in connection with the likelihood of the occurrence of these contingencies, as well as their amounts, and it has posted a provision to the accounts when the contingency has been considered probable, estimating the cost that would arise out of the that obligation.

*e.10) Working Capital*

As of December 31 2009, the Group presented positive working capital in the amount of 14,517 thousand euros. As of December 31, 2008, the Group presented negative working capital in the amount of 27,809 thousand euros. This variation is due to a decrease in debts in the short term with credit entities as of December 31, 2009 with respect to the previous year.

*e.11) Deferred tax assets*

Deferred tax assets are recorded for all net operating losses pending to compensate that it is probable that future taxable profit will be available and it permits the application of these assets. In order to determine the total amount of deferred tax assets that can be recorded, Directors estimate the amounts and dates when the future taxable profit will be obtained as well as the reversal period of the temporary differences.

*f) Proposal of distribution of net income*

The result obtained by Codere, S.A. in the 2009 financial year was 1,819 thousands euros of losses (according to the Generally Accepted Accounting Principles in Spain).

As a consequence, the proposal for distribution of the results of the 2009 financial year, formulated by the Board of Directors of the dominant company for submission for approval of the General Meeting of Shareholders, is that of transferring this negative result to negative results of previous years.

### 3. SEGMENT INFORMATION

The management has determined operative segments based on reports used to take strategic decision. The company considers the business from a geographical and activity point of view, with the only exception of Spain and Italy, which have operating segments per activity identified. The operating business are organized and managed separately according to the geographical zone where the activity is carried out, with each country representing a strategic business unit that is involved in different activities and serves different markets.

The Group's operating segments and their principal business activities are as follows:

- Spain Slot Machines: Operation of slot machines.
- Spain Bingos: Operation of bingo halls.
- Spain Sport Betting: Operation of Betting halls.
- Mexico: Operation of bingo halls including electronic bingo terminals and amusement machines in collaboration with the Caliente Group and the Compañía Interamericana de Entretenimiento, S.A. de C.V. (CIE) Group, as well as operations of betting agencies in collaboration with CIE, as well as the Hipódromo Las Americas and the "Centro Banamex" Convention Centre.
- Argentina: Operation of bingo halls with slot machines.
- Colombia: Operation of slot machines, bingo halls and casinos.
- Italy Machines: Operation of slot machines and operation of slot machine interconnection network
- Italy Bingos: operation of bingo halls.
- Uruguay: Operation of a racetrack, slot machines and betting office operations.
- Panama: Operation of a racetrack, slot machines, casinos and betting office operations.
- Brazil: Betting office operations.

The Group also manages its operations along business lines and separately tracks its AWP machine, bingo hall, betting location, casinos and headquarters operating results. However, several different kinds of operations often coincide in the same business line, since slot machines are also installed in bingo halls and casinos. Given that is not possible to specifically separate the costs corresponding to each activity carried on (with the exception of Spain and Italy), the Group considers that each of the geographical areas listed previously may be considered as operating segments.

a) Operating segments

The following tables disclose certain income statement and balance sheet information regarding the Group's operating segments for the year ended December 31, 2009 and 2008 (in thousands of euros):

<b>Income Statement 2009</b>	Spain Slot machines	Spain Bingos	Spain Bets	Mexico	Argentina	Chile	Colombia	Italy Indirect	Italy Bingos	Uruguay	Brazil	Panama	Headquarters	Inter-segment operations(*)	Total
Operating revenues															
Revenues from external customers	176,636	22,839	3,372	193,073	351,859	-	23,173	42,208	88,450	14,852	2,320	48,022	1,121	-	967,925
Inter-segment revenues	-	-	-	-	-	-	-	-	-	-	-	-	28,027	(28,027)	-
	176,636	22,839	3,372	193,073	351,859	-	23,173	42,208	88,450	14,852	2,320	48,022	29,148	(28,027)	967,925
Operating expenses															
Depreciation, amortization and impairment	(30,286)	(1,200)	(857)	(19,188)	(14,123)	-	(18,517)	(3,944)	(5,008)	(1,594)	(668)	(8,863)	(2,525)	-	(106,773)
Variation in operating provisions	(2,619)	-	-	(189)	-	-	(274)	(123)	-	-	-	(148)	-	-	(3,353)
Other operating expenses	(128,859)	(22,023)	(5,816)	(122,099)	(232,298)	(45)	(18,320)	(31,279)	(82,917)	(11,067)	(2,384)	(35,614)	(44,154)	-	(736,875)
	(161,764)	(23,223)	(6,673)	(141,476)	(246,421)	(45)	(37,111)	(35,346)	(87,925)	(12,661)	(3,052)	(44,625)	(46,679)	-	(847,001)
Gains or losses on assets disposals	(2,498)	(3)	(115)	(97)	20	-	(1,442)	(429)	(163)	-	-	(3)	-	-	(4,730)
Inter-segment expenses	(3,309)	(520)	(583)	(10,503)	(9,459)	-	(171)	(96)	(1,080)	-	-	(2,306)	-	28,027	-
<b>OPERATING PROFIT</b>	<b>9,065</b>	<b>(907)</b>	<b>(3,999)</b>	<b>40,997</b>	<b>95,999</b>	<b>(45)</b>	<b>(15,551)</b>	<b>6,337</b>	<b>(718)</b>	<b>2,191</b>	<b>(732)</b>	<b>1,088</b>	<b>(17,531)</b>	<b>-</b>	<b>116,194</b>
External financial revenues	1,442	-	5	3,974	367	-	51	486	86	55	9	92	1,156	-	7,723
Inter-segment financial revenues	-	-	-	-	-	-	-	-	-	-	-	-	22,026	(22,026)	-
External financial expenses	(4,976)	-	(16)	(6,290)	(1,978)	-	(1,384)	(36)	(332)	(420)	0.00	(591)	(60,136)	-	(76,159)
Inter-segment financial expenses	(662)	(343)	(16)	(18,586)	4,072	-	31	(802)	(3,063)	(43)	(1,830)	(784)	-	22,026	-
Net exchange differences	-	-	(109)	6,713	5,461	580	42	-	(0)	(970)	179	(80)	(1,776)	-	10,040
<b>NET FINANCIAL RESULTS</b>	<b>(4,196)</b>	<b>(343)</b>	<b>(136)</b>	<b>(14,189)</b>	<b>7,922</b>	<b>580</b>	<b>(1,260)</b>	<b>(352)</b>	<b>(3,309)</b>	<b>(1,378)</b>	<b>(1,642)</b>	<b>(1,363)</b>	<b>(38,730)</b>	<b>-</b>	<b>(58,396)</b>
<b>INCOME / (LOSS) BEFORE TAXES</b>	<b>4,869</b>	<b>(1,250)</b>	<b>(4,135)</b>	<b>26,808</b>	<b>103,921</b>	<b>535</b>	<b>(16,811)</b>	<b>5,985</b>	<b>(4,027)</b>	<b>813</b>	<b>(2,374)</b>	<b>(275)</b>	<b>(56,261)</b>	<b>-</b>	<b>57,798</b>
Income tax expense	(671)	-	-	(5,779)	(33,417)	260	(292)	1,960	2,282	62	(332)	(525)	(229)	-	(36,681)
<b>CONSOLIDATED INCOME / (LOSS)</b>	<b>4,198</b>	<b>(1,250)</b>	<b>(4,135)</b>	<b>21,029</b>	<b>70,504</b>	<b>795</b>	<b>(17,103)</b>	<b>7,945</b>	<b>(1,745)</b>	<b>875</b>	<b>(2,706)</b>	<b>(800)</b>	<b>(56,490)</b>	<b>-</b>	<b>21,117</b>
Consolidated profit/loss of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>CONSOLIDATED INCOME / (LOSS)</b>	<b>4,198</b>	<b>(1,250)</b>	<b>(4,135)</b>	<b>21,029</b>	<b>70,504</b>	<b>795</b>	<b>(17,103)</b>	<b>7,945</b>	<b>(1,745)</b>	<b>875</b>	<b>(2,706)</b>	<b>(800)</b>	<b>(56,490)</b>	<b>-</b>	<b>21,117</b>
Attributable to:															
Minority interests	1,455	-	-	(159)	682	-	161	147	-	-	-	(246)	(6)	-	2,034
Equity holders of the parent	2,743	(1,250)	(4,135)	21,188	69,822	795	(17,264)	7,798	(1,745)	875	(2,706)	(554)	(56,484)	-	19,083
<b>CONSOLIDATED INCOME / (LOSS)</b>	<b>4,198</b>	<b>(1,250)</b>	<b>(4,135)</b>	<b>21,029</b>	<b>70,504</b>	<b>795</b>	<b>(17,103)</b>	<b>7,945</b>	<b>(1,745)</b>	<b>875</b>	<b>(2,706)</b>	<b>(800)</b>	<b>(56,490)</b>	<b>-</b>	<b>21,117</b>
Other information of Balance at 12.31.09															
Total assets	266,363	16,280	8,597	453,223	171,317	137	16,973	68,096	80,804	20,181	4,612	46,028	46,427	-	1,199,038
Total liabilities	82,379	2,591	2,279	208,664	54,556	89	15,066	39,371	22,245	8,000	3,391	8,669	690,269	-	1,137,569

(\*) Internal transactions are carried out at market prices and correspond primarily to expenses born by the parent companies on behalf of the remaining Group companies.



<b>Income Statement 2008</b>	Spain Slot machines	Spain Bingos	Spain Bets	Mexico	Argentina	Chile	Colombia	Italy Indirect	Italy Bingos	Uruguay	Brazil	Panama	Headquarters	Inter-segment operations(*)	Total
Operating revenues															
Revenues from external customers	208,201	26,332	734	232,153	352,460	-	26,857	46,015	95,358	12,781	2,205	45,225	1,703	-	1,050,024
Inter-segment revenues	-	-	-	-	-	-	-	-	-	-	-	-	28,004	(28,004)	-
	208,201	26,332	734	232,153	352,460	-	26,857	46,015	95,358	12,781	2,205	45,225	29,707	(28,004)	1,050,024
Operating expenses															
Depreciation, amortization and impairment	(29,494)	(1,105)	(233)	(22,945)	(13,195)	-	(5,577)	(3,382)	(37,288)	(2,463)	(1,028)	(6,422)	(2,205)	-	(125,337)
Variation in operating provisions	(4,053)	-	-	(286)	(6)	-	(228)	860	(16)	-	-	-	1,462	-	(2,267)
Other operating expenses	(138,948)	(24,492)	(4,901)	(152,447)	(234,770)	(13)	(20,900)	(40,292)	(88,067)	(9,549)	(4,524)	(32,552)	(65,449)	-	(816,904)
	(172,495)	(25,597)	(5,134)	(175,678)	(247,971)	(13)	(26,705)	(42,814)	(125,371)	(12,012)	(5,552)	(38,974)	(66,192)	-	(944,508)
Gains or losses on assets disposals	(1,474)	(14)	(55)	48	6	-	3,133	(20)	(105)	7	-	-	14	-	1,541
Inter-segment expenses	(4,178)	(598)	(807)	(10,766)	(7,665)	-	(164)	(308)	(588)	-	-	(2,930)	-	28,004	-
<b>OPERATING PROFIT</b>	<b>30,054</b>	<b>123</b>	<b>(5,262)</b>	<b>45,758</b>	<b>96,830</b>	<b>(13)</b>	<b>3,121</b>	<b>2,873</b>	<b>(30,706)</b>	<b>776</b>	<b>(3,347)</b>	<b>3,321</b>	<b>(36,471)</b>	<b>-</b>	<b>107,057</b>
External financial revenues	1,366	-	76	5,890	781	-	215	480	198	29	41	35	1,718	-	10,829
Inter-segment financial revenues	-	-	-	-	-	-	-	-	-	-	-	-	28,049	(28,049)	-
External financial expenses	(3,135)	(1)	-	(6,588)	(2,068)	-	(2,326)	(80)	(1,237)	(464)	(20)	(425)	(60,891)	-	(77,235)
Inter-segment financial expenses	(2,213)	(489)	-	(17,294)	647	-	29	(2,914)	(3,319)	(59)	(1,576)	(861)	-	28,049	-
Net exchange differences	-	-	153	7,224	3,216	335	8	-	-	(184)	(345)	136	918	-	11,461
<b>NET FINANCIAL RESULTS</b>	<b>(3,982)</b>	<b>(490)</b>	<b>229</b>	<b>(10,768)</b>	<b>2,576</b>	<b>335</b>	<b>(2,074)</b>	<b>(2,514)</b>	<b>(4,358)</b>	<b>(678)</b>	<b>(1,900)</b>	<b>(1,115)</b>	<b>(30,206)</b>	<b>-</b>	<b>(54,945)</b>
<b>INCOME / (LOSS) BEFORE TAXES</b>	<b>26,072</b>	<b>(367)</b>	<b>(5,033)</b>	<b>34,990</b>	<b>99,406</b>	<b>322</b>	<b>1,047</b>	<b>359</b>	<b>(35,064)</b>	<b>98</b>	<b>(5,247)</b>	<b>2,206</b>	<b>(66,677)</b>		<b>52,112</b>
Income tax expense	(7,580)	125	-	(6,942)	(31,311)	(563)	(230)	(635)	(1,576)	(79)	(349)	(1,994)	4,318		(46,816)
<b>CONSOLIDATED INCOME / (LOSS)</b>	<b>18,492</b>	<b>(242)</b>	<b>(5,033)</b>	<b>28,048</b>	<b>68,095</b>	<b>(241)</b>	<b>817</b>	<b>(276)</b>	<b>(36,640)</b>	<b>19</b>	<b>(5,596)</b>	<b>212</b>	<b>(62,359)</b>	<b>-</b>	<b>5,296</b>
Consolidated profit/loss of discontinued operations	-	-	-	-	-	-	-	(9,496)	-	-	-	-	-	-	(9,496)
<b>CONSOLIDATED INCOME / (LOSS)</b>	<b>18,492</b>	<b>(242)</b>	<b>(5,033)</b>	<b>28,048</b>	<b>68,095</b>	<b>(241)</b>	<b>817</b>	<b>(9,772)</b>	<b>(36,640)</b>	<b>19</b>	<b>(5,596)</b>	<b>212</b>	<b>(62,359)</b>	<b>-</b>	<b>(4,200)</b>
Attributable to:															
Minority interests	3,899	-	-	(169)	2,363	-	124	418	-	(27)	-	(238)	-	-	6,370
Equity holders of the parent	14,593	(242)	(5,033)	28,217	65,732	(241)	693	(10,190)	(36,640)	46	(5,596)	450	(62,359)	-	(10,570)
<b>CONSOLIDATED INCOME / (LOSS)</b>	<b>18,492</b>	<b>(242)</b>	<b>(5,033)</b>	<b>28,047</b>	<b>68,095</b>	<b>(241)</b>	<b>817</b>	<b>(9,772)</b>	<b>(36,640)</b>	<b>19</b>	<b>(5,596)</b>	<b>212</b>	<b>(62,359)</b>	<b>-</b>	<b>(4,200)</b>
Other information of Balance at 12.31.08															
Total assets	289,606	17,488	8,942	419,510	168,097	150	33,513	56,383	79,622	16,635	4,292	54,610	71,883	-	1,220,731
Total liabilities	67,370	2,879	2,349	161,639	56,827	908	18,763	34,448	35,015	6,763	3,703	15,670	739,462		1,145,796

(\*) Internal transactions are carried out at market prices and correspond primarily to expenses born by the parent companies on behalf of the remaining Group companies.

<b>Balance at 12.31.2009</b>	Spain Slot machines	Spain Bingos	Spain Bet	Mexico	Argentina	Chile	Colombia	Italy Indirect	Italy Bingos	Uruguay	Brasil	Panama	Headquarters	Total
Intangible assets	57.737	14	1.867	90.806	28.335	-	37	13.439	758	75	1.913	2.056	4.317	201.354
Tangible fixed assets	52.923	6.669	4.781	160.551	55.675	-	14.311	4.060	19.088	13.930	1.682	16.514	3.072	353.256
Goodwill	98.694	8.947	-	37.489	44.367	-	-	19.647	38.622	-	-	15.383	-	263.149
Long-term financial investments	14.207	116	81	35.995	196	-	4	7.348	4.637	588	-	3.952	587	67.711
Deferred taxes	3.633	51	-	13.032	2.757	-	97	2.566	5.234	180	639	390	8.446	37.025
Other deferred assets	-	-	-	15	-	-	-	-	-	-	-	-	110	125
Current assets	39.169	483	1.868	115.335	39.987	137	2.524	21.036	12.465	5.408	378	7.733	29.895	276.418
<b>TOTAL ASSETS</b>	<b>266.363</b>	<b>16.280</b>	<b>8.597</b>	<b>453.223</b>	<b>171.317</b>	<b>137</b>	<b>16.973</b>	<b>68.096</b>	<b>80.804</b>	<b>20.181</b>	<b>4.612</b>	<b>46.028</b>	<b>46.427</b>	<b>1.199.038</b>
Deferred revenue	62	-	-	-	-	-	-	-	-	-	-	-	722	784
Provisions	15	163	-	1.452	10.135	-	369	15.038	3.170	-	127	689	-	31.158
Long-term debt	42.226	900	1.016	98.234	3.524	-	8.415	12.997	5.670	4.201	-	3.437	663.106	843.726
Current liabilities	40.076	1.528	1.263	108.978	40.897	89	6.282	11.336	13.405	3.799	3.264	4.543	26.441	261.901
<b>TOTAL LIABILITIES</b>	<b>82.379</b>	<b>2.591</b>	<b>2.279</b>	<b>208.664</b>	<b>54.556</b>	<b>89</b>	<b>15.066</b>	<b>39.371</b>	<b>22.245</b>	<b>8.000</b>	<b>3.391</b>	<b>8.669</b>	<b>690.269</b>	<b>1.137.569</b>
OTHER INFORMATION														
Capital expenditure	34.899	213	3.029	69.348	30.137	-	7.657	16.204	3.727	1.727	87	1.738	898	169.664
Intangible assets	12.141	-	953	5.515	12.389	-	40	12.577	22	15	8	7	795	44.462
Tangible fixed assets	22.758	213	2.076	63.833	17.748	-	7.617	3.627	3.705	1.712	79	1.731	103	125.202
Other non-cash expenses	4.623	(4)	116	19.710	11	-	1.418	(4.920)	153	94	(758)	2	(192)	20.253

<b>Balance at 12.31.2008</b>	Spain Slot machines	Spain Bingos	Spain Bet	Mexico	Argentina	Chile	Colombia	Italy Indirect	Italy Bingos	Uruguay	Brasil	Panama	Headquarters	Total
Intangible assets	64,624	14	1,729	85,307	20,909	-	92	1,812	715	78	1,623	2,144	5,224	184,271
Tangible fixed assets	55,695	7,977	4,210	148,638	62,540	-	26,667	5,566	20,901	11,481	1,635	24,313	4,165	373,788
Goodwill	98,876	8,948	-	36,750	50,500	-	1,180	19,677	37,853	-	-	15,923	-	269,707
Long-term financial investments	20,536	116	117	40,379	277	-	-	10,272	3,690	130	-	3,870	6,432	85,819
Deferred taxes	705	51	-	8,451	4,071	-	76	450	2,100	113	774	-	12,177	28,968
Other deferred assets	536	1	-	6	-	-	-	-	-	-	-	-	164	707
Current assets	48,634	381	2,886	99,979	29,800	150	5,498	18,606	14,363	4,833	260	8,360	43,721	277,471
<b>TOTAL ASSETS</b>	<b>289,606</b>	<b>17,488</b>	<b>8,942</b>	<b>419,510</b>	<b>168,097</b>	<b>150</b>	<b>33,513</b>	<b>56,383</b>	<b>79,622</b>	<b>16,635</b>	<b>4,292</b>	<b>54,610</b>	<b>71,883</b>	<b>1,220,731</b>
Deferred revenue	131	-	-	-	-	-	-	-	-	-	-	-	912	1,043
Provisions	787	167	-	1,857	13,666	-	15	22,170	2,557	8	7	666	-	41,900
Long-term debt	29,037	676	-	67,561	1,093	-	9,400	3,539	8,508	4,310	-	4,997	668,452	797,573
Current liabilities	37,415	2,036	2,349	92,221	42,068	908	9,348	8,739	23,950	2,445	3,696	10,007	70,098	305,280
<b>TOTAL LIABILITIES</b>	<b>67,370</b>	<b>2,879</b>	<b>2,349</b>	<b>161,639</b>	<b>56,827</b>	<b>908</b>	<b>18,763</b>	<b>34,448</b>	<b>35,015</b>	<b>6,763</b>	<b>3,703</b>	<b>15,670</b>	<b>739,462</b>	<b>1,145,796</b>
<b>OTHER INFORMATION</b>														
Capital expenditure	31,088	2,263	1,534	64,212	23,670	-	7,926	1,533	6,788	3,394	399	8,321	2,343	153,471
Intangible assets	14,118	-	403	18,958	4,437	-	-	402	-	-	399	408	1,212	40,337
Tangible fixed assets	16,970	2,263	1,131	45,254	19,233	-	7,926	1,131	6,788	3,394	-	7,913	1,131	113,134
Other non-cash expenses	2,919	34	55	18,432	2,011	-	2,214	282	(91)	66	185	32	61	26,200

## b) Business Segments

The following tables present revenue and certain asset information regarding the Group's operations along its principal business lines for the year ended December 31, 2009 and 2008 (in thousands of euros):

<b><u>Year 2009</u></b>	AWP	Bingos	Casinos	Bets	Headquarters	Total
Revenue from external customers	240,621	691,742	31,070	3,372	1,120	967,925
Inter-segment revenue	(2,152)	(23,066)	(2,226)	(583)	28,027	-
Operating revenue	238,469	668,676	28,844	2,789	29,147	967,925
OTHER INFORMATION						
Total segment assets	368,952	755,717	19,346	8,597	46,426	1,199,038

<b><u>Year 2008</u></b>	AWP	Bingos	Casinos	Bets	Headquarters	Total
Revenue from external customers	279,950	738,462	29,147	734	1,731	1,050,024
Inter-segment revenue	(2,233)	(22,091)	(2,873)	(807)	28,004	-
Operating revenue	277,717	716,371	26,274	(73)	29,735	1,050,024
OTHER INFORMATION						
Total segment assets	396,446	718,815	24,645	8,942	71,883	1,220,731

## 4. VARIATIONS IN THE PERIMETER

During 2009 and 2008, the following companies have been included for the first time in the consolidation scope:

### **2009**

Codere Interactiva, S.L. (New establishment during 2009)

2010-S-Matic, S.L. (New establishment during 2009)

Desarrollo Online Juegos Regulados, S.A. (New establishment during 2009)

The effect of these incorporations on the consolidated annual accounts for 2009 is an increase in net assets of 1,158 thousands euros, an increase in turnover of 74 thousands euros and a loss of 42 thousands euros. Information regarding assets contributed by these companies on acquisition is set out below in this note.

### **2008**

Seven Cora, S.r.L. (a)

Primer Continente, S.L. (c) (New establishments during the 2008 financial year)

Carrasco Nobile, S.A. (b) (New establishments during the 2008 financial year)

Automáticos Arga, S.L. (a)

Gamatronic, S.L. (a)

- (a) Operation of slot machines
- (b) Licensee to operate casinos
- (c) Sale of goods and services and operator of slot machines

The effect of these incorporations on the consolidated annual accounts for 2008 is an increase in net assets of 6,899 thousands euros, an increase in turnover of 16,973 thousands euros and an increase in income of 616 thousands euros. Information regarding assets contributed by these companies on acquisition is set out below in this note.

Additionally, during 2009 and 2008 the following companies have merged into the companies heading the groups they belonged to:

**Absorbing Company**

**2009**

Codere Navarra, S.L.  
 Entretenimiento Virtual, S.A de C.V.  
 Entretenimiento Virtual, S.A. de C.V.  
 Entretenimiento Virtual, S.A. de C.V.  
 Codere Madrid, S.A.  
 Operibérica, S.A.  
 Operibérica, S.A.  
 Codere Logroño, S.L.  
 Recreativos Ruan, S.L.  
 Codere Valencia, S.A.  
 Codere Valencia, S.A.  
 Codere Valencia, S.A.

**Absorbed Company**

Automáticos Arga, S.L.  
 Adm. Personal del Hipódromo, S.A. de C.V.  
 Impulsora de Bienes, S.A. de C.V.  
 Crea Producciones para TV, S.A. de C.V.  
 Recreativos Otein, S.L.  
 Opertrinidad, S.L.  
 Recreativos Sierra Sur, S.L.  
 Codandredi, S.L.  
 Gamatronic, S.L.  
 Opealmar, S.L.  
 Vimatir, S.L.  
 Recreativos Agut-85, S.A.

**Absorbing Company**

**2008**

Iberargen, S.A.  
 Iberargen, S.A.  
 Iberargen, S.A.  
 Iberargen, S.A.  
 Itapoan, S.A.  
 Itapoan, S.A.  
 Operibérica, S.A.  
 Operibérica, S.A.  
 Operibérica, S.A.  
 Operibérica, S.A.  
 Codere Madrid, S.A.  
 Codere Madrid, S.A.  
 Codere Madrid, S.A.  
 Codere Madrid, S.A.  
 Codere Madrid, S.A.  
 Codere Valencia, S.A.  
 Oper Sherka, S.L.  
 Codere México, S.A.  
 Codere México, S.A.  
 Codere México, S.A.  
 Codere México, S.A.

**Absorbed Company**

Karmele, S.A.  
 Gallaecia, S.A.  
 Cuatro Caminos, S.A.  
 La Base, S.A.  
 C&K Internacional, S.A.  
 Samana, S.A.  
 Novoa Sport Green, S.L.  
 Electrónicos Cacereños, S.L.  
 Automáticos Malupe, S.L.  
 Videos Electrónicos Altamira de Castilla León, S.L.  
 Recreativos Amitaf, S.L.  
 Vargasimón Recreativos, S.L.  
 Automáticos Raisamatic, S.L.  
 Varona 2005, S.L.  
 Gomcasti, S.L.  
 Euroxoque, S.L.  
 Billares Ibáñez, S.L.  
 Complejo Turístico Huatulco, S.A. de C.V.  
 Números de México, S.A. de C.V.  
 Compañía de Inversiones Mexicanas, S.A. de C.V.  
 Femalamex, S.L.

The information relating to these companies' assets and liabilities is included in the notes to the individual annual accounts of each company.

During the 2009 financial year, the main variations in the perimeter have been as follows:

- On January 23, 2009 the company Codere Technology Network, L.L.C. was dissolved.
- On February 5, 2009, it was undertaken the absorption merger of Automáticos Arga, S.L. by Codere Navarra S.L.
- On February 16, 2009 Codere Interactiva SL was incorporated. Its corporate purpose is any type of commercial activity included in the gaming and betting sector; as well as the skill gaming sector that are supplied by TV, Internet or telephony
- On February 19, 2009 it was undertaken the absorption merger of the Mexican companies Impulsora de Bienes, S.A. de C.V., Crea Producciones para TV, S.A. de C.V. and Administradora de Personal del Hipodromo, S.A. de C.V. by Entretenimiento Virtual, S.A. de C.V.
- On February 26, 2009 the stake owned by Codere Logroño, S.L. in Codandredi, S.L. increased from the 50% to the 100% (for the purpose of the Group, it increased from 37.52% to 75.03%).
- On March 25 2009, the stake owned by Codere Valencia in Recreativos Agut-85, S.A. increased from the 50% to 100% (for the purpose of the Group, it increased from 47.36% to 94.72%).
- On April 24, 2009 the stake owned by Codere Madrid, S.L. in Recreativos Oteín S.L. increased from the 90% to 100%.
- On June 3, 2009 2010-S-Matic, S.L. was incorporated. Its corporate purpose is the exploitation of machines, amusement arcades and gaming halls, as well as the execution of preparatory, necessary, accessory, complementary or related activities.
- On June 5, 2009 the stake owned by the Group in Caneda, S.L. was sold. The benefit recorded amounted to 84 thousand euro.
- In October 2009 it was undertaken the absorption merger of Opertrinidad, S.L. and Recreativos Sierra Sur, S.L. by Operibérica, S.A., the absorption merger of Recreativos Oteín, S.L. by Codere Madrid, S.A. and the absorption merger of Codandredi, S.L. by Codere Logroño, S.L.

- On November 18, 2009 the Colombian company Intergames de Colombia, S.A. was dissolved.
- In December 2009 it was undertaken the absorption merger of Opealmar, S.L., Vimatir, S.L. and Recreativos Agut-85, S.A. by Codere Valencia, S.A. and the absorption merger of Gamatronic, S.L by Recreativos Ruan, S.L.
- On December 15, 2009 the company Desarrollo Online Juegos Regulados S.A. was incorporated. Its corporate purpose is the exploitation of machines featuring board games, gaming machines and specifically the organisation and marketing of sport, competitions or other sport events betting on the Internet, online (instant betting) through interactive systems based on electronic communications that are regulated by the national or regional law. Codere Group owns 25% of the stake of this company.

In accordance with the accounting treatment applied by the Codere Group for this kind of operations to increase stakes in the share capital of companies already controlled through purchases from minority partners, any difference that arises between the acquisition price and the net book value of the stake acquired from the minority partners is recorded as a reduction in Shareholder's equity (in the case of these increases occurred in 2009, it has implied a total amount of 586 thousands euros).

The variations in the perimeter in 2009 have not result in a combination of businesses.

- On December 14, 2007, the Group acquired a 60% stake in the Italian company styled Seven Cora, S.r.L. for the sum of 4,376 thousand euros, but it was not included in the consolidation perimeter until January, 2008. Its corporate purpose is the concession (on lease and/or temporary holding arrangements) of recreational games and slot machines, their construction, assembly, installation and maintenance, as well as the development of associated catering and commercial activities.
- On January 8th, 2008, a new company was set up in Spain, Primer Continente, S.L., devoted to the distribution, sale, purchase and installation of slot machines, as well as the exploitation of catering activities.
- On March 17, 2008, the Codere Group completed the sale of the direct slot machine business in Italy through the sale of its subsidiaries, Gaming Service, S.r.L. and Gaming Re, S.r.L., to Mr. Giovanni Gargelli, the former operations manager of Codere Italia, S.p.A. The cash payment received amounts to 10,000 euros plus an undertaking from the purchaser to take on the sundry debts and accounts payable that existed and, of this total, 3.5 million euros payable to Codere Network are guaranteed in cash and 3 million euros have been provisioned. At the same time, the Codere Group has re-organized the related management and administration functions in Italy, with an estimated cost of 3 million euros. The registration of both these provisions plus the accumulated losses of Gaming Service, S.r.L. and Gaming Re, S.r.L. until the date of

their disposal has represented a loss of 6.8 million euros, recorded under the heading of “Profit/Loss of discontinued operation” on the consolidated operating statement for the financial year closed on December 31, 2008 (Note 22).

- In the month of April, 2008, the Argentinean companies Karmele, S.A., Gallaecia, S.A., Cuatro Caminos, S.A. and La Base, S.A. were merged and taken over by the Iberargen, S.A. company and the C&K Internacional, S.A. and Samana, S.A. companies were merged and taken over by Itapoan, S.A.
- On May 2, 2008, the Carrasco Nobile, S.A. company was incorporated as a Uruguayan company created to participate in the public call for tender for the Hotel Casino Carrasco in Montevideo.
- In June, 2008, the Codere Group increased its stake to reach 100% of the Spanish companies Vargasimón, S.L., Varona 2005, S.L., Automáticos Raisamatic, S.L., Gomcasti, S.L. and Recreativos Sierra Sur, S.L. in the amount of 2,201 thousand euros. In accordance with the accounting treatment applied by the Codere Group for this kind of operations to increase stakes in the share capital of companies already controlled through purchases from minority partners, any difference that arises between the acquisition price and the net book value of the stake acquired from the minority partners is recorded as a reduction in Shareholder’s Equity (in the case of these increases, it has implied a total amount of 1,765 thousand euros).
- In July, 2008, William Hill, PLC and the Codere Group sold the company styled William Hill Codere Italia, S.r.L. to Intralot Italia, S.p.A. for 5.5 million euros. This sale has implied a loss of approximately 1 million euros on the results of the Codere Group for the second quarter of 2008. This amount plus the accumulated losses of William Hill, PLC until the date of its disposal, 1.7 million euros, were registered under the heading “Profit/Loss of discontinued operation” of the consolidated operating statement (Note 22). This disposal occurred after a strategic review of sports betting in Italy by William Hill and the Codere Group, which set up a joint venture with the goal of participating in the tender for sports and horse-racing betting in 2006. The joint venture obtained licences to operate 55 sales outlets, as well as two licences to handle sports and horse-racing betting on the Internet, a number of insufficient scope to provide attractive long-term profitability. For this reason, the joint venture examined the options for growth within Italy through the purchase of pre-existing or new licences, but they were not attractive considering the current regulatory framework.
- On July 10, 2008, 100% of the share capital in the Spanish company Automáticos Arga, S.L. in the amount of 745 thousand euros. Its corporate purpose is the exploitation of slot machines, as well as bar, cafeteria and restaurant services installed in the premises where these machines operate.
- On July 23, 2008, the direct and indirect stakes in Argentinean companies were acquired from the main minority shareholder in Bingos del Oeste, S.A., Bingos del



Platense, S.A., Interjuegos, S.A., Intermar Bingos, S.A. and San Jaime, S.A. in the amount of 23,107 thousand euros and this has implied a reduction of 17,630 thousand euros in the shareholders equity.

- In July, 2008, the Codere Group extended its stake to 100% of the Spanish companies Opertrinidad, S.L., Vimatir, S.L. and Opealmar, S.L. in the amount of 1,390 thousand euros. In accordance with the accounting treatment applied by the Codere Group for this kind of operations to increase stakes in the share capital of companies already controlled through purchases from minority partners, any difference that arises between the acquisition price and the net book value of the stake acquired from the minority partners is recorded within the shareholders equity (in the case of these increases, it has implied a total amount of 840 thousand euros).
- In August, 2008, the Spanish companies Novoa Sport Green, S.L., Electrónicos Cacereños, S.L., Automáticos Malupe, S.L. and Videos Electrónicos Altamira de Castilla León, S.L. were merged and taken over by Operibérica, S.A. and the Recreativos Amitaf, S.L. and Vargasimón Recreativos, S.L. companies were merged and taken over by Codere Madrid, S.A.
- In October, 2008, the Spanish company Euroxoque, S.L. was taken over by Codere Valencia, S.L. and the Billares Ibáñez, S.L. company was taken over by Oper Sherka, S.L.
- In November, 2008, the stake in the Spanish company Garaipen Victoria Apustuak, S.L. was increased from 33.97% to 35.01%. In the JPV Matic 2005, S.L. company, the stake was increased from 94.72% to 100%.
- In November, 2008, the Group also purchased 100% of the Spanish company Gamatronic, S.L., paying out 1,186 thousand euros for its acquisition. Its corporate purpose is the exploitation of slot machines and games of chance, in owned establishments or in those of third parties, and, where appropriate, their maintenance and repair.
- In December, 2008, the Group proceeded with the merger and takeover of the Mexican companies Complejo Turístico Huatulco, S.A. de C.V., Números de México, S.A. de C.V., Compañía de Inversiones Mexicanas, S.A. de C.V. and Femalamex, S.L. and their takeover by the Codere México, S.A. de C.V. company and also the takeover of the Spanish companies Automáticos Raisamatic, S.L., Varona 2005, S.L. and Gomcasti, S.L. by Codere Madrid, S.A.

During 2009 companies that started being part of perimeter were not acquired but incorporated.

Information on assets and liabilities as of the date of acquisition and the contribution to the Group's net income of the companies acquired in 2009 and 2008 is provided in the table below (in thousands of euro):

<u>Año 2009</u>	Codere Interactiva, S.L. (*)	2010 S-Matic, S.L. (*)	Desarrollo online juegos regulados, S.A. (*)	Total
Acquisition/ Incorporate date	16.02.09	03.06.09	15.12.09	
% Adquired	90%	100%	25%	
Cash	30	3,006	250	<b>3,286</b>
Equity	(30)	(3,006)	(250)	<b>(3,286)</b>
2009 Contribution to the Group's net income	(61)	19	-	<b>(42)</b>

<b>Año 2008</b>	<b>Primer</b>	<b>Automáticos</b>				
	<b>Seven Cora, S.r.L.</b>	<b>Continente, S.L.</b>	<b>Carrasco Nobile, S.A.</b>	<b>Arga, S.L.</b>	<b>Gamatronic, S.L.</b>	<b>Total</b>
	(*)	(*)				
Acquisition/ Incorporate date	14.12.07	08.01.08	02.05.08	10.07.08	28.11.08	
% Acquired	60%	100%	51%	50%	90%	
Coste	4,376	3	2	745	1,186	<b>6,312</b>
Goodwill	3,776	-	-	649	1,212	<b>5,637</b>
Intangible assets	-	-	-	1	-	<b>1</b>
Tangible fixed assets	633	-	-	61	68	<b>762</b>
Long-term financial investments	-	-	-	15	-	<b>15</b>
Current assets	28	-	-	465	178	<b>671</b>
Cash	691	3	2	41	3	<b>740</b>
Equity	(600)	(3)	(2)	(134)	28	<b>(711)</b>
Provisions	(1)	-	-	-	-	<b>(1)</b>
Long-term debt	-	-	-	(400)	-	<b>(400)</b>
Current liabilities	(751)	-	-	(49)	(277)	<b>(1,077)</b>
2008 Contribution to the Group's net income	521	45	28	11	11	<b>616</b>

## 5. INTANGIBLE ASSETS

Year 2009

<u>Cost</u>	Balance at 12.31.2008	Business combinations	Additions	Retirements	Transfers	Translation differences	Balance at 12.31.2009
Bingo licences	24,802	-	11,743	-	-	(3,580)	32,965
Exclusivity rights	78,218	-	11,703	(10,629)	-	631	79,923
"Yak" brand of ICELA	7,844	-	-	-	-	158	8,002
Gaming licences in ICELA	68,983	-	-	-	-	1,389	70,372
Brands	1,086	-	16	-	-	(1)	1,101
Other exclusivity rights	38,825	-	16,260	(452)	-	165	54,798
Client portfolio	3,268	-	-	-	-	-	3,268
Computer software	16,803	-	3,665	(63)	-	3	20,408
Advances for intangible fixed assets	2,277	-	992	(2,192)	-	(59)	1,018
Leasehold assignment rights	1,021	-	83	(244)	-	8	868
<b>Total</b>	<b>243,127</b>	<b>-</b>	<b>44,462</b>	<b>(13,580)</b>	<b>-</b>	<b>(1,286)</b>	<b>272,723</b>
<b>Accumulated Amortization</b>							
Bingos licences	(4,134)	-	(1,749)	-	-	572	(5,311)
Exclusivity rights	(31,981)	-	(14,207)	8,050	-	(180)	(38,318)
Gaming licences in ICELA	(2,012)	-	(1,757)	1,957	-	(7)	(1,819)
Other exclusivity rights	(10,065)	-	(1,890)	188	-	(463)	(12,230)
Client portfolio	(91)	-	(181)	-	-	-	(272)
Computer software	(8,422)	-	(3,252)	446	-	4	(11,224)
Leasehold assignment rights	(836)	-	(97)	205	-	(3)	(731)
<b>Total</b>	<b>(57,541)</b>	<b>-</b>	<b>(23,133)</b>	<b>10,846</b>	<b>-</b>	<b>(77)</b>	<b>(69,905)</b>
<b>Provisions</b>							
Provisions	(1,315)	-	(1,464)	1,315	-	-	(1,464)
<b>Total</b>	<b>(1,315)</b>	<b>-</b>	<b>(1,464)</b>	<b>1,315</b>	<b>-</b>	<b>-</b>	<b>(1,464)</b>
<b>Net carrying amount</b>	<b>184,271</b>						<b>201,354</b>

**Year 2008**

<u>Cost</u>	Balance at 12.31.2007	Business combinations	Additions	Retirements	Transfers	Balance at 12.31.2008
Bingo licences	25,632	-	-	(830)	-	24,802
Exclusivity rights	72,916	-	17,276	(17,943)	5,969	78,218
"Yak" brand of ICELA	9,449	(80)	-	(1,525)	-	7,844
Gaming licences in ICELA	81,060	1,302	-	(13,379)	-	68,983
Brands	3,211	-	976	(240)	-	3,947
Other exclusivity rights	27,878	-	12,367	(4,281)	-	35,964
Client portfolio	-	3,268	-	-	-	3,268
Merger Goodwill	28,929	-	-	-	(28,929)	-
Computer software	11,982	-	5,417	(596)	-	16,803
Advances for intangible fixed assets	7,368	-	3,958	(3,080)	(5,969)	2,277
Leasehold assignment rights	978	-	343	(300)	-	1,021
Total	<u>269,403</u>	<u>4,490</u>	<u>40,337</u>	<u>(42,174)</u>	<u>(28,929)</u>	<u>243,127</u>

  

<u>Amortización Acumulada</u>	Balance at 12.31.2007	Business combinations	Additions	Retirements	Transfers	Balance at 12.31.2008
Bingo licences	(2,564)	-	(1,570)	-	-	(4,134)
Exclusivity rights	(27,611)	-	(13,759)	9,389	-	(31,981)
Gaming licences in ICELA	(338)	-	(2,035)	361	-	(2,012)
Other exclusivity rights	(8,787)	-	(2,275)	997	-	(10,065)
Client portfolio	-	-	(91)	-	-	(91)
Computer software	(6,633)	-	(2,219)	430	-	(8,422)
Leasehold assignment rights	(679)	-	(189)	32	-	(836)
Total	<u>(46,612)</u>	<u>-</u>	<u>(22,138)</u>	<u>11,209</u>	<u>-</u>	<u>(57,541)</u>

  

<u>Provisions</u>	Balance at 12.31.2007	Business combinations	Additions	Retirements	Transfers	Balance at 12.31.2008
Provisions	(1,280)	-	(500)	465	-	(1,315)
Total	<u>(1,280)</u>	<u>-</u>	<u>(500)</u>	<u>465</u>	<u>-</u>	<u>(1,315)</u>

  

Net carrying amount	<u>221,511</u>					<u>184,271</u>
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During 2009 the Group divided the line “Exclusivity rights” from the 2008 consolidated annual accounts into three separate lines: “Bingo Licenses”, “Exclusivity rights” and “Other exclusivity rights”.

Additions to “Bingo licenses” during 2009 mainly corresponded to the upfront payment amount related to the renewal of Puerto and San Martin bingo licenses. (See Note 2.e.2).

Additions under “Exclusivity rights” were essentially attributable to new contracts for the placement of machines in bars, restaurants and other establishments mainly in Spain.

The line “Other exclusivity rights” correspond to the rest of exclusivity rights, concessions and licenses necessary for the daily management of the business. Addition under this line in 2009 were mainly attributable to the acquisition of licenses to install and operate a new type of machines in Italy, amounting €10,125 thousand and the right of use of the brand name Rio in halls from ICELA amounting €4,583 thousand approximately.

On December 31, 2009, the Group did not have any significant commitment for the sale or purchase of intangible assets.

During the 2008 financial year, the Group has proceeded to effect the allocation of the purchase price for Recreativos Cósmicos, S.L. (acquired on December 28th, 2007) to the assets and liabilities acquired and the contingent liabilities taken on; once this process was complete, it generated the allocation of an intangible asset called “Client Portfolio” in the amount of 3,268 thousand euros (Note 2.b.18).

Additions under the caption “Provisions” include €150 thousand related to a reduction in the accounting value of the Colombian intangible assets (see Note 11).

During the 2008 financial year, the Group decided to combine into a single heading The Goodwill from Mergers and Consolidation (Note 10).

## 6. TANGIBLE FIXED ASSETS

The detail of the balance of this caption as of December 31, 2009 and 2008, and of the variations therein is as follows (in thousands of euro):

### Year 2009

<i>Cost</i>	Balance at 12.31.2008	Business combinations	Additions	Retirements	Transfers	Translation differences	Balance at 12.31.2009
Slot machines	200,421	-	69,062	(56,746)	1,109	(2,520)	211,326
Amusement machines	12,871	-	65	(861)	-	-	12,075
Other installations, tools and furnitures	43,626	-	4,787	(15,615)	13,790	228	46,816
Information processing hardware	31,180	-	3,090	(981)	(16)	(225)	33,048
Advances and construction in progress	25,376	-	25,670	(11,511)	(17,837)	(786)	20,912
Transport equipment	7,026	-	292	(843)	(20)	19	6,474
Land	14,361	-	463	11	-	(527)	14,308
Buildings	154,424	-	9,947	(2,152)	2,974	1,598	166,791
Leasehold improvements	75,049	-	7,440	171	732	750	84,142
Technical installations and machinery	39,215	-	4,386	(741)	(732)	(829)	41,299
<b>Total</b>	<b>603,549</b>	<b>-</b>	<b>125,202</b>	<b>(89,268)</b>	<b>-</b>	<b>(2,292)</b>	<b>637,191</b>
<i>Accumulated amortization</i>	<i>Saldo al 12.31.2008</i>	<i>Business combinations</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Translation differences</i>	<i>Balance at 12.31.2009</i>
Slot machines	(89,279)	-	(38,431)	20,330	(5,869)	1,092	(112,157)
Amusement machines	(10,515)	-	(641)	667	-	-	(10,489)
Information processing hardware	(22,831)	-	(4,853)	972	4,749	58	(21,905)
Equipos para el proceso de información	(19,241)	-	(3,921)	3,385	16	132	(19,629)
Transport equipment	(4,889)	-	778	701	-	(44)	(3,454)
Buildings	(35,104)	-	(3,253)	1,446	1,134	(324)	(36,101)
Leasehold improvements	(28,698)	-	(7,926)	247	148	270	(35,959)
Technical installations and machinery	(17,871)	-	(11,418)	221	(178)	451	(28,795)
<b>Total</b>	<b>(228,428)</b>	<b>-</b>	<b>(69,665)</b>	<b>27,969</b>	<b>-</b>	<b>1,635</b>	<b>(268,489)</b>
<i>Provisions</i>							
Provisions	(1,333)	-	(15,446)	1,286	-	47	(15,446)
<b>Total</b>	<b>(1,333)</b>	<b>-</b>	<b>(15,446)</b>	<b>1,286</b>	<b>-</b>	<b>47</b>	<b>(15,446)</b>
<b>Net carrying amount</b>	<b>373,788</b>						<b>353,256</b>

**Year 2008**

<u>Cost</u>	Balance at 12.31.07	Business combinations	Additions	Retirements	Transfers	Balance at 12.31.08
Slot machines	151,247	773	54,434	(6,033)	-	200,421
Amusement machines	13,289	4	4,574	(4,996)	-	12,871
Other installations, tools and furnitures	30,405	5	9,287	(5,052)	8,981	43,626
Information processing hardware	30,756	-	4,361	(3,937)	-	31,180
Advances and construction in progress	30,867	-	22,178	(4,737)	(22,932)	25,376
Transport equipment	6,804	105	1,315	(1,198)	-	7,026
Land	15,997	-	297	(1,933)	-	14,361
Buildings	180,793	-	2,766	(29,135)	-	154,424
Leasehold improvements	63,484	-	6,065	(8,451)	13,951	75,049
Technical installations and machinery	35,776	-	7,857	(4,418)	-	39,215
Total	559,418	887	113,134	(69,890)	-	603,549

  

<u>Accumulated amortization</u>	Balance at 12.31.07	Business combinations	Additions	Retirements	Transfers	Balance at 12.31.08
Slot machines	(50,578)	(73)	(38,642)	14	-	(89,279)
Amusement machines	(8,762)	(3)	(1,776)	26	-	(10,515)
Other installations, tools and furnitures	(13,470)	(1)	(9,364)	4	-	(22,831)
Information processing hardware	(14,106)	-	(5,136)	1	-	(19,241)
Transport equipment	(4,720)	(40)	(133)	4	-	(4,889)
Buildings	(34,037)	-	(1,083)	16	-	(35,104)
Leasehold improvements	(19,561)	-	(9,147)	10	-	(28,698)
Technical installations and machinery	(12,803)	-	(5,076)	8	-	(17,871)
Total	(158,037)	(117)	(70,357)	83	-	(228,428)

  

<u>Provisions</u>						
Provisions	(4,924)	-	(1,333)	4,924	-	(1,333)
Total	(4,924)	-	(1,333)	4,924	-	(1,333)
Net carrying amount	396,457					373,788

Additions under “slot machines” in 2009 principally reflected the new financial lease agreement by ICELA Group and IGT-Mexicana, S. de R.L. de C.V. (IGT) entered on April 3, 2009 that substitutes the agreement in force until that date; renewal of Spain AWP portfolio and the acquisition of new machines in Argentina. Retirements under this line were mainly attributable to the cancelation of the financial lease agreement of ICELA, mentioned above, and the retirements of AWP in Spain.

Retirements under “Other installations, tools and furniture” during 2009 principally correspond to the refurbishment of halls made by Codere Mexico, S.A. de C.V. to Caliente Group.

Additions under “Advances and construction in progress” during 2009 correspond to investments made by Codere Mexico, S.A. de C.V. for the construction and refurbishment of halls owned by Caliente Group. Retirements under this line were attributable to the end of works for the construction of a new plant in Girona.

Additions under “buildings” in 2009 were mainly due to the construction of a new plant in Girona and improvement works in halls owned by ICELA Group.

Figures under “Transfers” in 2009 and 2008 mainly include the transfer of the investment made by Codere Mexico, S.A. de C.V. for the current construction and refurbishment of

halls owned by Caliente Group until the date they are available for use recorded under “Advances and construction in progress”.

Refurbishment of halls charged to Caliente are simultaneously recorded as operating revenue and expenses in the income financial statements.

Additions under “Provisions” include €12,969 thousand related to a reduction in the accounting value of tangible assets in Colombia (see Note 11).

The additions of “Slot Machines” in the 2008 financial year were mainly due to the acquisition of new machines in the business units Spain AWP, Argentina, Colombia and Panama. In Spain AWP the Group proceeded with the renewal of part of the machine park installed. In Argentina, there has been a significant renewal of slot machines with the installation of the new TITO system. In Colombia, slot machines have been acquired at the local level and via imports for the normal development of the activity, as well as for the execution of improvement projects on the machines. And in Panama, apart from the acquisition of machines for the ordinary run of the business, 2,200 thousand euros, approximately, have been included for the machine interconnection network.

During the 2008 financial year, some assets have also been eliminated through the sale of the Italian companies Gaming Service, S.r.L., Gaming Re, S.r.L and William Hill Codere Italia, S.r.L. There have also been eliminations with the withdrawal of some companies’ machines due to obsolescence.

The Advances and Fixed Assets under way that existed as of December 31, 2008, were mainly intended for the remodelling of leased premises and the acquisition of the necessary installations for their operation.

On December 31, 2009 and 2008, the Group did not have any significant commitment for the sale or purchase of tangible fixed assets.

The Group holds certain assets under a financial leasing regime. The heading “Slot Machines” mainly includes assets belonging to the ICELA Group for a value of 15,285 thousand euros, in Argentina for a value of 2,470 thousand euros and in Colombia for 0,4 thousand euros. The heading “Technical installations and machinery” mainly includes assets belonging to the Italy Group for a value of 883 thousand euros. As of December 31st, 2009 and 2008, the values of the assets held under financial leasing are as follows (in thousands of euros):

	December 2009			December 2008		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Slot machines	41,838	(19,464)	22,374	43,993	(18,301)	25,692
Technical installations and machinery	6,834	(3,786)	3,048	8,528	(3,771)	4,757
Furniture	223	(89)	134	218	(86)	132
Transport equipment	351	(91)	260	429	(103)	326
Total	49,246	(23,430)	25,816	53,168	(22,261)	30,907

Note 17.a.3) includes minimum financial lease payments and the calculation of the fair value of future minimum payments.

The Group has operative leases over certain elements of the fixed assets. These leases are associated mainly with the regime of letting or concession under which the headquarters of the companies are in each of the countries, the premises where the gaming activity takes place, car parks, etc. These leases are in the majority of cases updated on the basis of the yearly consumer price index. There is no restriction at all for the Group with regard to contracting these leases. The expense recognised in the profit and loss statement during the 2009 and 2008 financial years corresponding to operating leases amounts to 41,660 and 50,414 thousand euros (see Note 21), with the expiry of the contracts being between 3 and 10 years.

As of December 31, 2009, the Group has the following non cancellable payment commitments related to operating leases where it is the leasee (in thousand euros):

	With in one year	Between two and five years	After five years	Total future payments
Total non-cancelable payment commitments	17.562	17.967	9.650	45.179

These non cancelable commitments are mainly attributable to operating leases in locations and halls, offices and means of transport.

As indicated in Note 17 (Long and Short-Term debt), the companies listed in the following table own mortgaged land and buildings and guarantees for levies payable (in the Spanish companies) with the following net carrying amounts (in thousand euros)

	12.31.09	12.31.08
Alta Cordillera, S.A.	312	390
Operibérica, S.A.	2,152	-
Codere Asesoría, S.A.	4,425	-
Codere Barcelona, S.A.	3,939	1,177
Codere Gandía, S.A.	163	333
Recreativos Mae, S.L.	968	1,102
Codere Navarra, S.L.	199	202
Gistra, S.L.	136	147
Recreativos Ruan, S.A.	36	39
Codere Colombia, S.A.	2,577	2,417
	<b>14,907</b>	<b>5,807</b>

The net carrying value as of December 31, 2009 and 2008 for the tangible fixed assets corresponding to the companies consolidated by the global and proportional integration method and located outside Spanish territory is as follows:

	2009	2008
Cost	499,896	469,229
Depreciation and Provisions	(214,084)	(167,488)
Total	<b>285,812</b>	<b>301,741</b>

## 7. HOLDINGS IN COMPANIES CARRIED BY THE PROPORTIONAL METHODS

The interest in current assets, non-current assets, short-term creditors, long-term creditors, income and expenses of the consolidated company by the method of proportional integration on December 31, 2009 and 2008 are the following (in thousand euros), on the basis of the percentage of participation in each of them:

<b>Year 2009</b>	Hípica Rioplatense Argentina, S.A.	Hípica Rioplatense Uruguay, S.A.	Entretenimiento Recreativo, S.A. de C.V.	Codere Apuestas España, S.L.	Codere Apuestas, S.A.	Impulsora Centro de Entretenimiento Las Américas, S.A. de C.V.	Calle del Entretenimiento, S.A. de C.V.	Secofach, S.A. de C.V.	Subtotal	
Intangible fixed assets	-	76	-	188	617	-	-	-	881	
Tangible fixed assets	-	13,888	-	26	3,463	-	-	-	17,377	
Long-term financial investments	-	128	-	-	71	-	-	-	199	
Deferred taxes	-	163	224	-	-	-	-	111	498	
Current assets	45	5,174	2,017	759	467	433	24	1,026	9,945	
<b>TOTAL ASSETS</b>	<b>45</b>	<b>19,429</b>	<b>2,241</b>	<b>973</b>	<b>4,618</b>	<b>433</b>	<b>24</b>	<b>1,137</b>	<b>28,900</b>	
Long-term debts	-	(4,201)	-	(1,016)	-	-	-	-	(5,217)	
Current liabilities	(20)	(3,619)	(4,296)	(92)	(543)	(57)	(50)	(1,742)	(10,419)	
<b>TOTAL LIABILITIES</b>	<b>(20)</b>	<b>(7,820)</b>	<b>(4,296)</b>	<b>(1,108)</b>	<b>(543)</b>	<b>(57)</b>	<b>(50)</b>	<b>(1,742)</b>	<b>(15,636)</b>	
<b>OTHER INFORMATION</b>										
Operating revenues	-	14,853	205	3	2,766	-	204	22	18,053	
Operating expenses	(1)	(12,747)	(175)	(278)	(4,726)	(37)	(144)	(3,128)	(21,236)	
Financial revenues	-	55	2	1	(52)	1	-	-	7	
Financial expenses	(1)	(1,506)	(181)	(67)	(1)	(35)	4	(1)	(1,788)	

  

<b>Year 2009</b>	Entretenimiento Virtual, S.A. de C.V.	Servicios Administrativos Hipódromo, S.A. de C.V.	Sortijuegos, S.A. de C.V.	GaraipenVictoria Apustuak, S.L.	Grupo Inverjuego, S.A.	Administradora Mexicana del Hipódromo, S.A. de C.V.	Asociación en Participación	Carrasco Nobile, S.A.	Subtotal	Total
Intangible fixed assets	-	-	-	1,062	-	85,592	2,136	-	88,790	89,671
Tangible fixed assets	13	-	276	1,293	-	142,991	4,566	41	149,180	166,557
Long-term financial investments	-	-	-	10	-	-	-	460	470	669
Deferred taxes	8	121	-	-	-	4,719	-	17	4,865	5,363
Current assets	778	371	4,385	642	2	20,062	5,550	137	31,927	41,872
<b>TOTAL ASSETS</b>	<b>799</b>	<b>492</b>	<b>4,661</b>	<b>3,007</b>	<b>2</b>	<b>253,364</b>	<b>12,252</b>	<b>655</b>	<b>275,232</b>	<b>304,132</b>
Deferred revenues	-	-	-	-	-	(22,819)	-	-	(22,819)	(22,819)
Long-term debts	-	-	-	-	-	(70,125)	-	-	(70,125)	(75,342)
Current liabilities	(758)	(3,641)	(5,942)	(628)	-	(41,867)	(2,354)	(175)	(55,365)	(65,784)
<b>TOTAL LIABILITIES</b>	<b>(758)</b>	<b>(3,641)</b>	<b>(5,942)</b>	<b>(628)</b>	<b>-</b>	<b>(134,811)</b>	<b>(2,354)</b>	<b>(175)</b>	<b>(148,309)</b>	<b>(163,945)</b>
<b>OTHER INFORMATION</b>										
Operating revenues	2	68	882	602	1	95,015	410	-	96,980	115,033
Operating expenses	(12)	(14,492)	(2,319)	(1,670)	-	(64,778)	(788)	(48)	(84,107)	(105,343)
Financial revenues	1	1	(77)	5	-	8,814	101	(7)	3,891	3,898
Financial expenses	-	(3)	(399)	(5)	-	(6,089)	(104)	-	(6,600)	(8,388)



	Hípica Rioplatense Argentina, S.A.	Hípica Rioplatense Uruguay, S.A.	Entretenimiento Recreativo, S.A. de C.V.	Codere Apuestas España, S.L.	Codere Apuestas, S.A.	Impulsora Centro de Entretenimiento Las Américas, S.A. de C.V.	Impulsora de Bienes, S.A. de C.V.	Calle del Entretenimiento, S.A. de C.V.	Centro de Convenciones Las Américas, S.A. de C.V.	Crea Producciones para TV, S.A. de C.V.	Subtotal	
<b>Year 2008</b>												
Intangible fixed assets	-	78	-	162	695	-	-	-	-	-	935	
Tangible fixed assets	-	11,477	(727)	35	3,173	-	-	-	-	19	13,977	
Long-term financial investments	-	130	-	-	106	-	-	-	-	-	236	
Deferred taxes	-	113	345	-	-	-	6	-	-	-	464	
Current assets	51	4,436	3,407	399	410	418	4	1	-	23	9,149	
<b>TOTAL ASSETS</b>	<b>51</b>	<b>16,234</b>	<b>3,025</b>	<b>596</b>	<b>4,384</b>	<b>418</b>	<b>10</b>	<b>1</b>	<b>-</b>	<b>42</b>	<b>24,761</b>	
Long-term debts	-	(4,310)	(36)	-	-	-	-	-	-	-	(4,346)	
Current liabilities	(34)	(2,280)	(4,935)	(675)	(1,383)	(5)	(2)	(22)	-	(53)	(9,389)	
<b>TOTAL LIABILITIES</b>	<b>(34)</b>	<b>(6,590)</b>	<b>(4,971)</b>	<b>(675)</b>	<b>(1,383)</b>	<b>(5)</b>	<b>(2)</b>	<b>(22)</b>	<b>-</b>	<b>(53)</b>	<b>(13,735)</b>	
OTHER INFORMATION												
Operating revenues	-	12,781	4,070	23	706	-	-	-	-	22	17,602	
Operating expenses	(1)	(11,997)	(1,479)	(57)	(5,161)	(31)	(6)	(162)	-	(14)	(18,910)	
Financial revenues	-	247	21	40	169	359	-	-	-	-	836	
Financial expenses	(3)	(786)	(1,978)	389	(394)	6	-	-	-	(2)	(2,768)	

	Secofach, S.A. de C.V.	Entretenimiento Virtual, S.A. de C.V.	Servicios Administrativos Hipódromo, S.A. de C.V.	Sortijuegos, S.A. de C.V.	GaraipenVictoria Apustuak, S.L.	Grupo Inverjuego, S.A.	Adm. de Personal del Hipódromo, S.A. de C.V.	Administradora Mexicana del Hipódromo, S.A. de C.V.	Asociación en Participación	Carrasco Nobile, S.A.	Subtotal	Total
<b>Year 2008</b>												
Intangible fixed assets	-	-	-	-	872	-	-	79,101	2,094	-	82,067	83,002
Tangible fixed assets	-	-	-	18,478	1,002	-	-	109,699	4,997	-	134,176	148,153
Long-term financial investments	-	-	-	-	10	-	-	-	-	-	10	246
Deferred taxes	4	8	-	1,361	-	-	-	4,459	-	-	5,832	6,296
Current assets	881	4	485	3,209	2,077	2	-	14,208	6,747	300	27,913	37,062
<b>TOTAL ASSETS</b>	<b>885</b>	<b>12</b>	<b>485</b>	<b>23,048</b>	<b>3,961</b>	<b>2</b>	<b>-</b>	<b>207,466</b>	<b>13,838</b>	<b>300</b>	<b>249,997</b>	<b>274,758</b>
Deferred revenues	-	-	-	-	-	-	-	(21,739)	-	-	(21,739)	(21,739)
Long-term debts	-	-	-	(14,838)	-	-	-	(25,293)	(1,799)	-	(41,930)	(46,276)
Current liabilities	(1,431)	-	(3,945)	(15,086)	(291)	(1)	(1)	(22,391)	(6,426)	(184)	(49,756)	(59,145)
<b>TOTAL LIABILITIES</b>	<b>(1,431)</b>	<b>-</b>	<b>(3,945)</b>	<b>(29,924)</b>	<b>(291)</b>	<b>(1)</b>	<b>(1)</b>	<b>(69,423)</b>	<b>(8,225)</b>	<b>(184)</b>	<b>(113,425)</b>	<b>(127,160)</b>
OTHER INFORMATION												
Operating revenues	30	-	459	3,463	5	-	-	97,005	8,327	-	109,289	126,891
Operating expenses	(290)	(4)	(709)	(1,446)	(779)	5	(1)	(90,039)	(10,580)	(38)	(103,881)	(122,791)
Financial revenues	2	-	4	476	29	-	-	2,524	689	77	3,801	4,637
Financial expenses	(3)	-	(5)	(9,433)	(6)	-	-	(6,444)	2,379	(93)	(13,605)	(16,373)

The acquisition of 49% of Group ICELA on October 2007 consisted of an initial fixed price of 145 million US Dollars plus the part of the distribution that Entretenimiento Recreativo S.A. paid to Codere which corresponds to the second payment which depended on the distribution effectively carried out by Entretenimiento Recreativo S.A. (in total 175 million dollars) and a third deferred payment in the amount of 25 million dollars. Likewise, a series of additional payments were set down on the part of Codere if ICELA were to be listed on the stock exchange in a thirty-month period (until April 2010) from the date of acquisition in October 2007. Codere Group considers unlikely that ICELA group will be listed on the stock exchange market in April 2010.

The average of employees in the companies consolidated by the proportional method during 2009 was 2,556 employees according to the corresponding share in the subsidiary.

## 8. LONG-TERM FINANCIAL INVESTMENTS

The detail and variation for the years 2009 and 2008 of “Long-term financial investments” is as follows, (in thousands of euro):

### Year 2009

Concept	Balance at 12.31.08	Additions	Retirements	Transfers	Balance at 12.31.09
Loans and receivables	75,254	15,225	(32,106)	-	58,373
Available for sale financial assets	703	-	-	(703)	-
Held to maturity investment	9,862	747	(2,224)	-	8,385
Other financial assets	-	250	-	703	953
Total	85,819	16,222	(34,330)	-	67,711

### Year 2008

Concept	Balance at 12.31.07	Additions	Retirements	Balance at 12.31.08
Loans and receivables	54,403	44,826	(23,975)	75,254
Available for sale financial assets	703	-	-	703
Held to maturity investment	13,885	6,267	(10,290)	9,862
Other financial assets	4,376	-	(4,376)	-
Total	73,367	51,093	(38,641)	85,819

Discounted cash flow of long term financial investment as of December 31, 2009 and 2008 is considered by applying a market interest rate, to approach its carrying amount. Due to this, the fair value of the long-term financial investments on December 31, 2009 and 2008 does not significantly differ from their accounting value.

This line includes foreign currency amounts, essentially in dollars, 40,731 and 44,567 as of December 31, 2009 and 2008 respectively.

Following is a detail of “Loans and receivables” (in thousands euros):

Type	Company with loan	Balance at 12.31.09	Balance at 12.31.08
Long-term loan	Codere México, S.A	14,967	7,434
Long-term loan	Promociones Recreativas Mexicanas, S.A de C.V	20,926	32,910
Long-term loan	Codere Italia, S.p.A.	5,509	8,961
Long-term loan	Codere América, S.L.	-	5,900
Long-term loan	Hípica de Panamá, S.A.	3,310	3,158
Long-term loan	Codere Girona, S.A.	71	3,204
Long-term loan	Grupo Operbingo Italia, S.p.A.	4,467	3,517
Long-term loan	Codere Madrid, S.A.	1,212	4,024
Long-term loan	Operibérica, S.A.	1,704	3,389
Other minor loans to third parties		6,207	2,757
<b>Total</b>		<b>58,373</b>	<b>75,254</b>

The long term loans of Codere Mexico, S.A. de C.V. and Promociones Recreativas Mexicanas, S.A. de C.V. recorded in 2009 and 2008 relate to long term receivables regarding amounts owed by Caliente in connection with construction and refurbishment services of bingo halls that Codere Group provides and then charges to Caliente Group in monthly payments during five years (see Note 26) . These long term receivables have been recorded at their amortized cost, using a discount rate of 8%.

Long term loan of Codere America S.L. in 2008 correspond to a loan to the company Hipódromos de Aguas Caliente, S.A. de C.V. that has been reclassified as a short-term loan, and it has been recorded under “Short term financial investment”, (note 14).

The detail by due date of the amortized cost of the main loans is as follows, (in thousands of euro):

December 2009											
Year	Codere México	Promoc. Rec. Mexicanas	Codere Italia	Codere América	Hípica de Panamá	Codere Girona	Grupo Operbingo	Codere Madrid	Operibérica	Rest Spain Slot Machines	Total
2011	5,479	10,254	5,509	-	-	71	65	1,125	1,525	2,403	27,212
2012	4,238	6,696	-	-	-	-	-	14	-	15	10,963
2013	3,583	3,348	-	-	-	-	166	13	179	-	7,289
2014	1,667	628	-	-	-	-	-	14	-	-	2,309
2015	-	-	-	-	-	-	-	-	-	-	-
Remainder	-	-	-	-	3,310	-	4,236	46	-	18	10,600
<b>Total</b>	<b>14,967</b>	<b>20,926</b>	<b>5,509</b>	<b>-</b>	<b>3,310</b>	<b>71</b>	<b>4,467</b>	<b>1,212</b>	<b>1,704</b>	<b>2,436</b>	<b>58,373</b>

  

December 2008											
Year	Codere México	Promoc. Rec. Mexicanas	Codere Italia	Codere América	Hípica de Panamá	Codere Girona	Grupo Operbingo	Codere Madrid	Operibérica	Others	Total
2010	3,572	13,950	-	5,900	-	3,204	-	4,024	3,171	2,595	36,416
2011	2,473	10,514	-	-	-	-	593	-	215	-	13,795
2012	1,009	6,183	-	-	-	-	-	-	-	80	7,272
2013	368	2,092	-	-	-	-	-	-	3	2	2,465
2014	12	171	-	-	-	-	-	-	-	-	183
Remainder	-	-	8,961	-	3,158	-	2,924	-	-	80	15,123
<b>Total</b>	<b>7,434</b>	<b>32,910</b>	<b>8,961</b>	<b>5,900</b>	<b>3,158</b>	<b>3,204</b>	<b>3,517</b>	<b>4,024</b>	<b>3,389</b>	<b>2,757</b>	<b>75,254</b>

b) Following is a detail of “Held to maturity investments” (in thousand euros):

Type of investment	Balance at 12.31.09	Balance at 12.31.08
Hopper Deposits	3,692	3,708
Long-term fixed income securities	2,943	3,618
Earnest money contracts	483	1,160
Others	1,267	1,376
Total	<u>8,385</u>	<u>9,862</u>

c) Other financial assets

In 2009, it was recorded investment made in the associates Desarrollo Online Juegos Regulados, S.A. (see Note 4), and contributions made to equity partnerships in order to carry out the gaming machine business in the province of Valencia amounting €703 thousand recorded under this line during this year.

In the year 2007, the detail of Other financial assets includes the investment effected by Codere Italia, S.r.L. in the company Seven Cora, S.r.L. on December 14, 2007, Codere Italia, S.r.L. acquired 60% of the above mentioned company, devoted to the operation of slot machines with two operational headquarters in Italy. On January 2008, Sevencora, S.r.L. has been included in the consolidation scope (Note 4).

## 9. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities as of December 31, 2009 and 2008 are attributable to the following, (in thousand euros):

	December 2009		December 2008	
	Assets	Liabilities	Assets	Liabilities
Start-up expenses	7,033	-	11,653	-
Intangible assets	987	(24,589)	727	(23,056)
Tangible fixed assets	2,636	(6,086)	64	(5,640)
Long-term financial investments	1,068	(672)	2,281	(691)
Exchange gains	-	(163)	-	(163)
Tax credits	21,054	-	14,058	-
Other deferred taxes	4,247	(1,149)	185	(168)
Total	<u>37,025</u>	<u>(32,659)</u>	<u>28,968</u>	<u>(29,718)</u>

The detail of deferred tax assets and liabilities recognized by the Group and movements thereon during 2009 and 2008, (in thousand euros):

<b>Year 2009</b>	Balance at 12.31.08	Charge to income for the year	Charge to reserves for the year	Transfers	Balance at 12.31.09
<u>Assets</u>					
Tax credits	14,058	9,876	-	(2,880)	21,054
Start-up expenses	11,653	(889)	(3,731)	-	7,033
Long-term financial investments	2,281	(1,213)	-	-	1,068
Intangible assets	727	(1,360)	-	1,620	987
Tangible fixed assets	64	2,572	-	-	2,636
Other assets for deferred taxes	185	1,182	-	2,880	4,247
<b>Total</b>	<b>28,968</b>	<b>10,168</b>	<b>(3,731)</b>	<b>1,620</b>	<b>37,025</b>
<u>Liabilities</u>					
Revaluation of properties and investment in tangible assets	(5,640)	1,635	-	(2,081)	(6,086)
Long-term financial investments	(691)	19	-	-	(672)
Exchange gains	(163)	-	-	-	(163)
Intangible assets	(23,056)	(1,533)	-	-	(24,589)
Other liabilities for deferred taxes	(168)	(981)	-	-	(1,149)
<b>Total</b>	<b>(29,718)</b>	<b>(860)</b>	<b>-</b>	<b>(2,081)</b>	<b>(32,659)</b>

  

<b>Year 2008</b>	Saldo al 31.12.07	Charge to income for the year	Charge to reserves for the year	Business combination	Balance at 12.31.08
<u>Assets</u>					
Tax credits	13,492	566	-	-	14,058
Start-up expenses	13,755	(2,102)	-	-	11,653
Long-term financial investments	2,042	239	-	-	2,281
Intangible assets	764	(37)	-	-	727
Tangible fixed assets	567	(503)	-	-	64
Other asset for deferred taxes	-	185	-	-	185
<b>Total</b>	<b>30,620</b>	<b>(1,652)</b>	<b>-</b>	<b>-</b>	<b>28,968</b>
<u>Liabilities</u>					
Revaluation of properties and investment in tangible assets	(6,040)	400	-	-	(5,640)
Long-term financial investments	(834)	143	-	-	(691)
Exchange gains	(390)	227	-	-	(163)
Intangible assets	(26,413)	4,337	-	(980)	(23,056)
Other liabilities for deferred taxes	-	(168)	-	-	(168)
<b>Total</b>	<b>(33,677)</b>	<b>4,939</b>	<b>-</b>	<b>(980)</b>	<b>(29,718)</b>

The balance for tax credits corresponds mainly to the recognition of tax losses of the consolidated tax group in Spain for the amount of €8,394 thousand. Movements under “Tax credits” during 2009 include €5,626 thousand regarding the recognition of part of the tax losses recorded by some Italian companies. These tax losses are attributable to Bintegral, S.p.A., Operbingo, S.p.A and Codere Italia, S.p.A, to tax losses recorded in 2001 to 2003, 2004 to 2005 and 2005 to 2006 respectively and for which there is not an

expiration date. Additionally this line includes €5,574 thousand regarding the recognition of tax losses recorded by Codere México, S.A. de C.V.

Amount recorded in charge to reserves of the fiscal year 2009 in the movement of assets for deferred taxes for start-up expenses correspond to a reversion of the tax effect for Codere S.A. capital increase expenses in 2007 amounting €3,731 thousand, due to the deduction in 2008 tax of these capital increase expenses.

“Other deferred assets” mainly includes work and tax contingencies provisions in Argentina.

Amounts recorded in the column “Reclassification” for the concepts “Deferred tax assets”, “Intangible assets” and liabilities for deferred taxes for “Revaluation of properties and investment in tangible assets” amounting €1,620 and €2,081 thousand respectively related to amounts recorded as of December 31, 2008 in caption “Other accounts receivables” and “other short term non-trade payable” respectively.

At 2009 and 2008 year end the consolidated fiscal Group in Spain has generated unrecorded deferred tax credits amounting to 81,855 and 71,414 thousand euros.

Amounts of assets and liabilities for deferred taxes disclose between long and short term are the following (in thousand euros):

	2009		2008	
	Long-term	Short-term	Long-term	Short-term
Deferred taxes assets	23,310	13,715	18,188	10,780
Deferred taxes liabilities	28,277	4,382	25,026	4,692

Long term prepaid tax assets mainly correspond to the amortization of start-up costs, to the corporate income tax for the first year of operation of certain Italian companies, and the restatement of long-term accounts receivable in Mexico. These advanced taxes have also been adjusted to the changes in the tax rates.

## 10. GOODWILL

The detail is as follows (in thousand euros):

	Saldo al 12.31.09	Saldo al 12.31.08
Goodwill on consolidation	219,298	229,387
Merger Goodwill	43,851	40,320
<b>Total</b>	<b>263,149</b>	<b>269,707</b>

a) Goodwill on consolidation

The detail, by company, of the Goodwill on Consolidation on December 31, 2009 and 2008 and the variations during those years are as follows (in thousands of euro):

**Year 2009**

Holding Company	Balance at 12.31.08	Additions	Retirements	By exchange rate	Balance at 12.31.09
Bingos Codere, S.A.	377	-	(377)	-	-
Bingos del Oeste, S.A.	60	-	-	(7)	53
Bingos Platenses, S.A.	60	-	-	(7)	53
Codemática, S.r.L.	13,773	-	-	-	13,773
Codere América, S.L.	1,850	-	-	(225)	1,625
Codere Argentina, S.A. (*)	6,845	-	-	(831)	6,014
Codere Barcelona, S.A. (*)	584	-	-	-	584
Codere Chile, Ltda. (*)	15,128	-	-	(514)	14,614
Codere España, S.L.	35,796	-	-	-	35,796
Codere Internacional, S.L.	24,186	900	-	-	25,086
Codere Italia, S.p.A.	5,873	-	-	-	5,873
Codere Logroño, S.L.	481	-	(481)	-	-
Codere Madrid, S.A.	1,538	-	(1,184)	-	354
Codere México, S.A. de C.V.	34,373	-	-	692	35,065
Codere Panamá, S.A.	793	-	-	(26)	767
Codere Valencia, S.A. (*)	511	-	(511)	-	-
Codere, S.A. (*)	63,233	-	-	(4,772)	58,461
Comercial Yontxa, S.A.	266	-	-	-	266
Comp. Turístico Huatulco, S.A. de C.V.	-	-	-	-	-
Femalamex, S.A. de C.V.	-	-	-	-	-
Grupo Inverjuego, S.A. de C.V.	605	-	-	12	617
Iberargen, S.A.	75	-	-	(9)	66
Karmele, S.A.	-	-	-	-	-
Novoa Sport Green, S.L.	-	-	-	-	-
Operbingo Italia, S.p.A.	13,536	-	-	-	13,536
Operibérica, S.A. (*)	5,412	-	(890)	-	4,522
Opersherka, S.L.	-	-	-	-	-
Recreativos Mae, S.L.	2,173	-	-	-	2,173
Vargasimón Recreativos, S.L.	-	-	-	-	-
Codere Navarra, S.L.	648	-	(648)	-	-
Recreativos Ruan, S.A.	1,211	-	(1,211)	-	-
<b>Total</b>	<b>229,387</b>	<b>900</b>	<b>(5,302)</b>	<b>(5,687)</b>	<b>219,298</b>

(\*) The head company of the subgroup of companies that generate them is identified. In section a.1) of the present note, detail is given per cash generating unit.

Addition in 2009 is due to the price adjustment in the acquisition of Operbingo, S.p.A. (see note 23). Retirements are mainly attributable to transfers to Merger Goodwill due to mergers recorded in 2009.

**Year 2008**

Holding Company	Balance at 12.31.07	Additions	Retirements	By exchange rate	Balance at 12.31.08
Bingos Codere, S.A.	1,080	-	(706)	3	377
Bingos del Oeste, S.A.	62	-	-	(2)	60
Bingos Platenses, S.A.	62	-	-	(2)	60
Codemática, S.r.L.	13,773	-	-	-	13,773
Codere América, S.L.	1,912	-	-	(62)	1,850
Codere Argentina, S.A. (*)	7,074	-	-	(229)	6,845
Codere Barcelona, S.A. (*)	584	-	-	-	584
Codere Chile, Ltda. (*)	14,302	-	-	826	15,128
Codere España, S.L.	35,796	-	-	-	35,796
Codere Internacional, S.L.	56,911	-	(32,725)	-	24,186
Codere Italia, S.p.A.	3,393	3,776	(1,296)	-	5,873
Codere Logroño, S.L.	481	-	-	-	481
Codere Madrid, S.A.	3,607	28	(2,097)	-	1,538
Codere México, S.A. de C.V. (**)	31,115	11,373	(2,995)	(5,120)	34,373
Codere Panamá, S.A.	749	-	-	44	793
Codere Valencia, S.A. (*)	759	-	(248)	-	511
Codere, S.A. (*)	64,547	-	-	(1,314)	63,233
Comercial Yontxa, S.A.	266	-	-	-	266
Comp. Turístico Huatulco, S.A. de C.V. (**)	2,220	-	(2,220)	-	-
Femalamex, S.A. de C.V. (**)	9,153	-	(9,153)	-	-
Grupo Inverjuego, S.A. de C.V.	722	-	-	(117)	605
Iberargen, S.A.	93	-	-	(18)	75
Karmele, S.A.	2,385	-	(2,385)	-	-
Novoa Sport Green, S.L.	185	-	(185)	-	-
Operbingo Italia, S.p.A.	13,536	-	-	-	13,536
Operibérica, S.A. (*)	7,596	-	(2,184)	-	5,412
Opersherka, S.L.	1,210	-	(1,210)	-	-
Recreativos Mae, S.L.	4,461	-	(2,288)	-	2,173
Vargasimón Recreativos, S.L.	28	-	(28)	-	-
Codere Navarra	-	648	-	-	648
Recreativos Ruan	-	1,211	-	-	1,211
<b>Total</b>	<b>278,062</b>	<b>17,036</b>	<b>(59,720)</b>	<b>(5,991)</b>	<b>229,387</b>

(\*) The head company of the subgroup of companies that generate them is identified. In section a.1) of the present note, detail is given per cash generating unit.

(\*\*) The additions of Codere Mexico, S.A. de C.V. correspond to the transfer of the Consolidation Goodwill of the companies taken over (Comp. Turísticos Huatulco, S.A. de C.V. and Femalamex, S.A. de C.V)

In the 2008 financial year, the most relevant transfer of Consolidation Goodwill corresponds to the merger and takeover operation of the Femalamex, S.A de C.V. and Complejo Turístico Huatulco, S.A. de C.V. companies by Codere México, S.A. de C.V. The rest of the additions reflected here correspond to the acquisition of the operator in Italy, Seven Cora S.r.L., and of two operators in Spain, Gamatronic S.L. and Automáticos Arga S.L.

As for the withdrawals, the most significant correspond to the impairment recorded in the Italy Bingos business reflected in the Codere Internacional, S.L. company, the transfers of Goodwill recorded for the Complejo Turístico Huatulco, S.A. de C.V. and Femalamex,



S.A. de C.V. companies to the Codere México, S.A. de C.V. company, and to the Merger Goodwill transfer resulting from the mergers completed in the 2008 financial year.

a.1) The detail of the consolidation goodwill on December 31, 2009 and 2008 detailed by groups of cash generating units with which it is related and which basically coincides with the operating segments, is the following, expressed in thousand euros:

Cash generating unit	Cost	Losses due to impairment				Net value
		2006 and before	2007	2008	2009	
<b>2009</b>						
Spain Machines	67,638	-	-	-	-	67,638
Argentina	42,327	-	-	-	-	42,327
Italy – Direct operations	8,363	(7,961)	(402)	-	-	-
Italy – Indirect operation and Network	23,752	-	(4,105)	-	-	19,647
Italy – Bingos and Bets	71,347	-	-	(32,725)	-	38,622
Panama	15,382	-	-	-	-	15,382
Mexico	35,682	-	-	-	-	35,682
<b>Total</b>	<b>264,491</b>	<b>(7,961)</b>	<b>(4,507)</b>	<b>(32,725)</b>	<b>-</b>	<b>219,298</b>

The goodwill in Italy was assigned jointly to the groups of cash generating units corresponding to activities of operation of bingos and of interconnection to the network of slot machines in Italy incorporated to the Codere Group during the 2006 financial year as a result of the purchase of the Italian companies, Codere Network, S.p.A. and Palace Bingo, S.p.A. since, with the change in Italian legislation which permits the installation of slot machines in bingo halls, it was thought that there were going to be synergies between the two activities. However, the business plan made during the year 2007 showed that this was not efficient. For this reason, at the close of 2007, the goodwill in this country has been assigned to groups of cash generating units of each one of the three lines of existing activities: bingo, directly operated machines and indirectly operated machines together with the interconnection network.

As part of the goodwill impairment test, in accordance with IAS 36, the carrying amount of each cash generating unit must be compared with its recoverable amount based on the amount measured at the date of valuation.

#### b) Merger goodwill

The detail, by company, of the Merger Goodwill on December 31, 2009 and 2008 is as follows (in thousand euros):

Absorbing company (Cash generating unit)	12.31.08			Exchange Rate	12.31.09	
	Net accounting		Retirements		Net accounting	
	Value	Additions			Value	Activity
Aut. Mendoza, S.L.	111	-	-	-	111	Slots
Bingos Codere, S.A.	550	-	(589)	39	-	Bingos
Codere Barcelona, S.A.	5,376	-	-	-	5,376	Slots
Codere Colombia, S.A.	253	-	(264)	11	-	Slots
Codere Logroño, S.A.	-	481	-	-	481	Slots
Codere Madrid, S.A.	6,745	1,301	-	-	8,046	Slots
Codere México, S.A. de C.V.	1,771	-	-	36	1,807	Slots
Codere Navarra, S.L.	543	662	-	-	1,205	Slots
Codere Valencia, S.A.	1,201	511	-	-	1,712	Slots
Comercial Yontxa, S.A.	293	-	-	-	293	Slots
Gomcasti, S.L.	280	-	(280)	-	-	Slots
Iberargen, S.A.	2,324	-	-	(283)	2,041	Bingos
Misuri, S.A.	8,947	-	-	-	8,947	Bingos
Oper Sherka, S.L.	1,951	-	-	-	1,951	Slots
Operibérica, S.A.	7,631	890	-	-	8,521	Slots
Recreativos Obelisco, S.L.	1,834	-	-	-	1,834	Slots
Resur Cádiz, S.L.	120	-	-	-	120	Slots
Recreativos Ruan, S.A.	-	1,016	-	-	1,016	Slots
Sigirec, S.L.	390	-	-	-	390	Slots
Total	40,320	4,861	(1,133)	(197)	43,851	

Absorbing company (Cash generating unit)	12.31.07	12.31.08				
	Net accounting			Exchange	Net accounting	
	Value	Additions	Retirements	Rate	Value	Activity
Aut. Mendoza, S.L.	115	-	(4)	-	111	Slots
Bingos Codere, S.A.	-	445	-	105	550	Bingos
Codere Barcelona, S.A.	5,054	322	-	-	5,376	Slots
Codere Colombia, S.A.	-	261	-	(8)	253	Slots
Codere Madrid, S.A.	701	6,044	-	-	6,745	Slots
Codere México, S.A. de C.V.	-	2,115	-	(344)	1,771	Slots
Codere Navarra, S.L.	552	-	(9)	-	543	Slots
Codere Valencia, S.A.	953	248	-	-	1,201	Slots
Comercial Yontxa, S.A.	293	-	-	-	293	Slots
Gomcasti, S.L.	280	-	-	-	280	Slots
Iberargen, S.A.	-	2,401	-	(77)	2,324	Bingos
Misuri, S.A.	8,947	-	-	-	8,947	Bingos
Oper Sherka, S.L.	763	1,188	-	-	1,951	Slots
Operibérica, S.A.	4,536	3,095	-	-	7,631	Slots
Recreativos Obelisco, S.L.	1,834	-	-	-	1,834	Slots
Resur Cádiz, S.L.	120	-	-	-	120	Slots
Sigirec, S.L.	424	-	(34)	-	390	Slots
Vargasimón Recreativos, S.L.	1,119	-	(1,119)	-	-	Slots
Varona 2005, S.L.	3,238	-	(3,238)	-	-	Slots
Total	28,929	16,119	(4,404)	(324)	40,320	

The additions from the merger goodwill in 2009 and 2008 mainly correspond to transfers of consolidation goodwill due to legal operations of merger (Note 4).

b.1) The detail of the merger goodwill on December 31, 2009 and 2008 detailed by groups of cash generating units with which it is related and which basically coincides with the operating segments, is the following, expressed in thousand euros:

Cash generating unit	12.31.2009	12.31.2008
Spain machines	31,056	26,475
Spain Bingos	8,947	8,947
Argentina	2,041	2,324
Mexico	1,807	1,771
Colombia	-	803
	<b>43,851</b>	<b>40,320</b>

## 11. IMPAIRMENT OF ASSETS

Non-current assets whose recoverability is measured by impairment test are those included in “Intangible assets”, “Tangible fixed assets” and “Goodwill”.

Due to the impairment test in 2009, the Group recorded a reduction of its assets in Colombia. The total amount impaired was €13,972 thousand. This impairment is mainly attributable to a negative impact of the increase in gaming taxes that affects our operations in Colombia. This increase in gaming taxes is related to the adoption of decree 4,975 of December 23 2009, that declares the state of social emergency, decree 127 of January 21, 2010 that adopt new fiscal measures and decree 130 of January 21 2010 which regulates revenue monopoly related to gaming activities. Impairment has been applied to the total value of the goodwill assigned to this business unit amounting €853 thousand, to the total value of intangible assets of the business units amounting €150 thousand and to a part of the value of tangible fixed assets amounting €12,969 euros corresponding to the estimation of the value of operated asset in the secondary lines of the business, which are the most affected by this new context and their expectations of viability are uncertain.

At end of the year 2008, the Group recorded a reduction of assets in Italy due to the cash generating unit corresponding to the Italy Bingo Unit. The total amount impaired was €32,725 thousand. During 2009 there were changes in regulations regarding traditional bingo in Italy along with other regulatory changes that since 2010 legalize the exploitation of a new machine in bingo halls, video-lotteries. The group considers these changes in the context favourable because they improve the value expectations of the cash generating unit.

Method for determining the recoverable value of the cash generation units and the key hypotheses used in the calculations:

The basis on which the Group determines the recoverable value of the cash generating units is the value criterion used. The value in use is equivalent to the net current value of projected future cash flows derived from the operational assets of each unit identified.

### *Cash-flow projection*

The estimation of future cash flows for each cash generating unit has been done using projection models including the most relevant operational, financial and macro-economic indicators in each case. The explicit projection horizon used is five years. From then on, a specified terminal value is estimated as a perpetual annuity calculated with a constant growth rate. The first year of the explicit projection horizon is based on the detailed budgets approved at each unit for the 2010 financial year and includes, where appropriate, the variations due to significant developments that have occurred after their approval

(e.g. changes in tax regulations in Colombia, etc.). The subsequent years of the explicit projection horizon reflect the ups and downs reasonably expected according to the strategies and action plans defined by the Group for each of the markets where it operates, in accordance with their distinctive characteristics and their individual competitive dynamics. With respect to capital investments, those necessary to keep each business at its current level have been included. Only those growth investments explicitly approved for the 2010 financial year are included, together with, exceptionally, those corresponding to the necessary and natural development foreseeable in certain markets (e.g. the exploitation of unused licences in Mexico). The rate used to discount the cash flows corresponds to the mean weighted cost of capital, in local currency, calculated for each unit. The mean weighted cost of capital considers both the cost of the company's own capital and that of third parties, weighted according to a defined target capital structure. The cost of the company's own capital varies for each unit, depending on the risk premium corresponding to the market and the specific risk of the country in which it is operating, including its exchange rate risk. The discount rates used, for reasons of practical feasibility, are after-tax rates. In addition, the discounted cash flows also included the tax effects. The growth rate used to calculate the final value of each unit is equivalent to the normalized GDP growth contemplated in the long term macro-economic projections for each country. In those cash generating units with a functional currency that is not the euro, the cash-flow projections were made in the corresponding local currency and their net present value is converted to euros at the exchange rate in force on December 31, 2009.

### *Key hypotheses*

The most relevant operational hypotheses for gambling operations are, in general, those related to the capacity of installed gaming systems (number of arcades, casinos, racetracks or betting agencies, slot machines installed, capacity of bingo halls, etc.) as well as the net win either per machine, by attendance or by visitor to arcades. The evolution of these variables determines a certain growth in revenue during the projection period. Other relevant factors are the levels of efficiency and operational leverage achieved, basically reflected in the EBITDA margin. Next, the value of the net operating assets registered for each cash generating unit is noted as of December 31st, 2009 and December 31<sup>st</sup> 2008, together with the key hypotheses used to calculate their value in use and, where appropriate, the impairment loss determined. The key hypotheses comprise the after-tax discount rates, the growth rate in the regime used for estimation of the final value, the compound mean annual rate of growth for the revenue in local currency estimated for the explicit projection horizon and the percentage variation in the EBITDA margin between the 2009 and 2008 financials years, respectively and the last year in the explicit projection period.:

**Year 2009:**

	Value of net operating assets 12.31.2009 (in thousand €)	Impairment loss 12.31.2009 (in thousand €)	After tax discount rate
Cash generating unit			
Spain Machines	209,170	-	8.9%
Argentina	128,376	-	15.0%
Mexico	289,113	-	10.6%
Italy - Indirect and Network	37,146	-	9.0%
Italy - Bingos	58,467	-	9.0%
Spain Bingos	15,631	-	8.9%
Panama	33,953	-	9.5%
Colombia	28,318	13,972	10.5%
Uruguay	14,006	-	13.2%
<b>Total</b>	<b>814,180</b>	<b>13,972</b>	<b>n.a.</b>

	Perpetual growth rate	Revenues compound annual growth rate (in local currency)	EBITDA margin variation
Cash generating unit			
Spain Machines	2.1%	2.3%	11,7 p.p.
Argentina	3.0%	10.7%	(1,1 p.p.)
Mexico	4.9%	11.3%	(3,9 p.p.)
Italy - Indirect and Network	1.9%	17.0%	(12,4 p.p.)
Italy - Bingos	1.9%	(2,0%)	9,1 p.p.
Spain Bingos	2.1%	1.2%	14,7 p.p.
Panama	5.0%	5.7%	1,2 p.p.
Colombia	4.5%	3.0%	(1,0 p.p.)
Uruguay	3.9%	4.8%	(3,7 p.p.)
<b>Total</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>

**Year 2008:**

	Value of net operating assets 12.31.2008 (in thousand €)	Impairment loss 12.31.2008 (in thousand €)	After tax discount rate
Cash generating unit			
Spain Machines	217,276	-	9.9%
Argentina	133,949	-	21.9%
Mexico	270,694	-	13.5%
Italy - Indirect and Network	28,351	-	10.3%
Italy - Bingos	92,194	(32,725)	10.3%
Spain Bingos	16,938	-	9.9%
Panama	42,380	-	11.5%
Colombia	27,939	-	13.0%
<b>Total</b>	<b>829,722</b>	<b>(32,725)</b>	<b>n.a.</b>

Cash generating unit	Perpetual growth rate	Revenues compound anual growth rate (in local currency)	EBITDA margin variation
Spain Machines	2.5%	1.0%	3,9 p.p
Argentina	4.1%	11.5%	(2,9 p.p.)
Mexico	3.8%	9.5%	4,3 p.p.
Italy - Indirect and Network	1.5%	5.2%	(0,4 p.p.)
Italy - Bingos	1.5%	5.0%	4,0 p.p.
Spain Bingos	2.5%	4.2%	4,0 p.p.
Panama	4.1%	6.8%	5,3 p.p.
Colombia	4.0%	6.7%	(1,3 p.p.)
Total	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>

### *Analysis of sensitivity in some key hypotheses*

In the following chart, it is shown every cash generating unit that were not impaired during the year and what would be the value they would take, their own or the rate of deduction before taxes or the rate of vegetative growth used when calculating the final value so that the difference between the value in use and the carrying amount of the net operating assets were nil.

Cahs generating unit	Value required in hypotheses to eliminate the excess of fair value from value in books	
	After tax discount rate	Perpetual growth rate
Spain Machines	13.9%	(6,1%)
Argentina	56.6%	n.s.
Mexico	19.4%	(11,4%)
Italy - Indirect and Network	11.1%	(1,2%)
Italy - Bingos	11.1%	(1,1%)
España Bingos	14.5%	(7,4%)
Panama	23.8%	n.s.
Uruguay	16.8%	(2,2%)

## 12. INVENTORIES

The disclosure of the inventories as of December 31, 2009 and 2008 were as follow:

	12.31.2009	12.31.2008
Slot machines	2,005	3,539
Machines spare parts	3,900	3,024
Bars and restaurants	311	263
Bingo cards	1,990	3,960
Others	1,251	2,388
	<b>9,457</b>	<b>13,174</b>

Inventories recorded as expenses in 2009 and 2008 amounted €17,688 and 26,311 thousand euros, respectively.

### 13. ACCOUNTS RECEIVABLE

a) As of December 31, 2009 and 2008 “Trade receivables” mainly included €64,062 and 23,462 thousand respectively, related to rights to receipt deriving from the transfer of halls and services rendered to Caliente Group. Variation between both amounts due to rights to receipt amounting €25,954 thousand were recorded on December 31, 2008 under “Other accounts receivable” (see note 26).

b) The breakdown of “Other accounts receivable” is as follows (in thousand of euros):

Concept	Balance at 12.31.09	Balance at 12.31.08
Sundry debtors	72,555	93,864
Accrued taxes receivable	32,145	31,653
Accounts to charge the staff	671	885
Provisions	(39,566)	(36,729)
Total	<b>65,805</b>	<b>89,673</b>

Accounts receivable from sundry debtors includes at December 31, 2009, approximately 13,392 thousand euros (13,490 thousand euros at December 31, 2008) of advanced payments to bar owners, of their portion of the net takings of the slot machines placed in their establishment. These advances are recovered based on the takings obtained. The remaining balance is made up of a very significant number of small receivables.

“Accrued taxes receivable” includes 31,555 thousand euros in 2009 (23,438 thousand at December 31, 2008) as accounts receivable from Public Administrations for indirect taxes, direct taxes and duties to be refunded due to favourable rulings, for which collection is not deemed doubtful.

The heading “Provisions”, as of December 31, 2009, includes an amount of 19,548 thousand euros corresponding to machines in Spain (17,481 thousand euros at December 31, 2008) mainly intended to cover the advances in takings and 16,006 thousand euros corresponding to the Codere Network, S.p.A. company (16,286 thousand euros as of December 31st, 2008) intended to cover the accounts receivable from slot machine operators in Italy.

### 14.SHORT-TERM FINANCIAL INVESTMENTS

The detail of the short-term financial investments and the variations therein during 2009 and 2008 is as follows (in thousand euros):

<b>Year 2009</b>	Balance at 12.31.08	Additions	Retirements	Balance at 12.31.09
Investments in short term securities	235	1,021	(38)	1,218
Other credits	33,774	20,150	(29,280)	24,644
	<u>34,009</u>	<u>21,171</u>	<u>(29,318)</u>	<u>25,862</u>

<b>Year 2008</b>	Balance at 12.31.07	Additions	Retirements	Balance at 12.31.08
Investments in short term securities	897	6,391	(7,053)	235
Other credits and investments	28,426	18,892	(13,544)	33,774
	<u>29,323</u>	<u>25,283</u>	<u>(20,597)</u>	<u>34,009</u>

The fair value of the short-term financial investments on December 31, 2009 and 2008 does not significantly differ from their accounting value.

The Investments in short-term securities correspond fundamentally to bank deposits and investments in repos in the short term, with an original expiry date greater than three months which accrue a market interest rate.

The heading of “Other credits” has the following detail, expressed in thousand euros:

Type	Balance at 12.31.09	Balance at 12.31.08
Short-term credits	17,235	9,746
Deposits and bonds constituted	6,760	10,127
Short-term impositions	649	1,064
Derivative financial Assets - Hedging Instruments	-	12,837
Total	<u>24,644</u>	<u>33,774</u>

Within the heading of Short term credits the account receivable from managers for the loans granted for the purchase of shares which were previously in the portfolio of own shares, which amounted as of December 31, 2009 to 6,141 thousand euros (5,177 thousand on December 31, 2008) and includes the interest accrued at the close of year. These credits are guaranteed by the shares themselves. The increase in balance as of December 31, 2009 is related to the reclassification to short term the loan owned by Codere América, S.L. to Hipódromos de Aguas Calientes, S.A. de C.V. As of December 31, 2008 it was recorded under “Long-term financial investments” (€8,885 thousand). Loan settlement is subject to a memorandum of agreement with Grupo Caliente described in note 26.

The heading “Deposits and bonds provided” in the 2009 and 2008 financial years mainly contains the bonds delivered prior to the formalization of the concessions in the National Machines segment in the amount of 911 and 2,047 thousand euros, respectively. It is also included in the fiscal year 2009 and 2008 €3,150 and €6,054 thousand respectively related to a deposit recorded in Codere Network, S.p.A. attributable to the amount expected to



restore according to the modification of the “Concession agreement” of Codere Network, S.p.A. This deposit had been entirely provisioned in the consolidated financial statements as of December 31, 2008. As of December 31st 2009 a provision of 110 thousands euro has been recorded (See Note 2.e.3).

As of December 31, 2008, the heading “Derived Financial Assets” recorded the potential profit originating from the exchange rate hedge contracts taken out by Codere, S.A. and not matured at the close of the financial year. As of December 31, 2009 the potential loss originating from the exchange rate hedges contracts amounting 3,133 thousand euros has been recorded under the heading “Other debts”.

## 15. SHAREHOLDERS’ EQUITY

### a) Share capital and additional paid-in capital

As of the date of preparation of the consolidated annual accounts, the share capital of Codere, S.A. amounted to 11,007,294 euros, at December 31, 2009 and 2008, and consisted of 55,036,470 fully subscribed and paid bearer shares of 0.20 euro par value. As of December 31, 2009 and 2008, there were no treasury shares in the possession of any of the Group’s companies. Codere, S.A.’s additional paid-in capital is the result of capital increases approved by the Extraordinary General Shareholders Meeting held on December 20, 1999 (52,610 thousand euros), and on January 27, 2006 (38,901 thousand euros) and on October 18, 2007 (in the sum of 139,769 thousand euros). This premium is freely disposable.

By agreement adopted by the Board of Directors of Codere, S.A. on June 6, 2007, in the exercise of the delegation granted by the General Meeting of Shareholders held on 27 January 2007, it was agreed to increase the capital of the company by issuing up to a total of 8,051,050 ordinary shares (the “new Shares”) at 15 euros per share (0.20 euros of nominal value and 14.80 euros of issue premium). It was expressly agreed that in the case that the said increase of capital was not fully subscribed, the increase in capital would be effected in the amount of the subscriptions made. The subscription of those shares finally amounted to 6,730,168 shares at 0.20 euros of nominal value and it was carried out in two rounds.

The first round corresponds to the subscription by means of the use on the part of the shareholders of the *Right to priority subscription*, where this right consists of the subscription of a new share for every six old shares, within the space of one month from the announcement. The shares subscribed for, in this first round, amounted to a total of 36,470 new shares at 15 euros per share, corresponding to 218,820 old shares of the minority shareholders.

The second round consisted of, once the period of priority subscription had passed, some of the new Shares, which had not been subscribed for, to be exact 6,693,698 shares were

offered freely by means of a procedure of *Public Offer for Subscription* directed to qualified investors, at a minimum issue rate of 15 euros per share; finally the issue rate of these shares was of 21 euros per share, 0.20 euros of nominal value and 20.80 euros of issue premium, in accordance with the placement procedure.

All of this operation was documented in the deed of increase of capital and modification of the article in the Articles of 18 October 2007.

On 4 October 2007, the National Securities Market Commission authorised the registration in the Official Registries of the documents in accreditation and the prospectus corresponding to the Public offer for Sale and the Public Offer for Subscription. On 19 October, 2007, the Company was quoted for the first day on the Madrid Stock Exchange.

The Annual General Shareholder Meeting held on May 7, 2008 approved the authorization for the derivative acquisition of treasury shares, fully paid through purchase at any time and all the times it may be necessary, by Codere S.A. both directly or through its subsidiaries in which it is the parent company. The minimum price or consideration will be the value of treasury shares acquired and the maximum result from increasing 20% to the market value as of the date of the acquisition. This authorization is available for a eighteen-month period and it is subject to a limitation that would never exceed, along with those that Codere and its subsidiaries already own, 5% of share capital. The General Board is entitled to execute this authorization.

As of December 31, 2009 and 2008, the detail of the main shareholders of Codere, S.A. is as follows:

Shareholders	% of holding	
	December 2009	December 2008
Masampe Holding, B.V.	51.35	51.35
José A. Martínez Sampedro	11.79	14.52
Union Bank of Switzerland AG	-	5.03
TCS Capital GP, LLP	-	5.03
Other minority shareholders	36.86	24.08
	100.00	100.00

As of December 31st, 2008, 55,036,470 shares were listed on the stock market, of which 67.9% were owned by the main shareholders, members of the board and other related persons.

During 2009 members of the senior management acquire in the market 6,450 shares of the company amounting €6.23 per share.

b) Own shares reserves

On January 28, 2009, Codere, S.A. entered into a liquidity contract with Crédit Agricole Cheuvreux, S.A. in order to increase its liquidity and foster the regular listing of the Company's shares. This contract came into force on February 18, 2009. The main characteristics of the contract signed, in line with the provisions of the applicable regulations, are as follows:

- Securities referred to in the contract: Ordinary shares in Codere, S.A. listed for official trading on the Stock Markets of Barcelona, Bilbao, Madrid and Valencia.
- Duration of the contract: 12 months, with tacit extensions for the same term unless otherwise indicated by the parties.
- Intended effect on the cash account: 500,000 euros provided that may be extended by another 250,000 euros if the parties agree it is necessary in accordance with the provisions of point 5 of the second rule in Circular 3/2007 of the Spanish Securities Commission (CNMV). As of December 31, 2009 the amount paid was €750 thousand.
- Shares intended for the securities account: No shares have been contributed to the securities account.
- Prior acquisition of shares for deposit in the securities account: Between January 28 and February 17, 2009, Crédit Agricole Cheuvreux, S.A. acquired 24,950 shares on behalf of Codere, S.A. in the amount of 177,949 euros.

During 2009, there were acquisitions amounting €1,863 thousand (313 thousand shares) and transfers amounting €1,849 thousand (304 thousand shares). As of December 31, 2009 Crédit Agricole Cheuvreux, S.A. had acquired 8,695 shares on behalf of Codere SA.

As of December 31, 2008 there were not treasury shares.

c) Legal reserves

According to current Spanish legislation companies must establish a legal reserve and in each year where there are profits, a minimum of 10% of the profit for the year must be assigned to this legal reserve, until the reserve reaches 20% of the total share capital. Until this amount reaches 20% of the share capital, this reserve may only be used to offset losses whenever there are no other reserves available for this purpose.

As of December 31, 2009 and 2008, the legal reserve amounted to 1,932,252 euros.

d) Revaluation reserves

Revaluation reserve is not distributable

e) Restrictions on the free distribution of dividends

Codere, S.A., as the principal guarantor of the senior notes issued by Codere Finance (Luxembourg), S.A. in 2005 and 2006 (Note 17), has restrictions when approving or paying dividends before the redemption of the senior notes, due in 2015.

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

In the case of Argentina, dividends may only be distributed after offsetting the tax losses of previous years. All of the companies are currently able to distribute dividends.

f) Information by company

The detail of the various accounts of retained earnings, reserves and results as of December 31, 2009 are listed in Exhibit II.

## 16. LONG-TERM PROVISIONS

The detail and variations in this account during 2009 and 2008 were as follows (in thousand euros):

<b>Year 2009</b>	Balance at 12.31.08	Additions	Retirements and others	Transfers	Balance at 12.31.09
Provision for taxes	10,962	898	(5,293)	-	6,567
Provisions for pensions	3,285	566	(18)	-	3,833
Other provisions	27,653	4,718	(10,792)	(821)	20,758
Total	41,900	6,182	(16,103)	(821)	31,158

  

<b>Year 2008</b>	Balance at 12.31.07	Additions	Retirements and others	Transfers	Balance at 12.31.08
Provision for options of loans on shares	621	2,117	(275)	(2,463)	-
Provision for taxes	12,475	1,169	(2,682)	-	10,962
Provisions for pensions	3,124	834	(673)	-	3,285
Other provisions	25,106	15,617	(13,070)	-	27,653
Total	41,326	19,737	(16,700)	(2,463)	41,900

a) Provision for options on shares/ for loans on shares

This heading corresponds to the provision for the market valuation of the stock option offered to various executives of Codere, S.A. At the end of 2005 and during the first quarter of the 2006 financial year, 1,000,000 ordinary shares previously held as treasury stock were sold to the management at a price of 7.88 euros per share, the price at which several operations were executed with third parties. This share purchase was financed by Codere, S.A. through loans to these executives in the amount of 7,880 thousand euros,

accruing interest at 2,5% per annum. The Company granted the said executives, in turn, the right, on maturity of the loan, to offset the amount pending payment (principal plus interest) by delivering the shares financed by the Company. This clause has been considered as a “right to sell” (put option) granted to the executives and the Company has proceeded with the corresponding valuation. Any variations in the value of the said option are recorded directly under shareholders equity.

With this option, each manager had the chance to repay the loan to Codere, S.A. after 18 months had elapsed from the acquisition date, i.e. in the month of August, 2007. This deadline has since been renewed successively until December, 2010.

Codere holds a pre-emptive acquisition right over the shares held by each executive, which may be exercised if the manager indicates the intention to convey the shares to a third party not already a shareholder in the company.

Thousand of euros		
Initial Balance	Retirements	Final Balance
Provision for options of loans on shares	2,463	(194)
		2,269

During the 2008 financial year the eliminations from the provision correspond to the cancellation of the provision for loans on the said shares for the credits repaid to the company by the executives after the sale of their shares on the market, as well as the updating of the market value of this option at the close of the financial year. During the 2009 financial year, the eliminations from the provisions correspond only to the market value of the actualization of the option at the end of the year . As of December 31, 2009 and 2008, only the market value of the option for the credits still outstanding is shown. This value of the resulting option has been calculated on the basis of the market valuation taking into account the security’s volatility, the salvage value of the loans and other constraints. In the 2008 financial year, the amount of this short-term provision (2,463 thousand euros) has been transferred and entered under the heading “Provisions and others”. As of December 31 2009, the amount recorded for this concept is 2,269 thousand euros.

The data used in the valuation model are as follows:

	Hypothesis	
	2009	2008
Strike	9.524%	4.16%
Expected volatility	50.994%	102.66%
Annual rate	1.235%	2.609%
Implicit rate	6.5585	9.0997
Total price	<b>3.47</b>	<b>3.71</b>

#### b) Provisions for taxes

The provisions for taxes included mainly the deeds of inspection, which are currently being appealed against, initiated against companies in Argentina as of December 31, 2009 and

2008 for an approximate amount of 6,547 and 10,175 thousand euro, respectively. “Retirements and others” are mainly due to the reversion recorded in the Argentinean companies as a result of the prescription of tax contingencies.

c) Provisions for pensions

The amounts that a number of companies in the Group pay in favour of their employees in accordance with the provisions of their collective agreements are included in the section on Provision for pensions.

d) Other provisions

As of December 31, 2009, the section of Other provisions, includes a total of 12,304 and 13,826 thousand registered by Codere Network, S.p.A. for dealing with possible liabilities which might arise from the claims open in Italy (Nota 2 e.4).

During 2009 “Retirements and others” includes the provision reversal of 6,054 thousand related to amounts of the corresponding provision regarding deposits for 2007 and 2008 derived from the modification of the concession agreement of Codere Network, S.p.A. (see Note2.e.3). For this concept, it is recorded €10 thousand as of December 31, 2009.

The heading also contains the Group’s undertakings with the personnel, according to the labour legislation in force in each country, as well as the provisions for labour-related contingencies endowed during these periods.

## 17. CURRENT AND NON-CURRENT LIABILITIES

a) Other long-term payable accounts

The detail of “Other long-term payable accounts” is as follows (thousand euros):

	Balance at 12.31.09	Balance at 12.31.08
Senior Notes issued by Codere Finance (Luxembourg), S.A. and Hipica Rioplatense Uruguay, S.A.	657,766	656,727
Payable to credit entities	68,475	47,341
Deferred taxes	32,659	29,718
Other payables	84,826	63,787
<b>Total</b>	<b>843,726</b>	<b>797,573</b>

a.1) Senior Notes and Senior Credit facilities

As of June 24, 2005, Codere Finance (Luxembourg), S.A. issued senior notes amounting to 335 million euros, at an interest rate of 8.25% and with a maturity date of June 15, 2015.

On April 19, 2006 Codere Finance (Luxembourg), S.A. issued an additional senior note for 165 million euros, and on November 7, 2006 issued a further note for 160 million euros.

The detail of the senior notes issuance on December 31, 2009 and 2008 is indicated in the following table:

	Nominal (Th. Euros)	Local currency	Effective interest rate	Maturity (**)	(Thousand of euros)	
					12.31.2009	12.31.2008
Senior Note issued by Codere Finance (Luxembourg), S.A.	335,000	Euros	8.76%	15.06.15	325,968	324,347
Senior Note issued by Codere Finance (Luxembourg), S.A.	165,000	Euros	8.23%	15.06.15	165,178	165,210
Senior Note issued by Codere Finance (Luxembourg), S.A.	160,000	Euros	7.96%	15.06.15	162,422	162,887
Notes issued by Hipica Rioplatense Uruguay, S.A.	15,000 (*)	Dólares	6.00%	14.03.14	4,198	4,283
<b>Total</b>					<b>657,766</b>	<b>656,727</b>

(\*) This amount corresponds to the entire issue of the negotiable obligation by Hípica Rioplatense de Uruguay. Codere Group consolidates the 50% by proportional integration. As of December 31st, respectively, 2009 and 2008, 1,336 and 1,033 thousand euros were recorded in the short term in the heading "Bonds and other short-term negotiable securities".

(\*\*) In connection with the maturities of the bonds issued by Codere Finance (Luxembourg), S.A., please refer to Note 2.e.1

The fair value of the bonds as of December 31, 2009 and 2008 is as follows:

	12.31.09	12.31.08
Senior Note issued by Codere Finance (Luxembourg), S.A.	584,100	336,600
Note issued by Hipica Rioplatense Uruguay, S.A.	5,206	5,200
	<b>589,306</b>	<b>341,800</b>

The fair value of the Bonds issued by Codere Finance (Luxembourg), S.A. and by Hípica Rioplatense Uruguay, S.A. has been calculated on the basis of the listed value of the said bonds as of December 31, 2009 and 2008, respectively.

These notes are guaranteed on a senior basis by Codere, S.A. as well as by a number of subsidiary guarantors as listed below.

Codere Finance (Luxembourg), S.A. and the guarantors of the notes have become part of the issuing entity of the notes, together with Deutsche Trustee Company Limited as collateral agent and Deutsche Bank AG (London branch) as Principal Paying Agent. Among other things, the entity may limit the capacity of the issuer or the guarantors to:

- Carry out certain restricted payments and investments
- Issue additional debt and issue preferred shares
- Guarantee third parties not belonging to the restricted Group
- Limit the capacity of the guarantors to distribute dividends, or transfer or sell assets

And additionally has the authority, to:

- Require compliance with certain ratios
- Take on additional debt over and above certain ratios

Both the note issued in April 2006, at a premium of 106.25% and the note issued in November 2006, at a premium of 107.25% became fungible and formed a single issuance together with the note issued on June 24, 2005.

The issuer will pay interest on the notes semiannually on June 15 and December 15 of each year, starting on December 15, 2005. Prior to June 15, 2010 the issuer may redeem part or all of the notes by paying “make-whole” premium. Codere Finance (Luxembourg), S.A. may also redeem part or all the notes after June 15, 2010 at a repurchase price equal to 100% of the principal plus the applicable premium (between 0% and 4.125%)

The Deutsche Trustee Company Ltd. is acting as collateral agent and Codere. S.A. as principal guarantor, also being guarantors of the operations the following:

Alta Cordillera, S.A.	Codere Valencia S.A.
Bingo Oasis S.R.L.	Colonder S.A.
Bingo Re S.R.L.	Giomax S.R.L.
Bingos Codere S.A.	Hipica De Panama, S.A.
Bingos Del Oeste S.A.	Iberargen S.A.
Bingos Platenses S.A.	Interbas S.A.
Bintegral S.p.A.	Interjuegos S.A.
Codere S.A.	Intermar Bingos S.A.
Codere América S.L.	Intersare S.A.
Codere Argentina S.A.	Misuri S.A.
Codere Barcelona S.A.	Nanos S.A.
Codere Colombia S.A.	Operbingo Italia S.P.A.
Codere España S.L.	Operibérica S.A.
Codere Internacional S.L.	Prom. Rec. Mexicanas S.A.
Codere Madrid S.A.	Promojuegos De México, S.A.
Codere México S.A.	Recreativos Cosmicos, S.L.
Codere Network S.p.A.	Recreativos Mae, S.L.
Codere Uruguay S.A.	Vegas S.R.L.

The primary security for the notes is provided by a loan agreement between Codere Finance (Luxembourg), S.A. and Codere, S.A. (at an equivalent interest rate to the notes) while the secondary security is provided by the pledge of shares of Codere España, S.L. and Codere Internacional, S.L.

The general terms of the note also establish that any Codere Group company debt is subordinate to the payment obligations of the note, with the exception of those debts that have a specific asset as guarantee.

As of December 31, 2009 and 2008, accrued interest pending payment amount to 2,269 thousand euros, at the end of each year.



*a.2) Long-term payable to credit entities*

Details at December 31, 2009 and 2008 are given in the table below in thousands of euros:

	Effective interest rate	Maturity	Thousand of euros	
			December 2009	December 2008
Spain Machines	3.20%	2010 - 2015	1,838	1,487
Italy Group	Euribor 1M+ 2.50%	2012 - 2013	5,568	8,508
Codere Colombia	DTF TA + 5.20%	2012	7,184	8,007
ICELA Group	THE + 2.27%	2015	26,014	24,478
Panama Group	Libor + 4.0%	2012 - 2014	1,700	2,933
Mexico Group	THE + 3.56%	2012 - 2014	26,165	1,928
Uruguay Group	8.75%	2010	6	-
Total			68,475	47,341

At December 31, 2009 and 2008, this heading mainly correspond to locally issued debt to finance Codere's Business expansion in these countries, at market interest rates. The most significant debt is that of the Icela Group due to the different investments made at the Centro Banamex, the racetrack and the Royal arcade.

The credits granted to Italy Group are guaranteed by Codere Italia, S.p.A., those granted to Codere Colombia, S.A. are guaranteed by Codere S.A. and those granted to the ICELA Group are guaranteed by CIE Holding.

The fair value of the Long-term debt payable to credit entities on December 31, 2009 and 2008 does not significantly differ from their accounting value.

Año	December 2009			December 2008 (*)		
	Debts with credit institutions	Other long-term creditors	Total	Deudas con entidades de crédito	Other long-term creditors	Total
2010	-	-	-	5,371	22,860	28,231
2011	16,434	32,308	48,742	7,729	6,613	14,342
2012	14,685	17,293	31,978	9,010	6,432	15,442
2013	6,264	14,414	20,678	603	1,587	2,190
2014	4,951	2,450	7,401	150	-	150
Remainder	26,141	676,127	702,268	24,478	683,022	707,500
Total	68,475	742,592	811,067	47,341	720,514	767,855

(\*) Annual Accounts as of December 31, 2008 include a mistake in the maturity of "Long-term payable to credit entities" related to ICELA Group in 2010, being the correct maturity is in 2015.

*a.3) Other long-term debt*

Amounts recorded as "Other long-term debt", which at December 31, 2009 and 2008 amounted to 84,826 and to 63,787 thousand euros, respectively include long-term accounts payable in Spanish companies generated by the purchase of companies and by payments pending rights of exclusivity for approximately 35,653 thousand euros in 2009 and 27,048 thousand euros in 2008.

Additionally, as of December 31, 2009 it is included €13,047 thousand corresponding to long-term debt related to tax deferral due to the approval of the deferral of some machines in Comunidad de Madrid, Cantabria, Comunidad Valenciana and Cataluña. Short-term amounts are recorded under “Other short-term non-trade payable”. Interest accrued regarding these debts is established as the legal interest rate in Spain.

As of December 31, 2009 this line includes €7,875 thousand for debt due to acquisition of licenses by Codere Network,S.p.A in order to install and operate a new type of machine in Italy.

*a.4) Financial debts leases*

The line “Other payables” includes long-term amounts in respect of finance leases, Details regarding amounts to pay for financial leases as of December 31, 2009 and 2008 are the following:

	Lease Payments		Present Value of Minimum Lease Payments	
	2009	2008	2009	2008
Within one year	12,460	12,457	10,001	10,549
Between one and five years	26,114	18,042	23,228	16,597
After five years	-	-	-	-
	<b>38,574</b>	<b>30,499</b>	<b>33,229</b>	<b>27,146</b>
Less:				
Future finance costs	(5,345)	(3,353)		
Recognised as:				
Non-current liabilities under finance lease			<b>23,228</b>	<b>16,597</b>
Current liabilities under finance lease			<b>10,001</b>	<b>10,549</b>

Financial leases are mainly attributable to AWP. Amounts to pay in a short-term are recorded under “Other short-term non-trade payable”

It additionally includes on December 31, 2009 and 2008, 20,397 and 14,837 thousand euros, respectively for the part to pay in the long term corresponding to the financial lease of slot machines of the ICELA Group.

The fair value of the “Other payables” on December 31, 2009 and 2008 does not significantly differ from their accounting value.

*b) Current liabilities*

*b.1) Short-term payables to creditor entities*

	Thousands of euros	
	12.31.09	12.31.08
Short-term loans	19,088	5,861
Lines of discount and credit policies	1,115	47,692
Interests accrued	91	166
Total debt with credit institutions	20,294	53,719
Amount available	58,711	10,798
Total limit	79,005	64,517

”Short-term payables to credit entities” includes the amounts drawn down on credit facilities, as well as debts due to the discounting of commercial paper and other short-term bank debt of the various companies. As of December, 31, 2009 it mainly included short-term payable to credit entities from Codere Mexico, S.A. de C.V amounting €7,443 thousand, from ICELA Group, amounting €5,215 thousand and from Operbingo, S.p.A. amounting €3,585 thousand.

This caption includes the credit line drawn down in the amount of approximately 2 and 49 million euros as of December 31, 2009 and 2008, respectively. In October, 2007, the Company obtained a “Senior” credit line in the amount of 100,000 thousand euros and for a maximum period of three years granted by Barclays Bank PLC as the agent. This credit line is a revolving credit of 60,000 thousand euros at a nominal annual interest rate of Euribor + 1.75% and 40,000 thousand euros for surety guarantees. The issuing entity required compliance with annual ratios (covenants) periodically analyzed by the company. It mainly limited the debt level and the requirements regarding the compliance with coverage ratios and the company comply with all of them during all periods.

Balances (in thousand euros), their maturity and interest rates applied as of December 31, 2009 and 2008 are the following:

**Year 2009**

Dispositions	Interest rate	Maturity
2,000	2.23%	01/25/2010
<b>2,000</b>		

**Year 2008**

Dispositions	Interest rate	Maturity
30,000	6.68%	03/10/2009
5,000	6.71%	01/22/2009
13,940 (*)	3.94%	03/16/2009
<b>48,940</b>		

(\*) its corresponds to 19.400 thousands dollars

There is an Intercreditor Agreement, that links existing guarantees to both debt categories, bonds and senior debt, giving priority to the senior debt.

*b.2) Other non-trade payables and tax deferral*

	Thousands of euros	
	Balance at 12.31.09	Balance at 12.31.08
Accrued taxes payables	74,930	83,067
Deferred gaming taxes	17,213	5,560
Compensation payables	13,211	11,855
Other payables	40,535	51,720
<b>Total</b>	<b>145,889</b>	<b>152,202</b>

*b.2.1) Accrued tax payables*

Details on accrued tax payables as of December 31, 2009 and 2008 are the following:

	2009	2008
Income tax liabilities	12,958	23,056
Payable Gaming Tax	26,512	30,226
Payable Value Added Tax (VAT)	22,594	21,106
Payable Withholding Tax	4,156	3,076
Payable Social Security	2,444	3,125
Other taxes	6,266	2,478
<b>Total Accrued Taxes Payable</b>	<b>74,930</b>	<b>83,067</b>

Recorded under “Accrued taxes payable” are the outstanding balances payable for VAT, IRPF (personal income tax), Corporate income tax and other taxes. In addition, a provision is included to pay the licence renewals in Argentina (See note 2.e.).

*b.2.2) Tax deferral*

This heading contains the account payable as a result of the request and approval for deferral of the levies payable in Spain for a certain number of slot machines in Spain in the Regions of Madrid, Cantabria, Valencian Community and Catalonia. This heading contains the amounts request as well as the amounts approved with an expiry term less than one year.

*b.2.3) Other payables*

In this section, in the 2009 and 2008 financial year, there are 6,062 and 8,787 thousand euros for the financial leases supplied by the purchase of the ICELA Group, respectively.

It also includes in the 2009 and 2008 financial years, respectively, 7,604 and 9,723 thousand euros corresponding to short-term debts with hotel establishments for rights of exclusivity and for purchase of companies.

This heading includes in the 2009 and 2008 financial years 8,220 and 7,772 thousand euros, respectively corresponding to the short-term debt for the acquisition of the stake in Argentinean companies by the main minority shareholder in the said companies.

Finally, this heading included in 2008 financial year 6,645 thousand euro for the exercise of the right of installation of machines in the bingo halls in Italy which Codere Internacional, S.L. had (Note 23), which was cancelled during 2009 financial year.

The accounting value of the current liabilities is not significantly different from their fair value as of December 31st, 2009 and 2008 except for the 3,604 and 3,319 thousand euros recorded under “Bonds and other negotiable securities”, whose fair value has been indicated in letter a) of this same note.

c) Loans guaranteed by the group

Apart from the pledging of shares in the Group Companies as indicated in paragraph a.1) above, at December 31, 2009 and 2008 certain Group companies have guaranteed fixed assets for the sum of 14,907 and 5,807 thousand euros, respectively, as indicated in Note 6.

d) Other non-commercial debt in foreign currency

Below the non-commercial debts in foreign currency with regard to the local currency, according to the value in euros (in thousands of euros) are shown below:

	2009		2008	
	Payable to credit institutions	Other non-commercial debts	Payable to credit institutions	Other non-commercial debts
US dollars	-	40,112	13,972	24,382
Total	-	<b>40,112</b>	<b>13,972</b>	<b>24,382</b>

## 18. TAX MATTERS

Codere, S.A. is subject to Spanish corporate income tax and, since January 1, 2000, has been taxed under the consolidated tax regime regulated in Chapter VII of Title VIII of the re-drafted text of the Corporate Income Tax Act as per Royal Legislative Decree 4 dated March 5, 2004.

In the 2009 financial year the group comprises the following companies:

- Codere, S.A., as the Parent and payee company
- The following dependent companies:

### National fiscal group 2009

2010 Smatic, S.L. (*)	Codere Distribuciones, S.L.
Cartaya, S.A.	J.M. Quero y Asociados, S.A.
Codere América, S.L.	JPV Matic 2005, S.L.
Codere Asesoría, S.A.	Juego de Bingos, S.A.
CF-8, S.L.	Misuri, S.A.
Codere Barcelona, S.A.	Nididem, S.L.
Codere Internacional, S.L.	Operibérica, S.A.
Codere Interactiva, S.L. (*)	Recreativos Cósmicos, S.L.
Codere Logroño, S.L.	Recreativos Mae, S.L.
Codere Madrid, S.A.	Recreativos Populares, S.L.
Codere Valencia, S.A.	Red Aeam, S.A.
Colonder, S.A.	Sigirec, S.L.
Codere España, S.L.	Super Pik, S.L.

(\*)These companies were included in the 2009 financial year

In the 2008 financial year the group comprises the following companies:

- Codere, S.A., as the Parent and payee company
- The following dependent companies:

#### **National fiscal group 2008**

Cartaya, S.A.	JPV Matic 2005, S.L.
Codere América, S.L.	Juego de Bingos, S.A.
Codere Asesoría, S.A.	Misuri, S.A.
CF-8, S.L.	Nididem, S.L.
Codere Barcelona, S.A.	Operibérica, S.A.
Codere Internacional, S.L.	Recreativos Mae, S.L.
Codere Logroño, S.L.	Recreativos Otein, S.L.
Codere Madrid, S.A.	Recreativos Populares, S.L.
Codere Valencia, S.A.	Red Aeam, S.A.
Colonder, S.A.	Sigirec, S.L.
Codere España, S.L.	Super Pik, S.L.
Codere Distribuciones, S.L.	Varona 2005, S.L.
Recreativos Sierra Sur, S.L.	Recreativos Cósmicos, S.L. (*)
J.M. Quero y Asociados, S.A.	

(\*)These companies were included in the 2008 financial year

The Italian companies are also included in the consolidated tax regime applicable in Italy. This consolidated regime is applied from January 1, 2005 for companies included in the tax group headed by Codere Italia, S.p.A., and since January 1, 2006 for companies included in the tax group headed by Operbingo Italia, S.p.A. The subsidiary companies included in each consolidated tax group in the 2009 and 2008 financial years are:

**Italian fiscal group is the same in 2009 and 2008**

Codere Italia, S.p.A.	Operbingo Italia, S.p.A.
Codestrada, S.r.L.	Bingo Oasis, S.r.L.
Gaming New, S.r.L.	Bingo Re, S.r.L.
Opergiochi Italia, S.r.L.	Bintegral, S.p.A.
	Gestioni Marconi, S.r.L.
	Giomax, S.r.L.
	Inmobilgest, S.r.L.
	Palace Bingo, S.r.L.
	Parisiennne, S.r.L.
	Opergames, S.r.L.
	Vegas, S.r.L.
	Winner Bet, S.r.L.

In 2009 Codere Apuestas, S.L. fiscal Group was incorporated and it comprises that company as parent company and Codere Apuestas, S.A. as subsidiary.

The remainder of the companies files individual tax returns.

The resident companies in Spain are subject to tax at 30% of their taxable income for the 2009 financial year. However, certain tax credits can be deducted from their gross tax payable. The resident companies abroad are subject to the tax legislation and tax rates applicable in the countries in which they are located, and the tax rates range from 25% to 35%, except in Chile where it is 17%.

Taxes cannot be considered to have been definitively settled until the tax returns filed have been audited by the tax inspection authorities or until the statute-of-limitations period has expired.

In January 2010, Italian companies Bingo Re S.r.l and Bintegral S.p.A. began an inspection regarding taxes from fiscal year 2007. As of the date of the publication of these financial statements, there was not a relevant event related to this inspection.

The directors of Codere, S.A. consider that the consolidated Codere Group companies have correctly filed the tax returns for the taxes applicable to them and, accordingly, that, in the event of a tax audit, no additional significant liabilities would arise.

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended December 31, 2009 and 2008 is as follows (in thousand euros):

	2009	2008
Consolidated income/(loss) per books before taxes	57,798	52,112
At statutory income tax rate 30%	17,339	15,634
Tax rate differences in different countries	3,902	4,913
Tax effect of unrecognized tax losses and permanent differences	26,639	26,269
Recognised Tax Losses	(11,199)	-
Income tax expense reported in consolidated income statement	36,681	46,816

Concept “Tax rate differences in the different countries” includes difference between applying nominal tax rate in Spain, 30% in 2008 and 2009 to the consolidated accounting result before taxes and applying the corresponding nominal tax rate from each country to the consolidated accounting result before taxes. The amounts 3,902 and 4,913 thousand euros correspond mainly to the difference between the nominal tax rate in Spain and the ones applying in Argentina and Mexico, which nominal tax rate amount to 35% and 28%, respectively.

Concept “Tax effect of unrecognized tax losses and non temporary differences” includes the following concepts:

- Tax effect of unrecognized tax losses: it includes tax effect of tax losses unrecognised mainly in Spain, Italy and Brazil as of December 31, 2009 and 2008.
- Non temporary differences: It includes non temporary differences of the companies in the Group by applying nominal tax rate of each country.
- In addition, this line includes corporate income taxes recorded by Spanish companies attributable to foreign taxes paid into the different countries due to revenues (services rendered and interests) recognised in Codere, S.A.

Concept “Recognised Tax Losses” includes the recognition of some tax losses generated by some Italian companies and Codere México, S.A. de C.V.

The main components of the cost for Company Tax for the years 2009 and 2008 are the following:

<b>Consolidated results accounts</b>	Thousand of euros	
	2009	2008
<i>Tax on current companies</i>		
Expense for tax on current companies	45,989	50,103
<i>Deferred tax on companies</i>		
Relating to increases and decreases of temporary differences	(9,308)	(3,287)
	<u>36,681</u>	<u>46,816</u>

The tax loss carry forwards of the Spanish companies in the Codere Group at December 31, 2009 and 2008, after taking into account the taxes payable for both financial years, are as follows (in thousand euros):

<u>Sociedad</u>	<u>2009</u>	<u>2008</u>
Codere, S.A. (Fiscal Group)	300,830	266,027
Rest of Spain	30,649	4,768
Italia	72,987	81,263
Mexico	49,589	32,266
Argentina	743	2,538
Panama	5,253	7,855
Uruguay	3,190	4,109
Colombia	1,811	1,049
<b>Total</b>	<b><u>465,052</u></b>	<b><u>399,875</u></b>



The unrecognised deferred tax assets amounted to 118,030 and 108,845 thousand euros on December 31, 2009 and 2008, respectively (amounts on December 31, 2008 has been modified with respect to the unrecognised deferred tax assets published in the Annual Report December 31, 2008).

The tax asset that could arise in connection with these tax losses for future years' corporate income tax purposes was not recorded in the Group's consolidated balance sheet, except in the case of tax loss carry forwards for Codere, S.A. for which a tax of 8,394, according to the Management it will be compensated in the periods allowed by law, along with future benefits and in the case of the tax asset recorded by tax losses of certain Italian companies, amounting €7,375 thousand, which can be carried forward indefinitely under Italian law, and tax asset amounting €5,574 thousand in connection with tax losses recorded in Codere México, S.A. de C.V.

The period of expiration of tax losses since the close of the 2009 and 2008 financial years is as follows (in thousand euros):

Año	2009		2008	
	Spain	Other countries	Spain	Other countries
2008	-	-	66	551
2008	-	-	66	551
2009	-	-	189	3,100
2010	48	12,110	48	9,403
2011	48	6,829	48	13,112
2012	30	11,883	30	16,513
2013	54	6,398	54	7,038
2014	1,064	5,714	1,064	464
2015	1,576	7,768	1,576	10
2016	3,472	4,522	3,472	209
2017	3,917	4,114	3,847	337
2018	14,279	23,100	29,648	31,706
2019	38,858	5,684	38,779	-
2020	39,223	-	39,374	-
2021	84,239	-	84,197	-
2022	68,403	-	68,402	-
2023	26,235	-	-	-
Indefinite	50,035	45,450	-	46,637
<b>Total</b>	<b>331,480</b>	<b>133,572</b>	<b>270,795</b>	<b>129,080</b>

The amounts of unused tax credit for which no deferred tax assets is recognised and their period of expiration at December, 31 2009 and 2008 are the following (in thousand euro):

Expiration date	2008	2009
2008	713	-
2009	659	659
2010	793	793
2011	1,050	1,050
2012	878	878
2013	846	846
2014	946	946
2015	814	814
2016	867	867
2017	1,093	1,093
2018	3,284	3,284
2019	1,415	2,130
<b>Total</b>	<b>13,358</b>	<b>13,360</b>

Expiration date	2007	2008
2008	713	713
2009	659	659
2010	793	793
2011	1,050	1,050
2012	878	878
2013	845	846
2014	946	946
2015	71	814
2016	867	867
2017	1,092	1,093
2018	-	3,284
2019	-	1,415
<b>Total</b>	<b>7,914</b>	<b>13,358</b>

## 19. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

One of the main business activities of the Codere Group companies is the operation of amusement and gaming machines, for which in Spain there are guarantees required by Royal Decree 593 dated April 27, 1990. These guarantees have been duly deposited with the corresponding Spanish Regional Governments.

Although Codere, S.A. does not carry on any gaming activity, Codere, S.A. has its own guarantees provided from the operating company to Group companies in view of the demand, from the financial institutions, of having a guarantee from the dominant company.

At December 31, 2009 and 2008 the detail of the guarantees provided is as follows:

Concept	12.31.09	12.31.08
Gaming guarantees	50,997	51,398
Other guarantees	19,681	19,074
<b>Total</b>	<b>70,678</b>	<b>70,472</b>

Codere, S.A. acts as the main guarantor of the bonds issued by Codere Finance (Luxembourg), S.A. in June 2005, April 2006 and November 2006 through a credit contract between both companies, with a range of interest which is equivalent to that of the bonds. These bonds are guaranteed in the second order by the pledging of the shares of Codere España, S.L. and Codere Internacional, S.L.

Within the banking guarantees, as of December 31, 2009 and 2008 the most significant are those given by Codere, S.A. to guarantee the performance of the obligations deriving from the Ballesteros case pursuant to ordinary proceedings 1191/2003 before the Competent Body in the amount of 4,000 thousand euros, as well as the fulfilment of the obligations deriving from the granting by the L'Amministrazione Autonoma dei Monopoli di Stato of the administrative concession to Codere Network, S.p.A. for the activation and

management of the gambling management network in Italy until October 31, 2010, in the amount as of December 31, 2009, of 13,777 thousand euros.

Ballesteros litigation was satisfactorily settled for Codere S.A. in 2009 (see Note 23), so this guarantee will be released in the near future.

Codere, S.A. also guarantees the fulfilment of the obligations deriving vis-à-vis the Tax Department of the Madrid Regional Government for the organization and marketing of Sports Betting in the amount of 5,970 thousand euros at December, 31 2009 and 2008.

There are also other non-bank guarantees provided by the Codere, S.A., the most important of which are:

- Generali in Italy has issued guarantees related to the leasing of bingo halls and bingo concessions in favour of Operbingo Group companies amounting to 7.5 million euros, which are counter-guaranteed by Codere, S.A.
- Codere, S.A. also guarantees obligations of the Codere Group in Colombia in respect of a loan granted in 2006 by the Banco de Bogotá and a syndicate of Colombian banks, totalling a maximum of approximately 5.2 million euros.

In the judgement of the management, no significant liabilities are derived from the granting of these guarantees.

## 20. GOALS AND POLICIES FOR MANAGING FINANCIAL RISK

### *a) Sources of funding of the Group and policy of leverage.*

The Group generally obtains funding from third parties with the following purposes:

- Funding the operational needs of the companies in the Group
- Funding the investments from the Business Plan of the Group

In relation with the structure of the capital of the Group, two levels of priority of payment are maintained towards the financial creditors:

- In the first place, the priority debt, with expiry in different periods, signed with national and international banks of the first order.
- In the second place, the issue of obligations, the payment for which, under certain circumstances, is subordinate to that of the priority debt; with expiry in 2015, and subscribed by international financial investors.

In relation with the policy of leverage followed by the Group, the criterion is not to indebt oneself above certain multiples of its EBITDA, of its consolidated Cash Flow and of its Service of the Debt, which is in accordance with the obligations contracted for with financial creditors and investors.

### *b) Main financial risks*

The main risks in business for the Group include but are not limited to, on the one hand, those relating to the gaming sector in which the Group operates (regulatory risk as this is an intensely regulated sector, risk of public perception of the gaming sector, risk of increase in competition) and on the other, those specific to Codere (political, economic and monetary risks associated with international operations, risks of litigation, risks deriving from the indebtedness of the company, risks of dependence on third parties as the Group does not own some of the gaming licences that we operate, risks deriving from the growth strategy, risk of concentration on the supply of slot machines in Spain, risks of incapacity for offering safe gaming products and maintenance of integrity and security of the business lines, and the risk of operating in a joint venture with third parties in some of our operations).

As detailed in note 2.e.1.), there were risks at Codere, S.A. at December 31, 2008 regarding the shareholding structure, in particular with the change in the reference shareholders (the Martínez Sampedro family or the Franco family) or regarding the risk that the interests of the Company's main shareholder (the Martínez Sampedro family) may differ from the interests of the rest of the shareholders. This risk does not exist at December 31, 2009.

At its session on July 23rd, 2008, the Board of Directors resolved to monitor possible conflicts of interest that might arise in the resolution of shareholders' obligations and to take whatever measures might be appropriate to deal with any conflict of interest that might arise, and to adopt a series of initial measures to strengthen the corporate governance mechanisms of Codere, S.A. Among these measures, Eugenio Vela Sastre was appointed by the Board to the Audit Committee, therefore the Audit Committee currently comprises the three independent directors (Juan Zornoza, the chairman, Eugenio Vela and Joseph Zappala). The Audit Committee is particularly charged with the review and approval of any external communication that might have an impact on the value of the instruments issued by Codere, S.A.

### *c) Financial risks*

The main instruments of financing of the Group include lines of credit, bank loans, issues of obligations and operational and financial leases. The main aim of these instruments is on the one hand, the financing of the needs for working capital in the Group and, on the other, the funding of investments.

The main financial risks are:

#### *Risks of interest rates*

Codere Group has note issuances in international markets at fixed interest rates for a face value of 660 million euros. The rest of the Group's financial debt, normally bank debt, amounting to around 94 million euros at year end, is normally borrowed at variable interest rates (Euribor/Libor/TIEE).

As a result of this capital structure and given that fixed rate note issuances account for almost 87 % of the Codere Group's overall debt, the Group's exposure to interest rate risk and its potential impact on the Group's income statement is low.

Given that the exposure to this risk is relatively low due to the current capital structure, the company has not taken out any coverage to date.

#### *Exchange rate risk (currencies)*

The Codere Group keeps investments of a significant nature in countries with a currency other than the euro, and the investments in Argentinean and Mexican pesos are particularly important.

The Group's policy in this regard is to minimize the situations in which the companies have assets and liabilities denominated in different currencies, so that potential devaluations in these currencies would not impact the Group's shareholders equity. Also, hedging contracts have been entered into in order to eliminate exchange rate risk of Latin American currencies, in particular the Mexican and Argentine pesos. The aim of the Group is in this sense to cover an identified part of its cash flows in these countries, by means of the use of contracts of exchange rate on credit on those currencies (see disclosure of these contracts of exchange rate in Note 21).

For the presentation of the market risks, IFRS 7 requires an analysis of sensitivity which shows the hypothetical effects of changes in the relevant variables of risk on the results and own funds. The exchange rate risk as it is defined by the IFRS 7 arises from financial assets or liabilities of a monetary nature denominated in a currency which is not the functional one for each company. The differences which arise in the results from the transformation of the financial statements to the currency of presentation of the financial statements of the Group are not taken into account.

The companies of the Group carry out their operations predominantly in their respective functional currencies. As a consequence, the exchange rate risk which arises from the operations is low.

A table is presented below with the effects on results and shareholders' equity (in thousand euros) of the variations of exchange rate with regard to the close for the most significant currencies of the Group:

Thousand of euros					
Currency	Exchange rate 12.31.2009	10% devaluation of the euro		10% appreciation of the euro	
		Impact on results	Impact on own shares	Impact on results	Impact on own shares
ARS/EUR	5,4530	216	-	(216)	-
BRL/EUR	2,5084	-	856	-	(856)
COP/EUR	2944,918	13	-	(13)	-
USD/EUR	1,4406	57	333	(57)	(333)
UYU/EUR	28,2891	-	-	-	-
MXN/EUR	18,7908	4.270	-	(4.270)	-

Thousand of euros					
Currency	Exchange rate 12.31.2009	10% devaluation of the euro		10% appreciation of USD	
		Impact on results	Impact on own shares	Impact on results	Impact on own shares
ARS/USD	3,8000	3.786	-	(3.786)	-
BRL/USD	1,7412	-	733	-	(733)
COP/USD	2044,23	58	-	(58)	-
MXN/USD	13,0437	(6.069)	10.441	6.069	(10.441)
UYU/USD	19,637	289	-	(289)	-

Thousand of euros					
Currency	Exchange rate 12.31.2008	10% devaluation of the euro		10% appreciation of the euro	
		Impact on results	Impact on own shares	Impact on results	Impact on own shares
ARS / EUR	4,7907	(445)	-	445	-
MXN / EUR	19,1689	(106)	5.011	106	(5.011)
USD / EUR	1,3917	(3.371)	12.556	3.371	(12.556)
ARS / USD	3,453	(2.965)	-	2.965	-
MXN / USD	13,7738	(3.509)	11.250	3.509	(11.250)
UYU / USD	24,362	(648)	20	648	(20)

### *Liquidity risk*

The liquidity risk is defined as the risk that the Codere Group would have if it were not capable of resolving or of fulfilling its obligations in time and/or at a reasonable price. The Financial and Economic Management of the Group is responsible for both the liquidity and the financing and for the global management. Furthermore, liquidity and risks of financing, related with processes and policies, are supervised by that Management.

The Codere Group manages its liquidity risk on a consolidated basis, based on the needs of the companies, on taxes, of capital or of multiple considerations of regulation, applicable through numerous sources of funding, with the aim of maintaining its flexibility. The Management controls the net liquidity position of the Group by mobile projections of expected cash flows. The Cash and other equivalent assets of the Group are maintained in the main regulated bodies.

The following table shows how the Financial and Economic Management monitors the net liquidity, on the basis of the contractual obligations of the remaining expiries of the financial assets and liabilities, with the exclusion of commercial debts to be received and to pay on December 31, 2009 and 2008.

	Balance at 12/31/2009	From 01/01/2010 to 03/31/2010	From 01/01/2010 to 12/31/2010	From 01/01/2010 to 12/31/2013	From 01/01/2010 to 12/31/2015
<b>Current assets</b>					
Portfolio of short term securities	1,218	1,218	1,218	1,218	1,218
Cash and other equivalent assets	90,205	90,205	90,205	90,205	90,205
<b>Total current assets</b>	<b>91,423</b>	<b>91,423</b>	<b>91,423</b>	<b>91,423</b>	<b>91,423</b>
<b>Non-current liabilities</b>					
Obligations, bonds and other negotiable securities	657,766	-	-	3,471	664,201
Long-term debts with credit institutions	68,475	-	-	14,458	68,475
<b>Total non-current liabilities</b>	<b>726,241</b>	<b>-</b>	<b>-</b>	<b>17,929</b>	<b>732,676</b>
<b>Current liabilities</b>					
Short term Obligations and bonds	3,604	600	3,604	3,604	3,604
Short term debts with credit institutions	20,294	8,581	20,294	20,294	20,294
<b>Total current liabilities</b>	<b>23,898</b>	<b>9,181</b>	<b>23,898</b>	<b>23,898</b>	<b>23,898</b>
<b>Net liquidity</b>	<b>(658,716)</b>	<b>82,242</b>	<b>67,525</b>	<b>49,596</b>	<b>(665,151)</b>

The previous chart does not include payment obligations which might arise from the payment of operations related to foreign exchange hedges, which are paid quarterly, for the amount of €133 thousand.

	Balance at 31/12/2008	From 01/01/2009 to 03/31/2009	From 01/01/2009 to 12/31/2009	From 01/01/2009 to 12/31/2012	From 01/01/2009 to 12/31/2015
<b>Current assets</b>					
Portfolio of short term securities	235	235	235	235	235
Cash and other equivalent assets	83,292	83,292	83,292	83,292	83,292
<b>Total current assets</b>	<b>83,527</b>	<b>83,527</b>	<b>83,527</b>	<b>83,527</b>	<b>83,527</b>
<b>Non-current liabilities</b>					
Obligations, bonds and other negotiable securities	656,727	-	-	3,593	664,283
Long-term debts with credit institutions	47,341	-	-	18,541	47,341
<b>Total non-current liabilities</b>	<b>704,068</b>	<b>-</b>	<b>-</b>	<b>22,134</b>	<b>711,624</b>
<b>Current liabilities</b>					
Short term Obligations and bonds	3,319	449	3,319	3,319	3,319
Short term debts with credit institutions	53,719	48,172	53,719	53,719	53,719
<b>Total current liabilities</b>	<b>57,038</b>	<b>48,621</b>	<b>57,038</b>	<b>57,038</b>	<b>57,038</b>
<b>Net liquidity</b>	<b>(677,529)</b>	<b>34,906</b>	<b>26,489</b>	<b>4,355</b>	<b>(685,135)</b>

The management of this risk is also centred on the detailed monitoring of the expiry of the different lines of debt (which is mentioned likewise in Note 17 of the report), as well as the proactive management and the maintenance of lines of credit which make it possible to cover the expected needs for cash.

The management of the liquidity risk, it is emphasised that both at the level of the Group and at the level of each area of business and projects plans are made in a systematic manner about the generation and expected need for cash which make it possible to determine and follow in a continuous manner the position of liquidity of the Group.

Finally, the Group is of the opinion that, as of the date of formulation of these annual accounts, there are no circumstances that might give rise to the maturities of the bonds occurring prior to the date of maturity stipulated in the issue.

### *Credit risk*

The main financial assets of the Group exposed to the credit risk are:

- Investments in financial assets included in the balance of cash and equivalents (short term) (Note 14).
- Long term financial assets (Note 8).
- Derivatives (Note 21.d)
- Balances relating to clients and other accounts to be received (Nota 13).

The global amount of the exposure of the Group to the credit risk is made up of the balance of the above-mentioned headings, in as far as the Group does not have lines of credit awarded to third parties with the exception of the advanced payments to bar owners which are included in the heading “Accounts Receivable”.

With regard to the risk of formalisation of investments in financial products or contracting of financial derivatives the Codere Group has established internally criteria for minimising them, establishing that the balancing entries are always credit institutions with high levels of credit classification (according to the rating of the prestigious international agencies). Additionally, the Management of the Codere Group sets down maximum limits, to be invested or to contract, with periodical review thereof.

In the case of operations in countries in which, due to its economical and socio-political condition it is not possible to achieve high levels of credit quality, mainly branches and subsidiaries of foreign institutions are selected which, either fulfill or come close to fulfilling the criteria of quality set down, as well as the local institutions of the greatest size.

With regard to the risk linked with commercial debtors, as well as with regard to the long-term accounts to be received, it is worth pointing out that there is a great diversity of debtors, with private institutions being a significant part thereof.

#### d) Capital risk

The objective of the Group in the management of the capital is to safeguard the capacity to continue to manage the recurrent activities as well as the capacity to continue growing in new projects, maintaining an optimum relationship between the capital and the debt with the final objective of creating value for the shareholders.

The Group is financing its growth on three pillars:

- The internal generation of cash flow in the recurrent business
- The ability to grow in investments in new projects which are in large part financed with the guarantee of the flows of the project itself, and which feed back into the capacity for growth in the recurrent activities of the Group



- A policy of rotation of assets which makes it possible in turn to continue to finance investments in new projects

In this sense, the optimum level of indebtedness of the Group is not fixed on the basis of a global ratio of debt over internal resources but with the objective of maintaining a moderate level of indebtedness.

The Codere Group has no plans to distribute dividends in the short term.

e) Analysis of cash flows 2009

Details of long-term credits that are recorded in consolidated cash flow statement are disclosed as follows (in thousand euros):

	<b>2009</b>	<b>2008</b>
Long-term loans granted	(25,424)	(32,690)
Long-term loans repayed	41,378	37,090
<b>Long-term loans</b>	<b>15,954</b>	<b>4,400</b>

Details of investment of the consolidated cash flow statement are broken down as follows (in thousand euros):

	<b>2009</b>	<b>2008</b>
Investments carry out	(1.150)	(29.379)
Investments repayed	318	4.045
<b>Investments</b>	<b>(832)</b>	<b>(25.334)</b>

The variation of the financial debt is disclosed as follow (in thousand euros):

	<b>2009</b>	<b>2008</b>
Financial debt received	58,492	18,940
Financial debt repayed	(106,205)	(458)
<b>Variation in financial debt</b>	<b>(47,713)</b>	<b>18,482</b>

Variation of other bank credits is divided as follows (in thousand euros)

	<b>2009</b>	<b>2008</b>
Other bank loan received	37,781	13,732
Other bank loan repayed	(3,980)	(23,049)
<b>Changes in other bank loans</b>	<b>33,801</b>	<b>(9,317)</b>

Variation of Other financial debts is detailed next (in thousand euros):

	2009	2008
Other financial debt received	36,398	31,713
Other financial debt repayed	(30,448)	(25,203)
<b>Changes in other financial debt</b>	<b>5,950</b>	<b>6,510</b>

Variations of net investment in the company's own shares are detailed next (in thousand euros):

	2009	2008
Own shares acquisition	(1,863)	-
Own shares sales	1,849	-
<b>Disposal of own shares</b>	<b>(14)</b>	<b>-</b>

#### Analysis cash flow 2009

##### *Net cash flow from the operations*

Net cash from operating activities for the year ended December 31, 2009 was 172,855 thousands of euro, a decrease of 11.3% from 194,811 thousands of euro for the same period the prior year.

##### *Net cash flow investment activities:*

Net cash used in financing activities was 77.573 thousand euros, the principal drivers of which were as follows:

- Positive variation in other debt and contingent payments of 5,950 thousand euros, which consists of a net decrease in vendor financing of 8,951 thousand euros, an increase in liabilities due to the deferral of gaming taxes in Spain (15,850 thousand euros) and an increase in financial assets of 949 thousand euros. The 8,951 thousand euros net decrease in vendor financing consists of a positive variation of 20,548 thousand euros (principally reflecting the registration of the 11,174 thousand euros up-front renewal payment associated with the San Martin and Puerto licenses and the recording of 9,315 thousand euros associated with the renegotiation of the IGT lease agreement in Mexico ICELA) and a negative variation of 29,499 thousand euros (mainly due to deferral payment for the acquisition of minorities in Argentina amounting 5,573 thousand euros, the 5,048 thousand euro up-front renewal payment associated with the La Plata license renewal, the amount pending following the purchase option of the business of machines installed in bingo halls in Italy (7,544 thousand euros) and capital expenditures in Spain AWP, Mexico and Panama.
- A net decrease of 47,713 thousand euros in financial debt resulting from 46,940 thousand euros in repayments under the Senior Credit Facility and a 773 thousand euros amortization of the Hípica Rioplatense de Uruguay bond.

- A net increase in other bank loans of 33,801 thousands of euro, due primarily to new bank loans contracted in Mexico, partly offset by repayments in Panama and Italy Bingo.
- Dividends paid to minorities of 1,475 thousand euros, financial expenses of 68,421 thousand euros, financial income of 1.781 thousand euros and a net negative variation of 1,482 related to changes in exchange rates (13,206 thousand euros in positive variations and 14,688 thousand euros in negative variations).

*Net cash flow from financing activities*

We used cash for capital expenditures for intangible and fixed assets (101,554 thousand euros), we received a net of 15,954 thousand euros in long term loans and receivables consisting of: 12,254 thousand euros received from Caliente (repayments of 22,338 thousand euros, net of receivables generated of 10,084 thousands of euro), 3,895 thousand euros received for long-term loans provided to Spain AWP site owners (repayments of 11,822 thousand euros, net of 7,927 thousand euros in loans), and 195 thousand euros for long-term loans provided to Italy AWP site owners 7,413 thousand euros in loans, net of 7,218 thousand euros in repayments). We used 832 thousand euros for investments, the net amount of 900 thousand euros used for payments related to the Operbingo AWP machine option, 318 thousand euros reflecting the positive impact of adjustments to the contingent payments associated with AWP operators acquired in Spain last year and other investments for 250 thousand euros.

Variations in foreign exchange rates (in the conversion of the cash balances) resulted in a negative impact of 1.937 thousand euros.

During the year ended December 31, 2009 we had a net increase in cash of 6.913 thousand euros.

Relation between “Capital expenditures” included in the consolidated cash flow statement and variations recorded in “Intangible assets” and “Tangible fixed assets” is detailed below (in thousand euros):

	<u>12.31.2009</u>
Assets variations:	
Additions asset costs	169,664
Derecognition asset costs	(102.848)
Derecognition accumulated depreciation assets	38,816
Gains or losses on asset disposals	(4.730)
Other effects	652
<b>Capital Expenditures</b>	<b>101,554</b>

Concepts included in “Assets Variations” are due to variations of intangible assets and tangible fixed assets during 2009 (see note 5 and 6).

Additionally relation between “Loans and receivable” and “tangible fixed assets” included in the consolidated cash flow statement and variation under “long-term financial investment” as of December, 31 2009 is detailed below (in thousand euros):

	<u>12.31.2009</u>
Long-term financial investments variations:	
Additions	14,796
Retirements	(32.904)
Other effects	2,986
<b>Loans and receivables and Investments</b>	<b>(15.122)</b>

### Analysis of cash flow 2008

#### *Net cash flow from the operations*

The net cash from the operational activities of the year 2008 was 190,024 thousand euros, an increase of 3.5% with regard to the 183,607 thousand euros from the previous year.

#### *Net cash flow investment activities*

With the regard to the cash for capital expenditures for intangible and fixed assets we spend 120,359 thousand euros, net 4,944 thousand euros received for the sale of the headquarters building in Colombia; received a net of 4,400 thousand euros in long term loans and receivables consisting of: 4,845 thousand euros received from Caliente (repayments of 14,287 thousand euros, net of receivables generated of 19,132 thousand euros), 430 thousand euros received from Spain AWP site owners (loans of 12,672 thousand euros, net of repayments of 13,102 thousand euros), 722 thousand euros used for long term loans provided to Italy AWP site owners (loans of 5,578 thousand euros, net of 4,856 thousand euros in repayments), and 153 thousand euros used for other loans granted. We used 25,334 thousand euros in investments, the net result of 25,042 thousand euros used in the acquisition of the minorities in Argentina, 4,337 thousand euros used in the acquisition of AWP operators in Spain, and 2,750 thousand euros generated by the sale of our 50% stake in WHCI and a further 1,295 thousand euros generated by the reversal of contingent payment accruals associated with the acquisition of the italian companies Cristaltec Service, S.r.L. and Vasa & Azzena Service, S.r.L.

#### *Net cash flow from financing activities*

Net cash used in financing activities was 56,690 thousand euros, the principal drivers of which were as follows:

- Positive variation in other financial debt and contingent payments of 6,510 thousand euros, which consists of a net increase in vendor financing of 8,535 thousand euros, 843 thousand euros in funds received from loan repayments, and an increase in financial assets of 2,868 thousand euros which include mainly debts and payables associated with the sale of the Italian direct AWP operations. The 8,535 thousand euros net increase in vendor financing consists of a positive variation of 30,870 thousand euros (principally reflecting the 21,292 thousand euros deferred portion of the acquisition of the minorities in Argentina and capital expenditures in Panama and Argentina) and a negative variation of 22,335 thousand euros (principally reflecting 11,901 thousand euros related to the contingent payment for the ICELA acquisition, the variation in Mexico associated with acquisition of machines and hall refurbishments; and the reversal of contingent payments associated with the acquisition of indirect AWP operators in Italy).
- A net increase of 18,482 thousand euros in financial debt resulting from 18,940 thousand euros drawn down under the Senior Credit Facility and a 458 thousand euros amortization of the HRU bond.
- A net decrease of 9,317 thousand euros in other bank loans due primarily to repayments in Colombia and Italy Bingo, partly offset by increased bank loans in Panama.
- Dividends paid to minorities of 5,280 thousand euros, financial expenses of 69,505 thousand euros and financial income of 5,473 thousand euros. And a negative variation in the equity due to differences of exchange amounting €3,053 thousand (€8,112 thousand of positive differences and 11,165 of negative differences).

During 2008 we had a net decrease in cash of 7,959 thousand euros.

#### *Breakdown of cash and cash equivalent*

Below there is a list of cash and other equivalent liquid resources on December 31 (in thousand euros):

	2009	2008
Cash equivalents	6,902	15,777
Cash and banks	83,303	67,515
Total	90,205	83,292

f) Estimate of the fair value

On January 1, 2009 Codere Group adopted the amendment of IFRS 7 for financial instruments measured at fair value in the balance sheet. In order to adopt this amendment, it is necessary to divide into levels the assessment of fair value following these categories:

Quoted price (not adjusted) in Stock markets for similar assets and liabilities (level 1).

Data, different from the quoted price included in level one, which are observable both directly (that is the prices) and indirectly (that is derivatives) (level 2).

Asset or liability data which are not based on observable market data (that is non observable data) (level 3).

The following chart shows assets and liabilities of the Group measured at fair value as of December 31, 2009 and 2008 (amounts in thousand euros):

	12/31/2009
	Level 2
Liabilities:	
Hedging Instruments	3,133
Provision for options	2,269

## 21. REVENUE AND EXPENSES

### a) Other operating expenses

The breakdown of “Other operating expenses” for 2009 and 2008 is as follows (in thousand euros):

Concept of expense	2009	2008 (*)
Gaming taxes	277,209	291,858
Other taxes	28,103	29,191
Independent professional services	27,737	36,674
Leasing of machines	6,300	4,807
Other leases	35,360	45,607
Supplies	18,994	18,482
Travel costs	4,673	6,698
Advertising and Public Relations	17,982	20,783
Repairs and maintenance	20,970	19,971
Insurance premiums	2,418	2,590
Other services	38,703	59,319
Others	12,102	13,082
<b>Total</b>	<b>490,551</b>	<b>549,062</b>

(\*) Variation with respect to Annual Accounts published on December 31, 2008 because some amounts were included under “Other services” and those amounts corresponded to “Leasing of machines” and “Other leases”.

### b) Personnel expenses

The detail of the Group's consolidated personnel expenses for 2009 and 2008 are broken down as follows (expressed in thousand euros):

Concept	2009	2008
Wages, salaries, etc.	142,195	143,067
Social security cost	31,701	30,176
Other social cost	1,022	2,464
<b>Total</b>	<b>174,918</b>	<b>175,707</b>

c) Average headcount

Codere Group's approximate consolidated average headcount in 2009 and 2008 is approximately as indicated below:

	2009		2008	
	No. of employees		No. of employees	
	Male	Female	Male	Female
Managers	141	25	156	26
Supervisors	519	133	574	156
Specialists	147	83	292	82
Clerical staff	990	781	1,024	792
Messengers, etc	536	319	373	362
Sales person	2,149	1,770	2,037	1,609
Collectors	364	50	335	170
Mechanics staff	487	5	334	6
Other employees	3,489	2,055	3,654	1,991
<b>Total</b>	<b>8,822</b>	<b>5,221</b>	<b>8,779</b>	<b>5,194</b>

The distribution of the staff on December 31, 2009 and 2008 did not differ significantly from the data of the average staff.

100% of the staff has been considered independently of the method of consolidation used for these companies. The people who carry on their activities in the halls of the Caliente Group, also in Mexico, have not been included as they belong to the Mexican partner and the Codere Group is the operator.

d) Hedge contracts

Codere, S.A. has continued subscribing during the 2009 financial year to a range of hedging contracts with cover exchange rates, of an amount identified from the sales expected from the Argentinean and Mexican companies, with the aim of reducing the impact of the fluctuations in the exchange rates.

The amounts in Argentine pesos, Mexican pesos, dollars and euros, their maturity dates, and the exchange rates set for these hedging operations, together with the potential gains or losses as of December 31, 2009 and 2008 are as follows:

**Year 2009**

Currency in thousands				
Argentine pesos	US Dollars	Exchange rate	Maturity date	Gain/loss at 12.31.2009
73,391	15,800	4,645	03/31/2010	(2,011)
86,835	21,000	4,135	06/30/2010	(377)
160,226	36,800			(2,388)

Currency in thousands				
Mexican pesos	Euros	Exchange rate	Maturity date	Gain/loss at 12.31.09
153,347	7,900	19,411	03/31/2010	(196)
163,640	8,000	20,455	06/30/2010	(549)
316,987	15,900			(745)
Total				(3,133)

**Year 2008**

Currency in thousands				
Argentine pesos	US Dollars	Exchange rate	Maturity date	Gain/loss at 12.31.2008
34,630	10,000	3,463	03/31/2009	982
35,635	10,000	3,564	06/30/2009	1,472
34,630	10,000	3,463	03/31/2009	982
75,500	20,000	3,775	09/30/2009	3,482
36,200	10,000	3,62	06/30/2009	1,382
216,595	60,000			8,300

Currency in thousands				
Mexican pesos	Euros	Exchange rate	Maturity date	Gain/loss at 12.31.2008
78,958	5,000	15,792	03/31/2009	962
79,695	5,000	15,939	06/30/2009	996
97,781	6,200	15,771	03/31/2009	1,200
98,820	6,200	15,939	06/30/2009	1,235
355,254	22,400			4,393

Currency in thousands				
US Dollars	Euros	Exchange rate	Maturity date	Gain/loss at 12.31.2008
20,000	14,388	1,39	03/31/2009	42
20,000	14,414	1,388	06/30/2009	42
20,000	14,444	1,385	09/30/2009	60
60,000	43,246			144



The movement in the valuation of foreign exchange contracts, disclosing effect in shareholders' equity measured at fair value and effect in the income statement, is described below:

Fair value hedge balance at 12.31.2008	<u>12,837</u>
Fair value variation recognised in Equity	(9,003)
Fair value variation recognised in Income Statement	3,834
Fair value hedge balance at 12.31.2009	<u>(3,113)</u>

At the moment of contracting the derivative financial instrument, the Group formally documents each operation to which hedge accounting is to be applied. The documentation includes the identification of the hedging instrument, the element hedged, the nature of the risk to be covered and the way in which the efficacy of the hedging instrument is to be measured.

The profits or losses of the expired hedging operations have been recorded in the profit and loss account within the operating activities, as they correspond to the hedged assets.

e) Earning / Loss per share

*Basic profit per share*

Dec-09			Dec-08		
Net profit (Th. euros)	Average no. of shares	Basic profit per share (euros)	Net loss (Th. euros)	Average no. of shares	Basic loss per share (euros)
21,117	55,036,470	0,38	(4,200)	55,036,470	(0,08)

*Basic and diluted profit (loss) per share attributable to equity holders of the parent (in euros)*

Dec-09			Dec-08		
Net profit (Th. euros)	Average no. of shares	Basic profit per share (euros)	Net loss (Th. euros)	Average no. of shares	Basic loss per share (euros)
19,083	55,036,470	0,35	(10,570)	55,036,470	(0,19)

*Basic and diluted profit (loss) per share from continuing operations attributable to equity holders of the parent (in euros).*

Dec-09			Dec-08		
Net profit (Th. euros)	Average no. of shares	Basic profit per share (euros)	Net loss (Th. euros)	Average no. of shares	Basic loss per share (euros)
19,083	55,036,470	0,35	(1,074)	55,036,470	(0,02)

The profit diluted per share is calculated by adjusting the average weighted number of ordinary shares in circulation to reflect the conversion of all the potential diluting ordinary shares. For these purposes, it is considered that the conversion takes place at the beginning of the period or at the moment of the issue of the potential ordinary shares, if they have been put into circulation during the period itself.

On December 31, 2009 and 2008, in the Group there were no potentially diluted ordinary shares as there had not been any issue of convertible debt and the systems of retribution linked to the share (Note 15) will not involve any increase in capital for the Group, and therefore, under no circumstances is the existence of diluted effects foreseen.

Due to the portfolio of own shares, the profit diluted per share is calculated in 2009 with an average of shares 54.992.283 without variations regarding data in the chart above.

#### f) Financial income and costs

The detailed list of expenses and financial income on December 31, 2009 and 2008 is as follows:

<i>(Thousands of euros)</i>	2009	2008
<b><u>Financial costs</u></b>		
Contractual cost and interests	75,916	76,320
Fin. Act. of provisions and other liabilities	243	915
Total	<b><u>76,159</u></b>	<b><u>77,235</u></b>
<b><u>Financial income</u></b>		
Income from interests	6,667	7,923
Income from negotiable securities and fixed assets	976	2,695
Other financial income	80	211
Total	<b><u>7,723</u></b>	<b><u>10,829</u></b>

#### g) Exchange gains (losses), net

This caption includes 32,608 thousand euros of exchange gains and 22,568 thousand euros of exchange losses in the 2009 financial year.

## 22. PROFIT/LOSS OF DISCONTINUED OPERATIONS

This heading of the 2008 operating statement reflects the result generated as a result of the sale of the Gaming Re, S.r.L. and Gaming Service, S.r.L. companies and the sale of the William Hill Codere Italia, S.p.A company (Note 4). The effect reflected on the consolidated accounts of the Codere Group for these sales amounts to 6,825 thousand euros and 2,671 thousand euros, respectively.

The results of Gaming Re, S.r.L., Gaming Service, S.r.L and William Hill Codere Italia, S.p.A. contributed in the period closed on December 31, 2008, until the date of disposal, including the loss recognised on the disposal of these companies are as follows:

	December 2008
Operating revenues	7,094
Operating expenses	(16,543)
Operating loss	(9,449)
Net Financial Results	(9)
Consolidated income/(loss) before taxes	(9,458)
Corporate income tax	(38)
Outcome of suspended activities	(9,496)

The cash flows of Gaming Re, S.r.L., Gaming Services, I.e. and William Hill Codere Italia, S.p.A. provided in the period closed on December 31, 2008 , are as follows:

	December 2008
Cash in hand from operating activities	1,325
Cash in hand from investment activities	(1,270)
Cash in hand from finance activities	(1,305)
Total net cash (reduction) /increase	(1,250)

The reconciliation of the situation with regard to cash in hand and other equivalent assets at the start and close of the period closed on December 31, 2008, broken down into on-going and suspended activities, is as follows:

	<u>12.31.2008</u>
Cash in hand and other equivalent assets at the start of the period from continuing operations	91,251
Cash in hand and other equivalent assets at the start of the period from discontinued operations	<u>2,845</u>
Total cash in hand and other equivalent assets at the start of the period	<u>94,096</u>
Cash in hand and other equivalent assets at the close of the period from continuing operations	83,292
Cash in hand and other equivalent assets at the close of the period from discontinued operations (*)	-
Total cash and hand and other equivalent assets at the close of the period	<u>83,292</u>

(\*) The balance of cash and other equivalents of Gaming Re, S.r. L and Gaming Services, S.r. L. and William Hill Codere Italia up to the date of alienation amounted 1.594 thousand euros.

The basic and diluted losses per share from suspended activities are as follows:

December 2008		
Result of suspended activities (thousands of €)	Mean number of shares	Loss per share
(9,496)	55,036,470	(0,17)

## 23. RELATED PARTIES

The transactions and balances with non-Group related companies as of December 31, 2009 and 2008 were as follows (in thousand euros):

Company	Position	Acc. Receivable	Accounts payable	Loans	Services rendered	Purchases/ leases	Others
<b>Año 2009</b>							
Encarnación Martínez Sampedro	Director / Manager	-	-	463	-	-	-
Luis Javier Martínez Sampedro	Director / Manager	-	-	927	-	-	-
José Ramón Romero Rodríguez	Director	-	-	463	454	-	-
Masampe, S.L.	Director	-	-	-	557	-	-
Promobowling, S.A.	Related activity	93	-	-	-	-	-
Joaquín Gomis Estada	Shareholder	82	-	-	-	-	-
Arturo Alemany	Advisor	-	-	863	-	-	-
Fernando Ors	Manager	-	-	139	-	-	-
Vicente Di Loreto	Manager	-	-	93	-	-	-
Jaime Estalella	Manager	-	-	93	-	-	-
José Ramón Ortúzar	Manager	-	-	139	-	-	-
Pedro Vidal	Manager	-	-	139	-	-	-
Ricardo Moreno	Manager	-	-	464	-	-	-
Adolfo Carpena	Manager	-	-	93	-	-	-
Jorge Martín	Manager	-	-	15	-	-	-
Robert Gray	Board's advisor	-	-	2,025	-	-	-
David Elizaga	Manager	-	-	93	-	-	-
Rafael Catalá	Manager	-	-	93	-	-	-
Recreativos Metropolitano	Related activity	-	-	-	324	-	-
Total		175	-	6,102	1,335	-	-

Company	Position	Acc. Receivable	Accounts payable	Loans	Services rendered	Purchases/ leases	Others
<b>Año 2008</b>							
Encarnación Martínez Sampedro	Director / Manager	-	-	443	-	-	-
José Antonio Martínez Sampedro	Director / Manager	9	-	-	-	-	-
Luis Javier Martínez Sampedro	Director / Manager	43	-	-	-	-	-
José Ramón Romero Rodríguez	Director	-	-	444	505	-	-
Masampe, S.L.	Director	-	-	-	464	-	-
Arturo Alemany	Advisor	-	-	826	-	-	-
Fernando Ors	Manager	-	-	133	-	-	-
Vicente Di Loreto	Manager	-	-	89	-	-	-
Jaime Estalella	Manager	-	-	89	-	-	-
José Ramón Ortúzar	Manager	-	-	133	-	-	-
Pedro Vidal	Manager	-	-	133	-	-	-
Ricardo Moreno	Manager	-	-	445	-	-	-
Adolfo Carpena	Manager	-	-	89	-	-	-
Jorge Martín	Manager	-	-	34	-	-	-
Robert Gray	Board's advisor	-	-	1,944	-	-	-
Rafael Catalá	Manager	-	-	89	-	-	-
Recreativos Metropolitano	Related activity	-	-	888	280	-	-
Total		52	-	5,779	1,249	-	-

Masampe Holding, B.V. subscribed the capital increase carried out by Codere, S.A. on April 3, 2006 for 4,806,864 shares (Note 15).

Transactions with related parties have been carried out on market terms. During the year ended December 31, 2009 and 2008, no provision has been made for doubtful collection of balances with related parties.

Main operations with related parties have been:

a) Acquisition of Operbingo (Italy)

On December 15, 2005, Codere acquired 100% of Operbingo, which at that time owned and operated 11 bingo halls located throughout Italy. These bingo halls were managed by Codere Italia S.p.A. Among the shareholders of this company was Francomar Investments, S.A., which owned 41% of its shares, and Prisamar, S.A., which owned 10% of Operbingo, S.p.A. Both companies belonged to the Francomar Group, which is 50% owned by the Martínez Sampedro family.

The total cost of this transaction was 56.4 million euros. This included amounts disbursed for the acquisition (33.3 million euros) plus 23.1 million euros corresponding to the net debt assumed.

Under the terms of the purchase agreement, the sellers were entitled to the net profit of certain type B slot machines that could be installed at the bingo halls if permitted by prevailing legislation. This right was assigned a fixed price of one euro per machine and a variable price calculated by subtracting from the amount of games played, the awarded

prices, taxes, network concessionaire costs, and 2,000 euros each year per machine (this last amount was allocated to the Codere Group).

The Codere Group acquired a 0.9 million euro repurchase option on this right of the sellers for an amount that will be no less than 5 million euros and no more than 11 million euros. This right was registered as goodwill by an amount of 11 million euros. This calculation is made by applying a mathematical formula to the amounts collected from the slot machines for the period during which this right may be exercised (from September 2008 to March 2009). The Codere Group has exercised this option in 2009.

b) Framework slot machine purchase agreement with Recreativos Franco.

Since July 1, 2006 there was a framework gaming machine purchase agreement with Recreativos Franco SA, which included purchased to be paid on an instalment basis.

On December 1, 2008, a new framework agreement was signed with Recreativos Franco and in force until November 30th, 2010, whereby the Codere Group acquires the machines from Recreativos Franco by means of a deferred payment, establishing a buy-back clause whereby Recreativos Franco is obliged to purchase the machines referred to in the initial sale and purchase whenever Codere so requires. The Codere Group may lease these machines to companies in the Group.

On April 1, 2009 was signed a new framework gaming machine lease agreement with Recreativos Franco, S.A. which expires on March 31, 2012. Codere Group can lease these machines to companies of the same Group.

c) Ballesteros transaction

In September 2000, Hispano Chilenos, S. A., a company owned by Mr. Jesús Franco, ceded to the Codere Group its rights and obligations relating to the purchase of 50% of the shares of the Ballesteros Group for a total price of 15.5 million euros. The Ballesteros Group is a Spanish bingo hall operator with twelve bingo halls in the Autonomous Community of Castilla-León and one in Venezuela, in which it has been granted other bingo licenses. Codere is currently involved in a lawsuit with the Ballesteros Group; the related contingent liability has been fully accrued. The lawsuits initially brought by both parties (the Ballesteros Group claimed 24,000 thousand euros from Codere) were dismissed in the first instance and Codere, in the month of July, 2007, proceeded to lodge an appeal, without the Ballesteros Group having presented any appeal against the judgement. On September 23, 2009 the Madrid Provincial Court issued a judgement on our appeal sentencing Mr. José Ballesteros and his wife to return to Codere approximately €12.0 million. Additionally, Codere Group has submitted a cassation appeal requesting payment of interests accrued since the date of the initial claim, and expect the Supreme Court to issue a ruling on this appeal within a period of no less than 2 or 3 years.

As of the date of this annual accounts those amounts have been returned to Codere. As a result of the description above, at December 31, 2009 the Group has reversed €12 million

approximately (at December 2008 the total amount was recorded, 15,5 millions euros), recording this reversion in the Consolidated Income Statement.

d) Lease of other offices

In Comunidad Autonoma de Madrid the technical, service, maintenance and collection personnel of the Codere Group work at the facilities in Getafe and Coslada leased from the Francomar Investments, S.A. (company related to the main shareholders of Codere, S.A.).

e) Rewards for Administrators and Executive Management

Salaries, attendance fees and other compensation of the Board of Directors of Codere S.A. are as follows (thousand euros):

	<b>2009</b>	<b>2008</b>
Rewards for the Board of Directors	466	508
Services rendered (1)	1.335	1.249
Fixed and variable salaries	587	303
<b>TOTAL</b>	<b>2.388</b>	<b>2.060</b>

(1) In the years 2009 and 2008 it was included 0.5 million euros each year, corresponding to the fees received by the legal office of Mr. José Ramón Romero for legal counsel to the Codere Group

The remuneration paid to executive management of the Codere Group in 2009 amounted to 5,247 thousand euros (5,110 thousand euros on December 31, 2008). In addition, the work contracts of several Spanish members of the Codere management team contain clauses stipulating termination benefits in the event of dismissal, in addition to the mandatory dismissal indemnities required by prevailing legislation. The total amount that would be owed by virtue of these contracts at December 31, 2009 and 2008 was approximately 1.5 and 1.4 million euros.

At December 31, 2009 and 2008, there were no advances made to members of the Board of Directors. Services rendered to administrators are included in this line. Furthermore, there are no obligations regarding pensions for former or current members of the Board.

Pursuant to the provisions of the Securities Market (Reform) Act (Law 26, dated July 17, 2003) and the redrafted text of the Spanish Companies Act, in part 4 of the new section 127 inserted into said Act, the Company's directors hereby state that they do not hold investments or positions in any company with the same, similar or complementary activities as that constituting the corporate objective of Codere, S.A., other than those indicated in Exhibit III.

In addition, they have stated that they do not conduct, for their own account or for that of third parties, any activity that is the same, similar, or complementary to that of the Company's corporate purpose, except in the cases indicated in Exhibit III.

Administrators, or any other person acting on the behalf, did not make operations with the company different from its current activities or out of the market conditions during this year.

## 24. AUDITORS' REMUNERATION

The fees invoiced by the various companies of the international network PricewaterhouseCoopers, of which PricewaterhouseCoopers Auditores, S.L. is a member and Ernst & Young, the auditors of the Codere Group in 2009 and 2008, respectively, amounted to 1,040 and 1,145 thousand euros, respectively. The breakdown of these amounts is as follows (in thousand euros):

	2009	2008
Audit of Annual Accounts	1,040	1,145
Other services	185	343
<b>TOTAL</b>	<b>1,225</b>	<b>1,488</b>

Fees include remuneration from the Codere Group national and international companies consolidated using the full and proportional methods.

Other auditors' fees for 2009 and 2008 amounted to 98 and 392 thousand euros, respectively.

## 25. ENVIRONMENTAL ASPECTS

Codere, S.A. and its dependent companies have not, in the present year nor any other year, incorporated systems, equipment or installations for a material amount in connection with the protection and improvement of the environment.

The attached consolidated balance sheet does not include any provision for environmental matters since Companies' Management believes that, as of the end of the year, there are no obligations to be settled in future arising out of the Companies' actions to prevent, reduce or repair harm to the environment and that, should these exist, they would not be material.



## 26. SUBSEQUENT EVENTS

### Acquisition of 50% stake of Codere Apuestas España, S.L.

On January 20, 2010 Codere, S.A. acquired William Hill 50% stake in Codere Apuestas España, S.L. for 1 euro. William Hill has decided to focus its international sports betting strategy on the internet via William Hill Online, and it has withdrawn from the joint venture with Codere.

This agreement includes certain contingent payments if Codere Apuestas España, S.L. or its subsidiaries uses, in any fiscal year from 2010 to 2019, the tax losses incurred from the fiscal year 2007 to 2009 and if Codere, S.A. transfers the shares acquired to William Hill during the two years after January 20, 2010 for a higher price than the price paid to William Hill for its 50% stake in Codere Apuestas España, S.L.

### Memorandum of Understanding with Caliente

On February 22, 2010 the Group signed a Memorandum of Understanding (“MOU”) with Grupo Caliente (“Caliente”) relating to the previously announced restructuring of our present contractual relationship. Caliente is the Mexican group to whom Codere have provided gaming management services and hall development funding since 1997.

Pursuant to the MOU, it has been agreed, in principle, to restructure approximately US\$142 million (equivalent to approximately €99 million as of December 31, 2009) of debt owed to Codere Group and to acquire a 60% stake in several Caliente licensees, which together own 46 gaming permits, by capitalizing outstanding indebtedness of approximately US\$112 million (equivalent to approximately €78 million as of December 31, 2009). As part of the agreed restructuring, Caliente will acquire a 40% stake in Promojuegos and Mio Games for a deferred consideration of approximately US\$6 million (equivalent to approximately €4 million as of December 31, 2009). The MOU also provides for the amendment of the management services agreement with Caliente by reducing its term to the end of 2014 and providing for a maximum annual fee of US\$40 million (equivalent to approximately €28 million as of December 31, 2009) per year.

This transaction is subject to definitive documentation and regulatory approvals, and therefore, so it cannot be assured that it will be completed the transaction on the terms described above, or at all.

The amounts of debt owed to Codere Group by Caliente in the consolidated balance sheet are disclosed in notes 8 and 13.

**EXHIBIT I**  
**Consolidated Group as of December 31, 2009 and 2008**

Name	Activity	Consolidation Method	2009		2008	
			%	%	%	%
			Participation	Owner	Participation	Owner
ESPAÑA:						
AUTOMÁTICOS ARGÁ, S.L. Calle C , nave 48, Polígono Industrial Talluntxe II Noaín (Navarra)	Operation of gaming machines	IG	-	-	50.00%	CODERE NAVARRA, S.L.
AUTOMÁTICOS MENDOZA, S.L. C/ Real, 10 Lepe (Huelva)	Operation of gaming machines	IG	50.00%	OPERIBERICA, S.A.	50.00%	OPERIBERICA, S.A.
CANEDA, S.L. C/ Senda Galiana, 4-6 Coslada (Madrid)	Operation of gaming machines	IG		-	50.00%	CODERE MADRID, S.A.
CARTAYA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of bingo halls	IG	100.00%	CODERE ESPAÑA, S.L.	100.00%	CODERE ESPAÑA, S.L.
C-F8, S.L. Crta. de Toledo, km – 11.500 Getafe (Madrid)	Operation of gaming machines	IG	75.00%	CODERE MADRID, S.A.	75.00%	CODERE MADRID, S.A.
CODANDREDI, S.L. C/ Río Piqueras, 133 26509 Arrubal (La Rioja)	Operation of gaming machines	IG	-	-	37.52%	CODERE LOGROÑO, S.L.
CODERE APUESTAS, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports betting	IP	50.00%	CODERE APUESTAS ESPAÑA, S.L.	50.00%	CODERE APUESTAS ESPAÑA, S.L.
CODERE APUESTAS ESPAÑA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports betting	IP	50.00%	CODERE, S.A.	50.00%	CODERE, S.A.
CODERE AMÉRICA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Management of the equity of companies resident in countries other than Spain	IG	100.00%	CODERE INTERNACIONAL, S.L.	100.00%	CODERE INTERNACIONAL, S.L.
CODERE ASESORÍA, S.A. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Operation of gaming machines	IG	94.72%	CODERE VALENCIA, S.A.	94.72%	CODERE VALENCIA, S.A.
CODERE BARCELONA, S.A. Mercaders, 1. Pol. Ind. Riera de Caldes Palau de Plegamans (Barcelona)	Operation of gaming machines	IG	100%	CODERE ESPAÑA, S.L.	100%	CODERE ESPAÑA, S.L.
CODERE DISTRIBUCIONES, S.L. Mercaders, 1. Pol. Ind. Riera de Caldes Palau de Plegamans (Barcelona)	Operation, distribution and marketing of gaming machines	IG	100%	CODERE BARCELONA, S.A.	100%	CODERE BARCELONA, S.A.
CODERE ESPAÑA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company, operation of gaming machines and bingo halls	IG	100%	CODERE, S.A.	100%	CODERE, S.A.
CODERE GANDIA, S.A. Guardamar, 15 Gandía (Valencia)	Operation of gaming machines	IG	50%	CODERE ESPAÑA, S.L.	50%	CODERE ESPAÑA, S.L.

Name	Activity	Consolidation Method	2009		2008	
			%		%	
			Participation	Owner	Participation	Owner
CODERE GIRONA, S.A. Ctra. Barcelona, 162 Girona (Barcelona)	Operation of gaming machines	IG	66.67%	CODERE ESPAÑA, S.L.	66.67%	CODERE ESPAÑA, S.L.
CODERE GUADALAJARA, S.A. Avda. de Bruselas, 26 Alcobendas (Madrid)	Operation of gaming machines	IG	50%	CODERE MADRID, S.A.	50%	CODERE MADRID, S.A.
CODERE HUESCA, S.L. Mercaders 1 Palau Solita 1 Plegamans (Barcelona)	Operation of gaming machines	IG	51.02%	CODERE BARCELONA, S.A.	51.02%	CODERE BARCELONA, S.A.
CODERE INTERNACIONAL, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	IG	100%	CODERE, S.A.	100%	CODERE, S.A.
CODERE INTERACTIVA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of gaming in television, internet or telephony	IG	90%	CODERE, S.A.	-	-
CODERE LOGROÑO, S.L. Piqueras 133.3 Arrubal - La Rioja	Operation of gaming machines	IG	75.03%	CODERE BARCELONA, S.A.	75.03%	CODERE BARCELONA, S.A.
CODERE MADRID, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of gaming machines	IG	100%	CODERE ESPAÑA, S.L.	100%	CODERE ESPAÑA, S.L.
CODERE NAVARRA, S.L. Santa Marta, 8 Pamplona	Operation of gaming machines	IG	50%	CODERE BARCELONA, S.A.	50%	CODERE BARCELONA, S.A.
CODERE VALENCIA, S.A. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Operation of gaming machines	IG	94.72%	CODERE ESPAÑA, S.L.	94.72%	CODERE ESPAÑA, S.L.
CODERE, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Financial and accounting services	IG	100%	-	100%	-
COLONDER, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	IG	100%	CODERE AMÉRICA, S.L.	100%	CODERE AMÉRICA, S.L.
COMERCIAL YONTXA, S.A. (6) C/Nicolás Alcorta, 1 48003 Bilbao	Operation of gaming machines	IG	51%	OPERIBERICA, S.A.	51%	OPERIBERICA, S.A.
DESARROLLO ONLINE JUEGOS REGULADOS, S.A. C/ Manises nº 33 28224 Pozuelo de Alarcón (Madrid)	Operation of gaming through internet	PE	25%	CODERE, S.A.	-	-
EL PORTALÓN, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of gaming machines	IG	50%	CODERE MADRID, S.A.	50%	CODERE MADRID, S.A.

Name	Activity	Consolidation Method	2009		2008	
			%		%	
			Participation	Owner	Participation	Owner
GAMATRONIC, S.L. C/ Velázquez, 18, bajo Valencia	Operation of gaming machines	IG	-	-	47.36%	RECREATIVOS RUAN, S.L.
GARAIPEN VICTORIA APUSTUAK, S.A. C/ Nicolás Alkorta, 1 48003 Bilbao	Sports betting	IP	35.01%	CODERE APUESTAS ESPAÑA, S.L. y COMERCIAL YONTXA S.A.	35.01%	CODERE APUESTAS ESPAÑA, S.L. y COMERCIAL YONTXA S.A.
GISTRA, S.L. C/ Velázquez, 18 46018 Valencia	Leasing of halls/shops	IG	47.36%	RECREATIVOS RUAN, S.A.	47.36%	RECREATIVOS RUAN, S.A.
J.M. QUERO Y ASOCIADOS, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of gaming machines	IG	100%	CODERE ESPAÑA, S.L.	100%	CODERE ESPAÑA, S.L.
JPVMATIC 2005, S.L. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Operation of gaming machines	IG	100%	CODERE ESPAÑA, S.L.	100%	CODERE ESPAÑA, S.L.
JUEGO DE BINGOS, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo & hotel business	IG	100%	MISURI, S.A.	100%	MISURI, S.A.
MEPE, S.A. C/ Ferrocarril, 33 28820 Coslada (Madrid)	Operation of gaming machines	IG	50%	CODERE MADRID, S.A.	50%	CODERE MADRID, S.A.
MISURI, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo halls	IG	100%	CODERE ESPAÑA, S.L.	100%	CODERE ESPAÑA, S.L.
NIDIDEM, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Account management	IG	100%	CODERE AMÉRICA, S.L.	100%	CODERE AMÉRICA, S.L.
OPEALMAR, S.L. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Operation of gaming machines	IG	-	-	94.72%	CODERE VALENCIA, S.A.
OPERIBÉRICA, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of gaming machines	IG	100%	CODERE ESPAÑA, S.L.	100%	CODERE ESPAÑA, S.L.
OPEROESTE, S.A. C/Hernán Cortés, 188 Villanueva de la Serena (Badajoz)	Operation of gaming machines	IG	50%	OPERIBÉRICA, S.A.	50%	OPERIBÉRICA, S.A.
OPERSHERKA, S.L. Travesía de la PazMADRID	Operation of gaming machines	IG	51%	COMERCIAL YONTXA, S.A.	51%	COMERCIAL YONTXA, S.A.
OPERTRINIDAD, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of gaming machines	IG	-	-	100%	OPERIBÉRICA, S.A.
PRIMER CONTINENTE, S.L. C/ Guardamar, 15, bajo 46701 Gandía (Valencia)	Operation of hotel activities	IG	50%	CODERE GANDIA, S.A.	50%	CODERE GANDIA, S.A.

Name	Activity	Consolidation Method	2009		2008	
			%		%	
			Participation	Owner	Participation	Owner
RECREATIVOS ACR, S.L. Polígono Espíritu Santo, Parcela 11-12 33010 Oviedo (Asturias)	Operation of gaming machines	IG	50%	OPERIBÉRICA, S.A.	50%	OPERIBÉRICA, S.A.
RECREATIVOS AGUT-85, S.A. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Operation of gaming machines	IG	-	-	47.36%	CODERE VALENCIA, S.A.
RECREATIVOS CÓSMICOS, S.L. Unipersonal C/ Palmer, 36 Inca (Mallorca)	Operation of gaming machines & games of chance	IG	100%	RECREATIVOS MAE, S.L.	100%	RECREATIVOS MAE, S.L.
RECREATIVOS MAE, S.L. Ctra. Palma – Alcudia, km. 19400 Consell (Mallorca)	Operation of gaming machines	IG	100%	CODERE ESPAÑA, S.L.	100%	CODERE ESPAÑA, S.L.
RECREATIVOS OBELISCO, S.L. Huerca de Almería. C/ San Rafael-73. Polígono Industrial Almería	Operation of gaming machines	IG	60.61%	OPERIBÉRICA, S.A.	60.61%	OPERIBÉRICA, S.A.
RECREATIVOS OTEIN, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of gaming machines	IG	-	-	90%	CODERE MADRID, S.A.
RECREATIVOS POPULARES, S.L. C/ Puente de la Reina, 26- Bajo Valladolid	Operation of gaming machines	IG	75%	OPERIBÉRICA, S.A.	75%	OPERIBÉRICA, S.A.
RECREATIVOS RUAN, S.A. C/Velázquez, 18 Valencia	Operation of gaming machines	IG	47.36%	CODERE VALENCIA, S.A.	47.36%	CODERE VALENCIA, S.A.
RECREATIVOS SIERRA SUR, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of gaming machines	IG	-	-	100%	OPERIBÉRICA, S.A.
RED AEAM, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo halls	IG	100%	MISURI, S.A.	100%	MISURI, S.A.
RESTI Y CIA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of gaming machines	IG	50%	CODERE MADRID, S.A.	50%	CODERE MADRID, S.A.
RESUR CÁDIZ, S.L. Avda Ana de Viya, 17 Planta Baja, Cádiz	Operation of gaming machines	IG	50%	CODERE ESPAÑA, S.L	50%	CODERE ESPAÑA, S.L
ROSPAY, S.L. C/ Kennedy, 12 bajo Benidorm (Alicante)	Operation of gaming machines	IG	50%	CODERE GANDIA, S.A.	50%	CODERE GANDIA, S.A.
SIGIREC, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of gaming machines	IG	75.05%	OPERIBÉRICA, S.A.	75.05%	OPERIBÉRICA, S.A.

Name	Activity	Consolidation Method	2009		2008	
			%		%	
			Participation	Owner	Participation	Owner
SUPER PIK, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Operation of gaming machines	IG	79.93%	CODERE MADRID, S.A.	79.93%	CODERE MADRID, S.A.
VIMATIR, S.L. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Operation of gaming machines	IG	-	-	94.72%	CODERE VALENCIA, S.A.
2010-S-MATIC, S.L. Calle Parsi, 9 Sevilla	Operation of gaming machines	IG	100.00%	OPERIBÉRICA, S.A.	-	-
<b>ARGENTINA</b>						
BINGOS DEL OESTE, S.A. Avda. De Córdoba, 1417 5ºB Buenos Aires (Argentina)	Lotteries & bingo halls	IG	100%	CODERE ARGENTINA, S.A. y BINGOS PLATENSES, S.A	100%	CODERE ARGENTINA, S.A. y BINGOS PLATENSES, S.A
BINGOS PLATENSES, S.A. Av. Córdoba, 1417 Buenos Aires (Argentina)	Operation of bingo halls	IG	100%	CODERE ARGENTINA, S.A. y CODERE AMERICA	100%	CODERE ARGENTINA, S.A. y CODERE AMERICA
CODERE ARGENTINA, S.A. Av. Córdoba 1417 Buenos Aires (Argentina)	Account management	IG	100%	CODERE AMÉRICA, S.L., NIDIDEM S.L. e IBERARGEN, S.A.	100%	CODERE AMÉRICA, S.L. Y NIDIDEM S.L.
HÍPICA RIOPLATENSE, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Investment	IP	50%	CODERE ARGENTINA, S.A.	50%	CODERE ARGENTINA, S.A.
IBERARGEN, S.A. Combate de los Pozos, 639-641 Buenos Aires, C.F. (Argentina)	Operation of bingo, lotteries & hotel business	IG	100%	CODERE S.A. Y NIDIDEM, S.L.	100%	CODERE S.A. Y NIDIDEM, S.L.
INTERBAS, S.A. (1) Combate de los Pozos, 639-641 Buenos Aires, C.F. (Argentina)	Operation of lotteries & bingo	IG	100%	CODERE S.A. E IBERARGEN S.A.	100%	CODERE S.A. E IBERARGEN S.A.
INTERJUEGOS, S.A. Avda. De Córdoba, 1417 5ºB Buenos Aires (Argentina)	Lotteries & Bingo	IG	100%	CODERE ARGENTINA, S.A. y CODERE AMÉRICA, S.L.	100%	CODERE ARGENTINA, S.A. y CODERE AMÉRICA, S.L.
INTERMAR BINGOS, S.A. Av. Córdoba, 1417 Buenos Aires (Argentina)	Operation of bingo halls	IG	80%	CODERE AMÉRICA, S.L. y CODERE ARGENTINA, S.A.	80%	CODERE AMÉRICA, S.L. y CODERE ARGENTINA, S.A.
ITAPOAN, S.A. Combate de los Pozos, 639-641 Buenos Aires, C.F. (Argentina)	Operation of bingo halls	IG	81.76%	IBERARGEN, S.A. E INTERBAS, S.A.	81.76%	IBERARGEN, S.A. E INTERBAS, S.A.
NANOS, S.A. Avda. San Juan, 2345 Buenos Aires (Argentina)	Operation of bingo halls	IG	100%	IBERARGEN, S.A. E INTERBAS, S.A.	100%	IBERARGEN, S.A. E INTERBAS, S.A.

Name	Activity	Consolidation Method	2009		2008	
			%		%	
			Participation	Owner	Participation	Owner
SAN JAIME, S.A. Avda. De Córdoba, 1417 5° B Buenos Aires (Argentina)	Real estate	IG	100%	CODERE ARGENTINA, S.A. y BINGOS DEL OESTE, S.A.	100%	CODERE ARGENTINA, S.A. y BINGOS DEL OESTE, S.A.
<b>BRASIL</b> CODERE DO BRASIL Ltda. Avda Juscelino Kubitschek 28-4° Andar Ciudad de Sao Paulo (Estado de Sao Paulo)	Operation of gaming machines and horse racing betting management	IG	100%	CODERE AMÉRICA, S.L. Y NIDIDEM, S.L.	100%	CODERE AMÉRICA, S.L. Y NIDIDEM, S.L.
<b>CHILE:</b> CODERE CHILE, Ltda. Avda. Andrés Bello N°2711, Piso 19 Las Condes (Santiago de Chile)	Investment, leasing, sales, purchase and sale of goods.	IG	100%	CODERE AMÉRICA, S.L. y NIDIDEM, S.L.	100%	CODERE AMÉRICA, S.L. y NIDIDEM, S.L.
<b>COLOMBIA:</b> BINGOS CODERE, S.A. C/ 13, N 1 65-A-83 Santa Fe de Bogotá (Colombia)	Operation of bingo halls	IG	99.99%	NIDIDEM, S.L., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A. Y CODERE AMÉRICA S.L.	99.99%	NIDIDEM, S.L., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A. Y CODERE AMÉRICA S.L.
CODERE COLOMBIA, S.A. C/ 13, N 1 65-A-83 Santa Fe de Bogotá (Colombia)	Operation of electronic games & games chance	IG	99.99%	COLONDER, S.A., NIDIDEM, CODERE AMÉRICA, S.L. Y CODERE INTERNACIONAL S.L.	99.99%	COLONDER, S.A., NIDIDEM, CODERE AMÉRICA, S.L. Y CODERE INTERNACIONAL S.L.
INTERGAMES DE COLOMBIA, S.A. C/ 13, N 1 65-A-83 Santa Fe de Bogotá (Colombia)	Operation of bingo halls	IG	-	-	99.99%	BINGOS CODERE, S.A., CODERE COLOMBIA, S.A. Y NIDIDEM, S.L.
INTERSARE, S.A. (1) C/13, N1 65-A-83 Santa Fe de Bogotá (Colombia)	Direct marketing operations & operation of electronic game machines through third parties.	IG	59.89%	CODERE COLOMBIA Y NIDIDEM, S.L.	59.89%	CODERE COLOMBIA Y NIDIDEM, S.L.
<b>ESTADOS UNIDOS:</b> CODERE TECHNOLOGY NETWORK, L.L.C. 121 Broadway Suite 624 San Diego (California)	Technological development	IG	-	-	100%	CODERE, S.A.
<b>HOLANDA:</b> HEGELHOF ASSOCIATES B.V. Claude Debussylaan 24 1082 MD Amsterdam (Holanda),	Holding company	IG	100%	CODERE AMÉRICA, S.L.	100%	CODERE AMÉRICA, S.L.
<b>ITALIA:</b> BINGOS OASIS, S.r.L. Viale Giulio Cesare, 2 Roma	Operation of bingo halls	IG	100%	OPERBINGO ITALIA, S.r.L.	100%	OPERBINGO ITALIA, S.r.L.
BINGO RE, S. R. l. Via Cornellia, 498 Roma	Operation of bingo halls	IG	100%	OPERBINGO ITALIA, S.r.L.	100%	OPERBINGO ITALIA, S.r.L.



Name	Activity	Consolidation Method	2009		2008	
			%		%	
			Participation	Owner	Participation	Owner
BINTEGRAL, S. p. A. Via Cornelia, 498 Roma	Operation of bingo halls	IG	100%	OPERBINGO ITALIA, S.r.L.	100%	OPERBINGO ITALIA, S.r.L.
CODERE GAMING ITALIA, S.r.L. Via de Villa Patrizi, 13 Roma	Holding company	IG	100%	CODERE ITALIA, S.p.A.	100%	CODERE INTERNACIONAL, S.L.
CODERE ITALIA, S.p.A. Via di Villa Patrizi 13 Roma	Redering of counselling services	IG	100%	CODERE INTERNACIONAL, S.L.	100%	CODERE INTERNACIONAL, S.L.
CODEMATICA, S.r.L. Via de Villa Patrizi, 13 Roma	Operation of gaming machines	IG	100%	CODERE GAMING ITALIA, S.r.L.	100%	CODERE GAMING ITALIA, S.r.L.
CODERE NETWORK, S.p.A. Via Adolfo Ravá, 124 Roma	Operation of bingo halls	IG	100%	CODEMATICA, S.R.L.	100%	CODEMATICA, S.R.L.
CODESTRADA, S.r.L. Via de Villa Patrizi, 13 Roma	Operation of gaming machines	IG	100%	CODERE ITALIA, S.p.A.	100%	CODERE ITALIA, S.p.A.
CRISTALTEC SERVICE, S.r.L. Via Baldo Degli Ubaldi, 168 Roma	Operation of gaming machines	IG	51%	CODERE ITALIA, S.p.A.	51%	CODERE ITALIA, S.p.A.
GAMING NEW, S.r.L. Via de Villa Patrizi, 13 Roma	Operation of gaming machines	IG	100%	CODERE ITALIA, S.p.A.	100%	CODERE ITALIA, S.p.A.
GESTIONI MARCONI, S.r.L. Via Cornelia, 498 Roma	Operation of bingo halls	IG	100%	BINGO RE, S.r.L.	100%	BINGO RE, S.r.L.
GIOMAX, S.r.L. Via Cornelia, 498 Roma	Operation of bingo halls	IG	100%	OPERBINGO ITALIA, S.r.L.	100%	OPERBINGO ITALIA, S.r.L.
INMOBILGEST, S.r.L. Via Cornelia, 498 Roma	Operation of bingo halls	IG	100%	OPERBINGO ITALIA, S.r.L.	100%	OPERBINGO ITALIA, S.r.L.
MAXIBINGO, S.r.L. Via Cornelia, 498 Roma	Operation of bingo halls	IG	100%	OPERBINGO ITALIA, S.r.L.	100%	OPERBINGO ITALIA, S.r.L.
OPERBINGO ITALIA, S.p.A. Via Trinchese, 29 Lecce	Operation of bingo halls	IG	100%	CODERE INTERNACIONAL, S. L.	100%	CODERE INTERNACIONAL, S. L.
OPERGAMES, S.r.L. Via Cornelia, 498 Roma	Operation of bingo halls	IG	100%	OPERBINGO ITALIA, S.p.A..	100%	OPERBINGO ITALIA, S.p.A..
OPERGIOCHI ITALIA, S.R.L. Via de Villa Patrizi, 13 Roma	Operation of gaming machines	IG	100%	CODERE ITALIA, S.p.A.	100%	CODERE ITALIA, S.p.A.

Name	Activity	Consolidation Method	2009		2008	
			%		%	
			Participation	Owner	Participation	Owner
OPERINVESTMENTS, S.r.L. Via Cornellia, 498 Roma	Operation of bingo halls	IG	100%	OPERBINGO ITALIA, S.p.A..	100%	OPERBINGO ITALIA, S.p.A..
OPERSLOTS ITALIA, S.r.L. Via Cornellia, 498 Roma	Operation of bingo halls	IG	100%	OPERBINGO ITALIA, S.p.A..	100%	OPERBINGO ITALIA, S.p.A..
PALACE BINGO, S.r.L. Via Cornellia, 498 0166 Roma	Operation of bingo halls	IG	100%	WINNER BET S.R.L.	100%	WINNER BET S.R.L.
SEVEN CORA SERVICE, S.r.L. Della Mecánica, 21 – zona d/3 15100 Alesssandria - Italia	Operation of gaming machines	IG	60%	CODERE ITALIA, S.p.A.	60%	CODERE ITALIA, S.p.A.
VASA & AZZENA SERVICE, S.r.L. Via Baldo degli Ubaldi 168 Roma	Operation of gaming machines	IG	51%	CODERE ITALIA, S.p.A.	51%	CODERE ITALIA, S.p.A.
VEGAS, S.r.L. Via di Corticella, 216 Bologna	Operation of bingo halls	IG	100%	BINGO RE, S.r.L.	100%	BINGO RE, S.r.L.
WINNER BET, S.r.L. Via Cornelia, 498 Roma	Operation of bingo halls	IG	100%	OPERBINGO ITALIA, S.p.A.	100%	OPERBINGO ITALIA, S.p.A.
PARISIENNE, S.L. Via Cornelia, 498 00166 Roma	Operation of bingo halls	IG	100%	WINNER BET, S.R.L.	100%	WINNER BET, S.R.L.
<b>LUXEMBOURG:</b>						
CODERE FINANCE, S.A. 6C, Parc d'Activités Syrdall, L-5365 Munsbach	Holding company	IG	100%	CODERE, S.A. y CODERE ESPAÑA, S.L..	100%	CODERE, S.A. y CODERE ESPAÑA, S.L..
<b>MÉXICO:</b>						
ADMINISTRADORA DEL PERSONAL DEL HIPÓDROMO, S.A. de C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Provision of administrative services, accounting, taxation services and organization	IP	-	-	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V. Palmas 1005 Desp 714, Col. Lomas Chapultepec	Operation, administration and development of horse & greyhound racetracks & sporting events	IP	49%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A. de C.V. y SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. de C.V.	49%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A. de C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. ASOCIACIÓN EN PARTICIPACIÓN Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Operation, administration and development of horse & greyhound racetracks & sporting events	IP	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A de C.V.y ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A de C.V.y ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.
CALLE DEL ENTRETENIMIENTO, S.A. de C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Promotion, construction, organization, operation, acquisition & participation in social capital & corporate property	IP	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V. y ENTRETENIMIENTO VIRTUAL S.A de C.V.	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V.

Name	Activity	Consolidation Method	2009		2008	
			%		%	
			Participation	Owner	Participation	Owner
CODERE MÉXICO, S.A. de C.V. Pº de la Reforma 905 Col Lomas de Chapultepec CP 11000 México D.F.	Account management	IG	100%	CODERE AMÉRICA, S.L. y NIDIDEM, S.L.	100%	CODERE AMÉRICA, S.L., NIDIDEM, S.L. y HEGELHOF ASSOCIATES B.V
CENTRO DE CONVENCIONES LAS AMÉRICAS S.A Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Management, Operation and Development of Expositions and Conventions	IP	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A de C.V.y ENTRETENIMIENTO VIRTUAL S.A. DE C.V.	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A de C.V.
CREA PRODUCCIONES PARA TV, S.A. de C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-101 Lomas de Sotelo	Production, editing, recording and postproduction of radio & TV commercials & educational sports.	IP	-	-	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V.
ENTRENAMIENTO RECREATIVO, S.A. de C.V. Pº de las Palmas, 1005 DET. 512 México	Operation of games permitted by law	IP	49%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A de C.V y ENTRETENIMIENTO VIRTUAL, S.A. de C.V	49%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A de C.V y ENTRETENIMIENTO VIRTUAL, S.A. de C.V
ENTRETENIMIENTO VIRTUAL, S.A. de C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-101 Lomas de Sotelo	Promotion, construction, organization, operation, acquisition & participation in social capital & corporate property	IP	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V. y CENTRO DE CONVENCIONES LAS AMÉRICAS S.A DE C.V	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V.
GRUPO INVERJUEGO, S.A. de C.V. Blub. Manuel Ávila Camacho, 40 Lomas de Chapultepec	Gaming	IP	50%	CODERE MÉXICO, S.A.	50%	CODERE MÉXICO, S.A.
IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A. de C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Payroll services	IP	49%	CODERE MÉXICO, S.A.	49%	CODERE MÉXICO, S.A.
IMPULSORA DE BIENES, S.A. de C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-101 Lomas de Sotelo	Contracting, operation, leasing, participation in, concession and realization of all types of activity concerning the granting of use or operating rights of goods	IP	-	-	49%	ENTRETENIMIENTO VIRTUAL, S.A. de C.V.
MIO GAMES, S.A. DE C.V. Club. Manuel Ávila Camacho, n° 460 –D int. Colonia San Andrés Atoto 53300 Naucalpan Estado de México	Gaming	IG	74.50%	CODERE MÉXICO, S.A. Y GRUPO INVERJUEGO, S.A. DE C.V.	74.50%	CODERE MÉXICO, S.A. Y GRUPO INVERJUEGO, S.A. DE C.V.
PROMOCIONES RECREATIVAS MEXICANAS, S.A. de Reforma 905, Col Lomas de Chapultepec 110000 México D.F	Consultancy, operation, administration and activities related to games of numbers remotely transmitted to predetermined locations	IG	100%	CODERE MÉXICO, S.A.Y NIDIDEM S.L.	100%	CODERE MÉXICO, S.A.Y HEGELHOF ASSOCIATES B.V.
PROMOJUEGOS DE MÉXICO, S.A. de C.V. Blub. Manuel Ávila Camacho, 40 Lomas de Chapultepec	Gaming	IG	99.99%	CODERE MÉXICO, S.A.	99.99%	CODERE MÉXICO, S.A.
RECREATIVOS CODERE, S.A. DE C.V. Club Manuel Ávila Camacho, 40 Lomas de Chapultepec	Gaming	IG	100%	CODERE MÉXICO, S.A.Y NIDIDEM S.L.	100%	CODERE MÉXICO, S.A.Y HEGELHOF ASSOCIATES B.V.

Name	Activity	Consolidation Method	2009		2008	
			%		%	
			Participation	Owner	Participation	Owner
RECREATIVOS MARINA, S.A. de C.V. Blub. Manuel Ávila Camacho, 40 Lomas de Chapultepec	Gaming	IG	52%	CODERE MÉXICO, S.A.	52%	CODERE MÉXICO, S.A.
SECOFACH, S.A. de C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-101 Lomas de Sotelo	Provisions of personnel administration services, contracting of personnel, consultancy and labour assistance, payroll management	IP	49%	SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. de C.V. y ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V.	49%	SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. de C.V.
SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. de C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-101 Lomas de Sotelo	Provision of personnel administration services, contracting of personnel, consultancy and labour assistance, payroll management	IP	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V. Y CENTRO DE CONVENCIONES LAS AMÉRICAS S.A DE C.V	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V.
COMERCIALIZADORA SORTIJUEGOS, S.A. de C.V.  Av Del Conscripto 311 Acc 4 Caballeriza 6D-110 Lomas de Sotelo	Other business support services	IP	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V. y ENTRETENIMIENTO VIRTUAL S.A. de C.V.	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V.
<b>PANAMÁ:</b>						
ALTA CORDILLERA, S.A. Urbanización El Cangrejo Edificio 27 Ciudad de Panamá	Operation of casino complexes	IG	100%	CODERE CHILE, LTDA. CODERE AMÉRICA, S.L.	100%	CODERE CHILE, LTDA. CODERE AMÉRICA, S.L.
CODERE PANAMÁ, S.A. C/ 53 Urbanización Obarrio torre Swiss Bank, 16 Panamá	Account management	IG	100%	CODERE AMÉRICA, S.L.	100%	CODERE AMÉRICA, S.L.
HÍPICA DE PANAMÁ, S.A. C/ 53 Urbanización Obarrio torre Swiss Bank, 16 Panamá	Horse racing activity & slot machines	IG	90%	CODERE PANAMÁ, S.A.	90%	CODERE PANAMÁ, S.A.
<b>PUERTO RICO:</b>						
CODERE PUERTO RICO, Inc. Puerto Rico	Account management	IG	99.99%	CODERE AMÉRICA S.L.	99.99%	CODERE AMÉRICA S.L.
<b>URUGUAY:</b>						
CODERE URUGUAY, S.A. C/ Juncal 1327 Apto. 2201 Montevideo (Uruguay)	Installation, administration and operation of bingo halls & complementary services	IG	100%	COLONDER, S.A. y CODERE AMÉRICA, S.L.	100%	COLONDER, S.A. y CODERE AMÉRICA, S.L.
HÍPICA RIOPLATENSE URUGUAY, S.A. Juan Benito Blanco 805, Uruguay	Operation of horse racing activity, slot machines, etc.	IP	50%	CODERE URUGUAY, S.A.	50%	CODERE URUGUAY, S.A.
CARRASCO NOBILE, S.A. Juncal 1305 Unidad 1604 Montevideo	Operation and management of hotels, casinos, slot machines halls and similar activities	IP	51%	CODERE MÉXICO, S.A.	51%	CODERE MÉXICO, S.A.

**Legend:**

I.G.: Global Integration

I.P.: Proportional Integration

% Participation: Direct and indirect Method

**EXHIBIT II**  
**Reserves and results by company as of December 31, 2009 and 2008**

The detail related to different accounts of reserves and results on December 31, 2009 is the following, (expressed in thousand euros):

<b>Company</b>	<b>Share capital</b>	<b>Additional paid- in capital</b>	<b>Retained earning</b>	<b>Profit/Loss</b>	<b>Interim Dividend</b>	<b>Total Shareholders equity</b>
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de	111,863	8,556	131,576	10,465	-	262,460
ALTA CORDILLERA, S.A.	4,165	-	7,643	(396)	-	11,412
ASOCIACIÓN EN PARTICIPACIÓN	13,539	-	(936)	3,141	-	15,744
AUTOMÁTICOS MENDOZA, S.L.	17	17	89	(191)	-	(68)
BINGO RE, S. R. L.	100	-	6,489	2,117	-	8,706
BINGOS CODERE, S.A.	1,970	-	(296)	(1,061)	-	613
BINGOS DEL OESTE, S.A.	104	-	190	1,765	-	2,059
BINGOS OASIS, S.r.L.	10	-	2,033	(599)	-	1,444
BINGOS PLATENSES, S.A.	-	-	(135)	8,668	-	8,533
BINTEGRAL, S. p. A.	300	-	14,075	1,929	-	16,304
CALLE DEL ENTRETENIMIENTO, S.A. de C.V.	4	-	(793)	(79)	-	(868)
CARRASCO NOBILE, S.A.	5	-	(57)	(97)	-	(149)
CARTAYA, S.L.	120	-	(2,761)	(2)	-	(2,643)
C-F8, S.L.	60	-	206	33	-	299
CODEMATICA, S.r.L.	10	-	(36)	(22)	-	(48)
CODERE AMÉRICA, S.L.	83,154	-	35,764	29,523	-	148,441
CODERE APUESTAS ESPAÑA, S.L.	662	32,286	(498)	321	-	32,771
CODERE APUESTAS, S.A.	60	-	(13,676)	(5,349)	-	(18,965)
CODERE ARGENTINA, S.A.	344	1,891	(1,663)	12,841	-	13,413
CODERE ASESORÍA, S.A.	60	-	3,700	(71)	-	3,689
CODERE BARCELONA, S.A.	1,382	-	56,017	(43)	-	57,356
CODERE COLOMBIA, S.A.	10,896	10,170	(6,653)	(2,737)	-	11,676
CODERE CHILE, Ltda.	18,924	-	8,029	776	-	27,729
CODERE DISTRIBUCIONES, S.L.	3	-	(2,536)	(740)	-	(3,273)
CODERE DO BRASIL Ltda.	2,798	-	(24,465)	2,689	-	(18,978)
CODERE ESPAÑA, S.L	2,613	5,185	(16,866)	(15,067)	-	(24,135)
CODERE FINANCE, S.A.	35	-	1,066	292	-	1,393
CODERE GAMING ITALIA, S.r.L.	10	-	(2)	(2)	-	6
CODERE GANDIA, S.A.	60	-	3,015	(182)	-	2,893
CODERE GIRONA, S.A.	126	-	12,440	889	-	13,455
CODERE GUADALAJARA, S.A.	120	-	163	(61)	-	222
CODERE HUESCA, S.L.	5	-	586	166	-	757
CODERE INTERACTIVA, S.L.	30	-	-	(61)	-	(31)
CODERE INTERNACIONAL, S.L.	84,397	-	(121,997)	(18,865)	-	(56,465)
CODERE ITALIA, S.p.A.	16,173	-	(9,275)	571	-	7,469
CODERE LOGROÑO, S.L.	6	-	248	(78)	-	176
CODERE MADRID, S.A.	90	-	51,842	(572)	-	51,360
CODERE MÉXICO, S.A. de C.V.	45,098	28	31,774	4,747	-	81,647

<b>Company</b>	<b>Share capital</b>	<b>Additional paid- in capital</b>	<b>Retained earning</b>	<b>Profit/Loss</b>	<b>Interim Dividend</b>	<b>Total Shareholders equity</b>
CODERE NAVARRA, S.L.	301	901	787	125	-	2,114
CODERE NETWORK, S.p.A.	2,000	-	(10,734)	6,846	-	(1,888)
CODERE PANAMÁ, S.A.	-	-	(184)	(35)	-	(219)
CODERE PUERTO RICO, Inc.	694	-	(694)	-	-	-
CODERE URUGUAY, S.A.	14,788	-	(360)	22	-	14,450
CODERE VALENCIA, S.A.	130	-	4,287	408	-	4,825
CODERE, S.A.	11,007	231,280	(230,257)	14,180	-	26,210
CODESTRADA, S.r.L.	10	-	(2)	(2)	-	6
COLONDER, S.A.	9,761	-	659	39	-	10,459
COMERCIAL YONTXA, S.A.	481	-	6,167	1,328	-	7,976
CRISTALTEC SERVICE, S.r.L.	10	-	90	9	-	109
EL PORTALÓN, S.L.	3	-	487	71	-	561
ENTRENIMIENTO RECREATIVO, S.A. de C.V.	50,797	-	54,918	4,945	-	110,660
ENTRETENIMIENTO VIRTUAL, S.A. de C.V.	24,147	-	71,407	(12)	-	95,542
GAMING NEW, S.r.L.	10	-	(2)	(2)	-	6
GARAIPEN VICTORIA APUSTUAK, S.A.	12,000	-	(2,654)	(5,239)	-	4,107
GESTIONI MARCONI, S.r.L.	11	-	4,246	(627)	-	3,630
GIOMAX, S.r.L.	69	-	28,706	(1,714)	-	27,061
GISTRA, S.L.	270	-	(34)	(2)	-	234
GRUPO INVERJUEGO, S.A. de C.V.	1,464	-	(35)	2	-	1,431
HÍPICA DE PANAMÁ, S.A.	-	-	(4,467)	(2,419)	-	(6,886)
HÍPICA RIOPLATENSE URUGUAY, S.A.	28,924	-	(4,530)	1,664	-	26,058
HÍPICA RIOPLATENSE, S.A.	13	-	-	(4)	-	9
IBERARGEN, S.A.	9,101	-	657	32,224	-	41,982
IMPULSORA CENTRO DE ENTRETENIMIENTO LAS	173,570	18,264	29,773	464	-	222,071
INMOBILGEST, S.r.L.	30	-	2,002	470	-	2,502
INTERBAS, S.A.	681	-	276	17,259	-	18,216
INTERJUEGOS, S.A.	2	-	47	4,122	-	4,171
INTERMAR BINGOS, S.A.	18	-	13	2,658	-	2,689
INTERSARE, S.A.	462	-	900	423	-	1,785
ITAPOAN, S.A.	890	-	(210)	578	-	1,258
J.M. QUERO Y ASOCIADOS, S.A.	97	-	(1,786)	(456)	-	(2,145)
JPVMATIC 2005, S.L.	3	-	(3)	991	-	991
JUEGO DE BINGOS, S.A.	436	-	(2,482)	(2)	-	(2,048)
MAXIBINGO, S.r.L.	35	3	256	(238)	-	56
MEPE, S.A.	180	596	347	137	-	1,260
MIO GAMES, S.A. DE C.V.	848	-	(489)	(647)	-	(288)
MISURI, S.A.	2,542	-	(1,022)	(1,641)	-	(121)
NANOS, S.A.	2	-	25	134	-	161
NIDIDEM, S.L.	380	-	1,637	2,531	-	4,548

<b>Company</b>	<b>Share capital</b>	<b>Additional paid- in capital</b>	<b>Retained earning</b>	<b>Profit/Loss</b>	<b>Interim Dividend</b>	<b>Total Shareholders equity</b>
OPERBINGO ITALIA, S.p.A.	10,180	-	(52,499)	(1,563)	-	(43,882)
OPERGAMES, S.r.L.	10	-	288	(3)	-	295
OPERGIOCHI ITALIA, S.R.L.	10	-	251	(267)	-	(6)
OPERIBÉRICA, S.A.	2,104	-	17,664	1,265	-	21,033
OPERINVESTMENTS, S.r.L.	10	-	5	(1)	-	14
OPEROESTE, S.A.	204	-	933	258	-	1,395
OPERSHERKA, S.L.	1,049	-	1,138	167	-	2,354
OPERSLOTS ITALIA, S.r.L.	10	-	163	(21)	-	152
PALACE BINGO, S.r.L.	60	280	14	1,486	-	1,840
PARISIENNE, S.L.	10	-	8	584	-	602
PRIMER CONTINENTE, S.L.	3	-	(9)	(30)	-	(36)
PROMOCIONES RECREATIVAS MEXICANAS, S.A. de C.V.	1,798	-	(4,359)	(4,579)	-	(7,140)
PROMOJUEGOS DE MÉXICO, S.A. de C.V.	309	-	1,154	1,418	-	2,881
RECREATIVOS ACR, S.L.	24	-	82	242	-	348
RECREATIVOS CODERE, S.A. DE C.V.	3	-	(5)	2	-	-
RECREATIVOS CÓSMICOS, S.L.	30	-	1,567	(487)	-	1,110
RECREATIVOS MAE, S.L.	294	-	5,363	(842)	-	4,815
RECREATIVOS MARINA, S.A. de C.V.	3	-	(7)	2	-	(2)
RECREATIVOS OBELISCO, S.L.	37	703	738	(446)	-	1,032
RECREATIVOS POPULARES, S.L.	24	-	631	182	-	837
RECREATIVOS RUAN, S.A.	72	-	2,071	388	-	2,531
RED AEAM, S.A.	60	-	(2)	(1)	-	57
RESTI Y CIA, S.L.	3	-	242	119	-	364
RESUR CÁDIZ, S.L.	30	-	511	(138)	-	403
ROSPAY, S.L.	60	-	200	68	-	328
SAN JAIME, S.A.	227	-	277	37	-	541
SECOFACH, S.A. de C.V.	3	-	(1,005)	145	-	(857)
SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. de	3	-	(1,662)	10	-	(1,649)
SEVEN CORA SERVICE, S.r.L.	20	-	1,848	199	-	2,067
SIGIREC, S.L.	96	-	239	114	-	449
SORTIJUEGOS, S.A. de C.V.	29	-	5,342	(2,694)	-	2,677
SUPER PIK, S.L.	3	-	2,521	92	-	2,616
VASA & AZZENA SERVICE, S.r.L.	10	-	220	129	-	359
VEGAS, S.r.L.	10	-	4,348	(552)	-	3,806
WINNER BET, S.r.L.	30	-	11	1,569	-	1,610



**EXHIBIT III**  
**DECLARATIONS BY THE DIRECTORS**

In compliance with 26/2003 Act of July 17, regarding the Reform of the Securities Market Act and the Revised Text of the companies Act in its Section 4 of new article 127 introduced into this Act, the directors of Codere S.A. have notified the Company that they hold the following interests in the capital of companies with the same, similar or complementary type of activity to that of the company's corporate purpose, and have confirmed the following in relation to the exercise of positions or functions in companies whose activity is the same as, similar or complementary to that of the Company's corporate purpose.

Director	Company	Stake*	Position
José Antonio Martínez Sampedro	Codere Colombia SA	0.00% Direct	
José Antonio Martínez Sampedro	Intersare SA	0.00% Direct	
José Antonio Martínez Sampedro	Francomar Investments SA	52% Direct	Director and Chairman of the Board
José Antonio Martínez Sampedro	Majisa SA	26.00% Indirect	Joint Director
José Antonio Martínez Sampedro	Centros de Ocio Familiar SL	8.84% Indirect	
José Antonio Martínez Sampedro	Promobowling SA	6.58% Direct 17.68% Indirect	Director and Chairman of the Board
José Antonio Martínez Sampedro	Planet Bowling España SA	17.68% Indirect	
José Antonio Martínez Sampedro	Promobowling Levante SA	17.68% Indirect	
José Antonio Martínez Sampedro	Magic Recreativos SL	12.38% Indirect	
José Antonio Martínez Sampedro	Zarabowling SA	12.38% Indirect	
José Antonio Martínez Sampedro	Sunset Bowling SL	17.68% Indirect	
José Antonio Martínez Sampedro	Formula Giochi SL	3.31% Indirect	
José Antonio Martínez Sampedro	Formula Bingo SpA	0.13% Indirect	
José Antonio Martínez Sampedro	Majicol	26.52% Indirect	
José Antonio Martínez Sampedro	Itapoan SA	9.48% Indirect	
Encarnación Martínez Sampedro	Francomar Investments SA	12.00% Direct	Director and Secretary of the Board
Encarnación Martínez Sampedro	Majisa, S.A.	6.00% Indirect	
Encarnación Martínez Sampedro	Centros De Ocio Familiar, S.L.	2.04% Indirect	Director and Secretary of the Board
Encarnación Martínez Sampedro	Promobowling, S.A.	6.58% Direct 4.08% Indirect	
Encarnación Martínez Sampedro	Planet Bowling España SA	4.08% Indirect	Director and Chairman of the Board
Encarnación Martínez Sampedro	Promobowling Levante SA	4.08% Indirect	Joint Director
Encarnación Martínez Sampedro	Magic Recreativos S.L.	2.86% Indirect	
Encarnación Martínez Sampedro	Zarabowling, S.A.	2.86% Indirect	
Encarnación Martínez Sampedro	Sunset Bowling, S.L.	4.08% Indirect	
Encarnación Martínez Sampedro	Formula Giochi, S.P.A.	0.76% Indirect	
Encarnación Martínez Sampedro	Formula Bingo, S.P.A.	0.03% Indirect	
Encarnación Martínez Sampedro	Majicol	6.12% Indirect	
Encarnación Martínez Sampedro	Itapoan SA	2.19% Indirect	
Luis Javier Martínez Sampedro	Intersare SA	0.10% Direct	
Luis Javier Martínez Sampedro	Francomar Investments, S.A.	12% Indirect	Director
Luis Javier Martínez Sampedro	Majisa, S.A.	6% Indirect	
Luis Javier Martínez Sampedro	Centros De Ocio Familiar, S.L.	2.04% Indirect	
Luis Javier Martínez Sampedro	Promobowling, S.A.	6.58% Direct 4.08% Indirect	Director and Chairman of the Board
Luis Javier Martínez Sampedro	Planet Bowling España, S.A.	4.08% Indirect	
Luis Javier Martínez Sampedro	Promobowling Levante, S.A.	4.08% Indirect	
Luis Javier Martínez Sampedro	Magic Recreativos S.L.	2.86% Indirect	
Luis Javier Martínez Sampedro	Zarabowling, S.A.	2.86% Indirect	
Luis Javier Martínez Sampedro	Sunset Bowling, S.L.	4.08% Indirect	
Luis Javier Martínez Sampedro	Formula Giochi, S.P.A.	0.76% Indirect	
Luis Javier Martínez Sampedro	Formula Bingo, S.P.A.	0.03% Indirect	
Luis Javier Martínez Sampedro	Recreativos Metropolitanos, S.L.	100% Direct	Joint Director
Luis Javier Martínez Sampedro	Majicol	6.12% Indirect	
Luis Javier Martínez Sampedro	Itapoan SA	2.19% Indirect	
Joseph Zappala	Tucson Greyhound Park	80%	Chairman

It is hereby stated that Directors of the company do not directly have ownership but they have a position and they perform functions in the companies whose activity is similar or complementary to Codere S.A.'s but they are different from those companies part of Codere Group in which Codere S.A. is part:

Director	Company	Activity	Position
José Antonio Martínez Sampedro	Administradora Mexicana de Hipódromo SA de CV	Operation, administration and development of horse & greyhound racetracks & sporting events	Director
José Antonio Martínez Sampedro	C-F8 S.L.	Operation of gaming machines	Joint Director
José Antonio Martínez Sampedro	Cartaya SA	Operation of bingo halls	Joint Director
José Antonio Martínez Sampedro	Codere América SLU	Management of the equity of companies resident in countries other than Spain	Joint Director
José Antonio Martínez Sampedro	Codere Asesoría SA	Operation of gaming machines	Joint Director
José Antonio Martínez Sampedro	Codere Barcelona SA	Operation of gaming machines	Joint Director
José Antonio Martínez Sampedro	Codere Distribuciones SL	Operation, distribution and marketing of gaming machines	Joint Director
José Antonio Martínez Sampedro	Codere España SLU	Holding company, operation of gaming machines and bingo halls	Joint Director
José Antonio Martínez Sampedro	Codere Interactiva SL	Operation of gaming in television, internet or telephony	Chairman of the Board
José Antonio Martínez Sampedro	Codere Internacional SLU	Holding company	Joint Director
José Antonio Martínez Sampedro	Codere Madrid SAU	Operation of gaming machines	Joint Director
José Antonio Martínez Sampedro	Codere México SA de CV	Account management	Chairman of the Board
José Antonio Martínez Sampedro	Codere Valencia SA	Operation of gaming machines	Joint Director
José Antonio Martínez Sampedro	Colonder SAU	Holding company	Joint Director
José Antonio Martínez Sampedro	Entretenimiento Recreativo SA de CV	Operation of games permitted by law	Director
José Antonio Martínez Sampedro	Impulsora de Centros de Entretenimiento Las Américas SA de CV	Payroll services	Director
José Antonio Martínez Sampedro	Nididem SLU	Account management	Joint Director
José Antonio Martínez Sampedro	Operibérica SAU	Operation of gaming machines	Joint Director
José Antonio Martínez Sampedro	Recreativos Mae SLU	Operation of gaming machines	Joint Director
Luis Javier Martínez Sampedro	Codere América SLU	Management of the equity of companies resident in countries other than Spain	Joint Director
Luis Javier Martínez Sampedro	Codere Internacional SLU	Holding company	Joint Director
Luis Javier Martínez Sampedro	Alta Cordillera SA	Operation of casino complexes	Chairman
Luis Javier Martínez Sampedro	Bingos del Oeste SA	Lotteries & bingo halls	Director
Luis Javier Martínez Sampedro	Bingos Platenses SA	Operation of bingo halls	Director
Luis Javier Martínez Sampedro	Codere Argentina SA	Account management	Director
Luis Javier Martínez Sampedro	Codere México SA de CV	Account management	Treasurer
Luis Javier Martínez Sampedro	Codere Panamá SA	Account management	Chairman of the Board
Luis Javier Martínez Sampedro	Compañía de Recreativos de Panamá SA	Acquire, sale, transfer, negotiate, permute, administrate loans, manage of bank accounts...	Chairman of the Board

Director	Company	Activity	Position
Luis Javier Martínez Sampedro	Hípica de Panamá SA	Horse racing activity & slot machines	Chairman of the Management Board
Luis Javier Martínez Sampedro	Iberargen SA	Operation of bingo, lotteries & hotel business	Chairman of the Board
Luis Javier Martínez Sampedro	Interbas SA	Operation of lotteries & bingo	Chairman of the Board
Luis Javier Martínez Sampedro	Interjuegos SA	Lotteries & Bingo	Director
Luis Javier Martínez Sampedro	Intermar Bingos SA	Operation of bingo halls	Director
Luis Javier Martínez Sampedro	Itapoan SA	Operation of bingo halls	Chairman of the Board
Luis Javier Martínez Sampedro	Nanos SA	Operation of bingo halls	Chairman of the Board
Luis Javier Martínez Sampedro	San Jaime SA	Real estate	Director
Luis Javier Martínez Sampedro	Desarrollo Online Juegos Regulados SA	Operation of gaming through internet	Chairman of the Board - Joint Director
Encarnación Martínez Sampedro	2010 S-Matic S.U.	Operation of gaming machines	Sole Director
Encarnación Martínez Sampedro	Automaticos Mendoza S.L.	Operation of gaming machines	Conjoint Director
Encarnación Martínez Sampedro	Bingo Oasis Srl	Operation of bingo halls	Sole Director
Encarnación Martínez Sampedro	Bingo Re Srl	Operation of bingo halls	Sole Director
Encarnación Martínez Sampedro	Bintegral Spa	Operation of bingo halls	Sole Director
Encarnación Martínez Sampedro	C-F8 S.L.	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Cartaya SA	Operation of bingo halls	Joint Director
Encarnación Martínez Sampedro	Codemática Srl	Operation of gaming machines	Sole Director
Encarnación Martínez Sampedro	Codere América SLU	Management of the equity of companies resident in countries other than Spain	Joint Director
Encarnación Martínez Sampedro	Codere Asesoría SA	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Codere Barcelona SA	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Codere Distribuciones SL	Operation, distribution and marketing of gaming machines	Joint Director
Encarnación Martínez Sampedro	Codere España SLU	Holding company, operation of gaming machines and bingo halls	Joint Director
Encarnación Martínez Sampedro	Codere Gaming Italia Srl	Holding company	Sole Director
Encarnación Martínez Sampedro	Codere Gandía Sa	Operation of gaming machines	Chairman and CEO
Encarnación Martínez Sampedro	Codere Girona SA	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Codere Guadalajara SA	Operation of gaming machines	Chairman and CEO
Encarnación Martínez Sampedro	Codere Internacional SLU	Holding company	Joint Director
Encarnación Martínez Sampedro	Codere Italia Spa	Redering of counselling services	Sole Director
Encarnación Martínez Sampedro	Codere Madrid SAU	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Codere Network Spa	Operation of bingo halls	Director

Director	Company	Activity	Position
Encarnación Martínez Sampedro	Codere Valencia SA	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Codestrada Srl	Operation of gaming machines	Sole Director
Encarnación Martínez Sampedro	Colonder SAU	Holding company	Joint Director
Encarnación Martínez Sampedro	El Portalón SL	Operation of gaming machines	Conjoint Director
Encarnación Martínez Sampedro	Gaming New Srl	Operation of gaming machines	Sole Director
Encarnación Martínez Sampedro	Gestioni Marconi Srl	Operation of bingo halls	Sole Director
Encarnación Martínez Sampedro	Giomax Srl	Operation of bingo halls	Sole Director
Encarnación Martínez Sampedro	Immobilgest Srl	Operation of bingo halls	Sole Director
Encarnación Martínez Sampedro	JPVMatic 2005 SL	Operation of gaming machines	Sole Director
Encarnación Martínez Sampedro	Maxibingo Srl	Operation of bingo halls	Sole Director
Encarnación Martínez Sampedro	Mepe SA	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Misuri SA	Bingo halls	Sole Director
Encarnación Martínez Sampedro	Nididem SLU	Account management	Joint Director
Encarnación Martínez Sampedro	Operbingo Italia Spa	Operation of bingo halls	Vicepresident of the Board
Encarnación Martínez Sampedro	Opergames Srl	Operation of bingo halls	Sole Director
Encarnación Martínez Sampedro	Opergiochi Italia Srl	Operation of gaming machines	Sole Director
Encarnación Martínez Sampedro	Operibérica SAU	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Operinvestments Srl	Operation of bingo halls	Sole Director
Encarnación Martínez Sampedro	Operslots Italia Srl	Operation of bingo halls	Sole Director
Encarnación Martínez Sampedro	Operoeste SA	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Opersherka SL	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Recreativos Cósmicos SLU	Operation of gaming machines & games of chance	Joint Director
Encarnación Martínez Sampedro	Recreativos Mae SLU	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Recreativos Obelisco SL	Operation of gaming machines	Chairman of the Board
Encarnación Martínez Sampedro	Recreativos Populares SL	Operation of gaming machines	Conjoint Director
Encarnación Martínez Sampedro	Red Acam SA	Bingo halls	Joint Director
Encarnación Martínez Sampedro	Resti y Cia SL	Operation of gaming machines	Conjoint Director
Encarnación Martínez Sampedro	Sigirec SL	Operation of gaming machines	Chairman of the Board
Encarnación Martínez Sampedro	Superpik SL	Operation of gaming machines	Joint Director
Encarnación Martínez Sampedro	Vegas Srl	Operation of bingo halls	Director
José Ramón Romero Rodríguez	Administradora Mexicana de Hipódromo SA de CV	Operation, administration and development of horse & greyhound racetracks & sporting events	Director
José Ramón Romero Rodríguez	Codere Interactiva SL	Operation of gaming in television, internet or telephony	Director
José Ramón Romero Rodríguez	Entretenimiento Recreativo SA de CV	Operation of games permitted by law	Director
José Ramón Romero Rodríguez	Impulsora de Centros de Entretenimiento Las Américas SA de CV	Payroll services	Director

**CONSOLIDATED MANAGEMENT REPORT 2009**

**CODERE, S.A. AND SUBSIDIARIES**  
**December 31, 2009**

## **CODERE S.A. AND SUBSIDIARIES**

Consolidated management report

Financial year 2009

### ***Evolution of the business of the Group***

During 2009, Codere results show continuous growth in local currency in Mexico and Argentina, offset by the weakness in Spain due primarily to the macroeconomic situation, the impact of the H1N1 virus in Argentina and the depreciation of the Mexican and Argentine pesos against the euro, 12.3% and 15.2%, respectively

Revenues decreased by €2.1 million, or 7.8%, to €67.9 million in 2009 from €1,050.0 million in 2008. Growth in the machine portfolio was concentrated in Mexico and Argentina where the number of machines increased by 5%, from 24,836 in 2008 to 26,081 in 2009. The total number of bingo halls increased by 4 in Mexico, resulting in a total of 141 halls at December 31, 2009. The number of sports betting locations increased by 125%, resulting in a total of 238 at the end of the period, reflecting the build-out of the operations in Spain

*Argentine licenses.* As previously announced, in October 2009, the Instituto Provincial de Lotería y Casinos de la Provincia de Buenos Aires, or “IPLyC” (the gaming regulator of the Province of Buenos Aires) resolved and communicated Resolution 75/09, which renews the La Plata license through June 30, 2021 in accordance with Decree 3198 and Resolution 456/06. Resolution 456/06 stipulated for the renewal of the La Plata license an up-front renewal fee of AR\$28 million (equivalent to €5 million as of December 31, 2009) and a canon tax surcharge of AR\$66 million (equivalent to €12 million as of December 31, 2009) accrued and payable in 60 monthly instalments which we had been accruing since January 1, 2007. Resolution 75/09 stipulated the same AR\$28 million up-front renewal fee, but modified the canon tax surcharge to AR\$138 million (equivalent to €25 million as of December 31, 2009), accrued and payable in 60 monthly instalments starting November 1, 2009. Accordingly, with respect to the canon tax surcharge, in Q4 2009 we reversed and reflected in Other operating expenses, Gaming and other taxes the AR\$36.4 million (equivalent to €6 million as of December 31, 2009) which we had accrued since January 1, 2007 and correspondingly recorded an increase in *Corporate income tax* amounting to AR\$13 million (equivalent to €2 million as December 31, 2009). We also recorded an increase in the gross revenue tax of AR\$2.3 million (equivalent to €0.4 million based on December 2009). In addition, we registered AR\$4.6 million (equivalent to €0.8 million based on November and December 2009 average exchange rates). As stipulated under Resolution 75/09, in Q4 2009 we also paid the AR\$28 million, plus an advance payment of 10 of the 60 monthly instalments, equivalent to AR\$23 million (equivalent to €4.2 million as of December 31, 2009).

In January 2010 the Province of Buenos Aires published its Decree 3116/2009, which together with the IPLyC's Resolutions 144/2009 and 329/2009, ratifies and adapts the application of Resolution 456/06 to those bingo licenses which expire between 2008 and 2011. Among the fourteen halls which we currently operate in the Province of Buenos Aires, two have licenses which expire within this period, Puerto and San Martin, whose licenses originally expired in January and October 2009, respectively. The resolutions provide to current license operators the option to renew the licenses in operation, through June 30, 2021. Operators electing to renew the licenses are required to confirm their intention to adhere to the terms in writing to the IPLyC. Those operators, together with the non profit organizations, will then have to provide documentation demonstrating compliance with the required qualifications. The IPLyC will review applications and issue renewal licenses after receiving completed applications, supporting documentation and required reports from other provincial bodies. The resolution provides that each license for which renewal is solicited will be subject to a fixed up-front renewal fee based on the average monthly canon tax paid under the license in 2007, multiplied by the number of years of the license extension. Renewal licenses will also be subject to a canon tax surcharge accrued and paid monthly over a period of up to five years, for which the precise terms and payment will be established in the individual license renewal resolutions. We believe we are in compliance with applicable requirements for the renewals and anticipate that the individual license renewal resolutions will be issued prior to June 2010. Accordingly, in December 2009 we recorded AR\$5.4 million and AR\$55.4 million (equivalent to €1.0 million and €10.2 million as of December 31, 2009) in intangible assets corresponding to the renewals of the Puerto and San Martin halls, respectively. The canon tax surcharge corresponding to both licenses will be recorded once the individual renewal resolutions are issued.

*Colombia impairment charge.* In 2009 the assets in the Colombian operation were impaired by €14.0 million following a test for impairment triggered by an increase in gaming taxes adopted on January 21, 2010 and effective beginning February 1, 2010. The impairment loss is a non-cash charge to operating earnings, and does not affect the company's liquidity, operating cash flow, or debt service capacity.

*Ballesteros Litigation.* As previously announced, on September 23, 2009 the Madrid Provincial Court issued a judgement on our appeal sentencing Mr. José Ballesteros and his wife to return to Codere approximately €12.0 million. In December 2009 said amounts were returned to Codere. As a result, in Q4 2009 we reflected a €10.2 million (net of legal fees and expenses) reversal of the €15.5 million provision recorded in 2002. This reversal was recorded as non-recurring income under *Other operating expenses* in Consolidated Income Statement. In parallel, we have submitted a cassation appeal requesting payment of interests accrued since October 2003, the date of the initial claim, and expect the Supreme Court to issue a ruling on this appeal within a period of no less than 3 years. (*For details on the litigation see Note 23 of our 2009 Annual Accounts*).

*Argentine coinless systems update.* At December 31, 2009 we had completed the installation of TITO or other *coinless* systems in the majority of the machines in eight halls (Lomas del Mirador, San Martín, Lanús, Morón, San Miguel, Lomas de Zamora, Ramos



Mejía and La Plata) representing 74% of the total machines seats in the Province of Buenos Aires, and 88% of the machine seats in the Greater Buenos Aires Area, an increase from 63% and 74%, respectively in Q3 2009.

The company has maintained the interest hedging ratio at 3.5 times.

With regard to changes in the headcount, the number of employees in 2009 has increased by 70 to reach 14,043 employees. The larger numbers of employees in Argentina, Uruguay and Mexico are offset by the reduction in Spain and Panama.

Codere, S.A. and its dependent companies have not included in the present or previous financial years any systems, equipment or installations for a significant amount in connection with the protection and improvement of the environment. The balance sheet does not include any provision for the concept of the environment, since the Directors of the parent company are of the opinion that there are, as of the close of the financial year, no obligations pending future settlement arising out of the Group's actions to prevent, reduce or repair damage to the environment or, should these exist, they would not be significant.

#### ***Audited results for the year ended December 31, 2009***

##### ***Operating Revenue***

Operating revenue decreased by €2.1 million, or 7.8%, to €67.9 million in the year ended December 31, 2009 from €1,050.0 million in the year ended December 31, 2008. The decrease was principally attributable to a decrease in Mexico (€39.0 million) reflecting the depreciation of the Mexican peso, lower sales to Caliente, the impact of the H1N1 virus in Q2 2009 and the implementation of anti-tobacco regulation in states other than Distrito Federal since late August 2009; to a decrease in Spain AWP (€31.6 million) principally derived from the decrease in the net win per day per AWP, in the portfolio installed, and in the number of machines sold to third parties; to a decrease in Italy Bingo (€6.9 million) as a result of the decrease in the number of bingo cards sold and the increase in the prize payout (from 58% to 70%) associated with the regulation introduced in November 2009; and to Italy AWP (€3.8 million) due to the absence of a €4.5 million provision reversal recorded in Q2 2008 and despite an increase in net win per machine. The decrease was partially offset by an increase in Sports Betting (€2.7 million) due to the build-out of the business in Madrid and the Basque Region; in Panama (€2.7 million) reflecting the growth of the portfolio (including Casino Colon opened December 2008- June 2009) and the appreciation of the US dollar (the local currency) against the euro; and in Uruguay (€2.1 million) due to an increase in the net win per slot per day as well as an increase in amounts wagered at the racetrack.

##### ***Operating Expenses***

Operating expenses decreased by €7.6 million, or 10.3%, to €47.0 million in the year ended December 31, 2009 from €44.6 million in the year ended December 31, 2008. The decrease was principally attributable to a decrease in costs in: Italy Bingo (€37.1 million) principally attributable to absence of the €2.7 million impairment charge recorded in Q4

2008; Mexico (€34.4 million) due to the depreciation of the Mexican peso, the lower sales to Caliente and the decrease in commercial activity caused by the H1N1 virus in Q2 2009; Corporate Overhead (€19.6 million) due primarily to the costs reductions and the reversal of €10.2 million provision associated to Ballesteros litigation (see Other highlights); Spain AWP (€11.7 million) primarily reflecting the decrease in the number of machines purchased for resale, the decrease in gaming taxes due to the lower number of machines, which compensate the restructuring costs incurred in the period. This decrease was partly offset by the increase in costs in: Colombia (€10.5 million) driven by the €14.0 million impairment charge registered in Q4 2009 (see Other highlights), Panama (€5.0 million) reflecting the growth of the portfolio and the appreciation of the US dollar against the euro; and Sports Betting (€1.3 million) associated with the build-out of the operations in Madrid and in the Basque Region.

#### ***Gains or losses on asset disposals***

Results from asset disposals decreased from a gain of €1.5 million in the year ended December 31, 2008 to a loss of €4.7 million in the year ended December 31, 2009 primarily as a result of the absence of a €3.2 million gain related to the sale of the headquarters building in Colombia recorded in Q3 2008, the higher rotation of the portfolio in Spain AWP in the year ended December 31, 2009 compared to the same period of 2008, and the reduction of the portfolio in Colombia.

#### ***Operating Profit***

Operating profit increased by €9.1 million, or 8.5% to €16.2 million in the year ended December 31, 2009 from €07.1 million in the year ended December 31, 2008. Operating margin increased to 12.0% in the year ended December 31, 2009, from 10.2% in the same period of 2008.

#### ***EBITDA***

EBITDA decreased by €1.9 million, or 0.8%, to €231.1 million in the year ended December 31, 2009 from €233.0 million in the comparable period in 2008. The decrease in EBITDA was principally attributable to: Spain AWP (€20.6 million) reflecting the lower net win per day per AWP and a reduction in the number of machines installed; the decrease in Mexico (€8.4 million) due to the depreciation of the Mexican peso and the impact of the H1N1 virus in Q2 2009, and the decrease in Italy Bingo (€2.1 million) due to a decrease in the number of bingo cards sold. This decrease is partially offset by a reduction in the EBITDA loss at Corporate Overhead (€20.7 million) due to costs reductions and the provision reversal associated with the Ballesteros litigation; by an increase in Italy AWP EBITDA (€5.4million) due to an increase in the net win per machine, improved efficiencies in the business and the positive net impact of non recurring items recorded in 2009 compared to 2008; and by an increase in Brazil (€2.2 million) primarily related to the renegotiation of agreements with the local jockey clubs and an increase in the profitability of the locations operated. EBITDA margin increased to 23.9% in the year ended December 31, 2009 compared to 22.2% in the same period of 2008.

### ***Financial Revenues***

Financial revenues in the year ended December 31, 2009 decreased by €3.1 million, or 28.7%, to €7.7 million from €10.8 million in the comparable period in 2008. The decrease was principally attributable to a reduction in interest accrued corresponding to the lower balance of receivables from Caliente relating to the sale of gaming halls, improvements, and equipment, compared to the comparable period in 2008, and to lower returns on cash balance resulting from a decrease in interest rates.

### ***Financial Expenses***

Financial expenses decreased by €1.0 million, or 1.3%, to €76.2 million in the year ended December 31, 2009 from €77.2 million in the same period of 2008. The decrease was principally attributable to the lower debt outstanding at lower base interest rates under the Senior Credit Facility, and by lower debt levels in Colombia and Italy, partially compensated by the recording of a non-recurring charge of €2.5 million (with no impact on cash) associated with interest due on the compensation of fiscal credits relating to a long-standing claim in Spain AWP.

### ***Corporate Income Tax***

Corporate income tax decreased by €10.2 million, or 21.8%, to €36.6 million in the year ended December 31, 2009, from €46.8 million in the comparable period in 2008. The decrease is principally attributable to the activation of NOLs in Mexico, Italy AWP, and Italy Bingos for €5.6 million, €2.2 million and €3.4 million, respectively, and to a decrease in profit before tax in Spain and Panama. These effects are partially compensated by the increase in profit before taxes in Argentina and the registration, in Q1 2009, of withholding taxes corresponding to 2008 in Mexico.

### ***Minority Interest***

Minority interest decreased by €4.4 million, or 68.8%, to €2.0 million in the year ended December 31, 2009 from €6.4 million in the same period of 2008. This decrease is primarily attributable to lower minority interest in Spain AWP (as a result of lower profits in that unit as well as the acquisition of minority partners in several subsidiaries) and the decrease in minority interests in Argentina following the acquisition of our principal minority shareholder in July 2008.

### ***Net Income***

As a result of the foregoing, net income increased by €29.7 million, to a gain of €9.1 million in the year ended December 31, 2009, from a loss of €10.6 million in the comparable period in 2008. Excluding the impairment charge, net income would have resulted in an increase of €43.7 million to €33.1 million in 2009.

### ***Subsequent events***

#### **Acquisition of 50% stake of Codere Apuestas España, S.L.**

On January 20, 2010 Codere, S.A. acquired William Hill 50% stake in Codere Apuestas España, S.L. for 1 euro. William Hill has decided to focus its international sports betting strategy on the internet via William Hill Online, and it withdrew from the joint venture with Codere.

This agreement includes certain contingent payments if Codere Apuestas España, S.L. or its subsidiaries uses, in any fiscal year from 2010 to 2019, the net operating losses incurred from the fiscal year 2007 to 2009 and if Codere, S.A. transfers the shares acquired to William Hill during the two years after January 20, 2010 for a higher price than the price paid to William Hill for its 50% stake in Codere Apuestas España, S.L.

#### **Memorandum of Understanding with Caliente**

On February 22, 2010 we signed a Memorandum of Understanding (“MOU”) with Grupo Caliente (“Caliente”) relating to the previously announced restructuring of our present contractual relationship. Caliente is the Mexican group to whom Codere has provided gaming management services and hall development funding since 1997.

Pursuant to the MOU, it has been agreed, in principle, to restructure approximately US\$142 million (equivalent to approximately €99 million as of December 31, 2009) of debt owed to Codere Group and to acquire a 60% stake in several Caliente licensees, which together own 46 gaming permits, by capitalizing outstanding indebtedness of approximately US\$112 million (equivalent to approximately €78 million as of December 31, 2009). As part of the agreed restructuring, Caliente will acquire a 40% stake in Promojuegos and Mio Games for a deferred consideration of approximately US\$6 million (equivalent to approximately €4 million as of December 31, 2009). The MOU also provides for the amendment of the management services agreement with Caliente by reducing its term to the end of 2014 and providing for a maximum annual fee of US\$40 million (equivalent to approximately €28 million as of December 31, 2009) per year.

This transaction is subject to definitive documentation and regulatory approvals, and therefore, it cannot be assured that it complete the transaction on the terms described above, or at all.

### ***Foreseeable evolution of Group***

For the 2010 financial year, we expect to continue with the implantation of the growth strategy that we have been carrying out.

In Spain, we expect the recovery of the net win due to the Madrid regulation approval, which affects 22% of the park.

In Argentina, we will continue with the implementation of TITO and other coinless systems, as well as the resumption of the machine park. In the regulatory framework, gaming taxes have increased in the renewed bingo halls.

In Mexico, we foresee an increase in net win due to the increase in park machines and to roll-out of Class III machines which we will hope offset the national anti-tobacco regulation and the increase in gaming taxes.

In Italy, we foresee an increase in the operations, in the network and in the bingo halls, due to the installment of a new type of slot machines (video lotteries).

In the rest of the operations, we will be focusing in continuing the investments in the Casino Hotel Carrasco in Uruguay, in the Panama Casinos expansion and in the increase in Sports Betting self-service terminals.

### ***Main risks for the Group***

The main risks in business for the Group include but are not limited to, on the one hand, those relating to the gaming sector in which we operate (regulatory risk as this is an intensively regulated sector, risk of public perception of the gaming sector, risk of increase in competition) and on the other, those specific to Codere (political, economic and monetary risks associated with international operations, risks of litigation, risks deriving from the indebtedness of the company, risks of dependence on third parties as we do not own some of the gaming licences that we operate, risks deriving from the growth strategy, risk of concentration on the supply of slot machines in Spain, risks of incapacity for offering safe gaming products and maintenance of integrity and security of the business lines, and the risk of operating in a joint venture with third parties in some of our operations).

Article 202 4º L.S.A. (Spanish Companies Act) stipulates that the following information must be included with regard to the use of financial instruments (in line with that provided in the annual report):

- Goals and management policies for financial risk, including the policy applied to hedge each significant type of transaction for which the use of hedging is foreseen.
- The company's exposure to price, credit, liquidity and cash-flow risks.

Since November 13, 2008, the Codere Group has certain risks concerning its shareholder structure, related with a change in the reference shareholders or the risk that the interests of the Company's main shareholder might differ from the interests of the rest of the shareholders. On this respect, the consolidated annual accounts for the year ended December 31, 2008, included in note 2.b.1.1) detailed information regarding the backround, offer for Sale of shares in Codere, S.A., conditions that must be met by the Purchase Offer and the main impacts on Codere, S.A of the conclusion of the Sale Process.

On July 28, 2009 it was reached a transactional agreement which terminates the Sale Process relating to the Codere shares held directly or indirectly by the Martínez Sampedros (approximately 71% of Codere's total shares outstanding). The aforementioned agreement involved the delivery, via assignment, by the Martínez Sampedros to each of the Francos, of 1,000,000 shares of Codere, representing 1.817% of Codere's share capital. Following the delivery of these Codere shares, the parties are satisfied, and have no remaining claims in relation to the Sale and Purchase Agreements signed March 2006.

Since July, 28 2009 there are not risks related to changes in Codere S.A.'s share holder structure.

For a more detailed description of the Company's main risks, please refer to Notes 2e) and 20 of the Consolidated Annual Accounts.

***Information required by article 116 bis of the Securities Market Act***

*a) The structure of the capital, including securities which are not negotiated in a community regulated market, with an indication of the different kinds of shares and, for each kind of shares, the rights and obligations conferred and the percentage of the corporate capital that it represents.*

The corporate capital is represented by fifty-five million, thirty-six thousand, four hundred and seventy (55,036,470) shares of a single class of twenty euro cents (0.20€) of nominal value each.

All the shares confer the same political and economic rights.

*b) Any restriction on the transferability of securities.*

Currently there are no restrictions on the transferability of securities.

*c) Significant holdings in the capital, direct or indirect.*

- MASAMPE HOLDING, B.V. has a direct holding in the corporate capital of 51.346%.
- JOSÉ ANTONIO MARTÍNEZ SAMPEDRO, has a direct holding in the corporate capital of 11.795% and an indirect holding of 51.346%.

*d) Any restriction on the right to vote.*

There are neither legal restrictions nor restrictions imposed by the articles on the voting rights.

*e) Para-corporate agreements.*

Currently no para-corporate agreements, which affect it in accordance with the provisions of article 112 of Act 24/1988, of 28 July, on the Securities Market.

*f) The rules applicable to the appointment and replacement of the members of the organ of governance and the amendment of the company's Articles of Association.*

Appointment and replacement.

The rules applicable to the appointment and replacement of the members of the organ of governance, in addition to the general rules contained in current legislation, are given in sections 2, 3 and 15 of article 24 of the Articles of Association, in articles 1, 2 and 3 of the Regulations for the Board of Directors and in article 7 of the Regulations for the General Meetings of Shareholders.

Amendment to the Articles of Association.

With regard to the amendment of the company's Articles of Association, this will be governed by the provisions of the applicable legislation in force.

*g) The powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares.*

The company, Codere S.A., appointed as Managing Director, Mr. José Antonio Martínez Sampedro, to whom all the legal powers of the Board of Directors that were delegable by the articles were delegated.

Likewise, Codere, S.A. has granted in favour of Ms. Encarnación Martínez Sampedro and Mr. Luis Javier Martínez Sampedro a general power of attorney without the power of substitution. This power of attorney was approved by the Board of Directors and registered at the Company Registry.

Except for that which has already been set out, the members of the Board of Directors of Codere S.A. considered individually lack the power of attorney to issue or repurchase shares of the company, and powers of attorney of any other kind.

*h) The significant agreements made by the company and which come into force, whether they are modified or conclude in the case of change of control of the company as a result of a takeover bid, and their effects, except when their disclosure is seriously damaging for the company. This exception will not be applied when the company is legally obliged to give publicity to this information.*

There are two significant agreements in which the change of control over the company, defined precisely in both cases, generates the possibility of their early repayment: the funding of the 660 million euro Bond and the Senior Credit Line.

- i) *The agreements between the company and its officers and management or employees which order compensation when they resign or are unfairly dismissed or if the employment relationship reaches its end as the result of a takeover bid.*

Several of the Spanish members of the managerial team of Codere have employment contracts which include provisions for special payments for dismissal as well as those which are obligatory by virtue of the applicable legislation. The global value of the payments for dismissal by virtue of these contracts was of 1.5 million euros approximately on December 31, 2009 and 1.4 million euros in 2008.

### ***Other aspects***

The Codere Group has not devoted significant funds to activities of Research and Development in the 2009 financial year.

On January 28, 2009, Codere, S.A. entered into a liquidity contract with Crédit Agricole Cheuvreux, S.A. in order to increase its liquidity and foster the regular listing of the Company's shares. This contract came into force on February 18, 2009.

During 2009, there were acquisitions amounting €1,863 thousand (313 thousand shares) and transfers amounting €1,849 thousand (304 thousand shares). As of December 31, 2009 Crédit Agricole Cheuvreux, S.A. had acquired 8,695 shares on behalf of Codere SA. As of December 31 2009. As of December 31, 2009, the company had 8,695 own shares, representing less than 10% of the total amount of shares of Codere SA, a limit established by law, with a total shareholder equity amounting €13 million, which are completely disbursed.

The Group does not hold any Treasury stock and has not carried out any operations with the same during the 2008 financial year.



## **ANNUAL REPORT ON CORPORATE GOVERNANCE**

# ANNUAL REPORT ON CORPORATE GOVERNANCE

## ANNUAL REPORT ON CORPORATE GOVERNANCE

### LISTED COMPANIES

SPANISH CORPORATE TAX ID: A-82110453

ISSUER ID

YEAR ENDED AT 31/12/2009

Corporate Name: CODERE, S.A.

**SPECIMEN ANNUAL CORPORATE GOVERNANCE REPORT ON LISTED  
COMPANIES**

For a better understanding of this specimen and subsequent drafting hereof, please read the instructions given at the end of the present report on how to complete it.

<b>Personal or Corporate Tax ID or the like</b>	<b>Other information</b>
A-82110453	CODERE, S.A.

**A. OWNERSHIP STRUCTURE**

**A.1 Complete the following table regarding company share capital:**

<b>Most recent change</b>	<b>Share capital (Euros)</b>	<b>Number of Shares</b>	<b>Number of voting rights</b>
19/10/2007	11,007,294€	55,036,470	55,036,470

**Indicate whether or not there are different types of shares with different associated rights:**

Yes

No ☒

<b>Types</b>	<b>Number of shares</b>	<b>Unit number of voting rights</b>	<b>Other rights</b>

**A.2 Detail the direct and indirect shareholders of major shareholdings at year end, excluding directors:**

Indicate the most significant movements in shareholder structure which have taken place during the year:

<b>Name of shareholder</b>	<b>Date of operation</b>	<b>Description of operation</b>
UNION BANK OF SWITZERLAND, AG	21/08/2009	Falling below 5% of the share capital
UNION BANK OF SWITZERLAND, AG	27/08/2009	Exceeds 5 % of the share capital
UNION BANK OF SWITZERLAND, AG	08/09/2009	Falling below 5% of the share capital
UNION BANK OF SWITZERLAND, AG	29/09/2009	Exceeds 5 % of the share capital
UNION BANK OF SWITZERLAND, AG	09/10/2009	Falling below 5% of the share capital

UNION BANK OF SWITZERLAND, AG	20/10/2009	Falling below 3% of the share capital
RABOBANK INTERNATIONAL	24/08/2009	Exceeds 5% of the share capital
RABOBANK INTERNATIONAL	27/08/2009	Falling below 3% of the share capital
TCS CAPITAL GP LLC	10/06/2009	Falling below 5% of the share capital
TCS CAPITAL GP LLC	24/11/2009	Falling below 3% of the share capital
TCS CAPITAL INVESTMENTS, LP	02/01/2009	Exceeds 3% of the share capital
TCS CAPITAL INVESTMENTS, LP	10/06/2009	Falling below 3% of the share capital

**A.3 Complete the following tables regarding members of the Board of Directors of the company which hold share voting rights in the company:**

<b>Name of shareholder</b>	<b>Number of direct voting rights</b>	<b>Number of indirect voting rights (*)</b>	<b>% of total voting rights</b>
José Antonio Martínez Sampedro	6,491,518	28,259,088	63.141%
Encarnación Martínez Sampedro	1,050,000	0	1.908%
Javier Martínez Sampedro	1,100,000	100,000	2.180%
José Ramón Romero Rodríguez	50,000	0	0.091%
Joseph Zappala	278,738	0	0.506%
Eugenio Vela Sastre	0	20,718	0.038%

(\*) Through:

<b>Name of indirect shareholder</b>	<b>Name of direct shareholder</b>	<b>Number of direct voting rights</b>	<b>% of total voting rights</b>
D. José Antonio Martínez Sampedro	MASAMPE HOLDING, B.V.	28,259,088	51.346%
D. Eugenio Vela Sastre	Carmen Ferrer Palasí	20,718	0.038%
D. Javier Martínez Sampedro	SOLGIM INVERSIONES SICAV, S.A.	100.000	0.182%

<b>Total % of voting rights held by the Board of Directors</b>	67.864%
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Complete the following tables regarding members of the Board of Directors holding company share rights:

<b>Name of director</b>	<b>Number of direct option rights</b>	<b>Number of indirect option rights</b>	<b>Number of equivalent shares</b>	<b>% of total voting rights</b>

- A.4** Indicate, if applicable, any relation, whether family, commercial, contractual or corporate, existing between the owners of significant shareholdings, insofar as the company is aware, unless said relations are insignificant or are the result of ordinary business activity:

<b>Name of significant shareholder</b>	<b>Type of relation</b>	<b>Brief description</b>

- A.5** Indicate, if applicable, any relation, whether family, commercial, contractual or corporate, existing between the owners of significant shareholdings and the company and/or its group, unless said relations are insignificant or are the result of ordinary business activity.

<b>Name of significant shareholder</b>	<b>Type of relation</b>	<b>Brief description</b>
MASAMPE HOLDING, B.V.	Corporate	MASAMPE HOLDING is the maximum shareholder of the company

- A.6** Indicate any shareholder agreements entered into by shareholders affecting the company pursuant to article 112 of the Spanish Securities Market Act which have been reported to the company. If applicable, briefly describe these agreements and list the shareholders bound by the agreement:

Yes

No ☒

<b>Participants in shareholder agreement</b>	<b>% of share capital affected</b>	<b>Brief description of the Agreement</b>

Indicate any concerted actions existing among the company shareholders of which the company is aware; if applicable, briefly describe these.

Yes

No ☒

Participants in concerted action	% of share capital affected	Brief description of the concerted action

In the event that during the year any change or break has occurred in said agreements or concerted actions, indicate this expressly:

- A.7** Indicate whether there is any individual or corporate body which currently exercises or may exercise control over the company pursuant to article 4 of the Spanish Securities Market Act

Yes ☒

No

Name
José Antonio Martínez Sampedro

Comments
José Antonio Martínez Sampedro through Masampe Holding B.V.

- A.8** Complete the following tables regarding company treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
8,695	0	0.016

(\*) Through:

Name of direct shareholder	Number of direct shares
<b>Total:</b>	

Detail significant changes, pursuant to Spanish Royal Decree 1362/2007, taken place during the year:

Date of communication	Total direct shares acquired	Total indirect shares acquired	Total % of share capital

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<b>Gain/ (loss) on treasury stock transactions during the period</b>	32
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**A.9 Detail the conditions and term of authorization in force for the Board of Directors' Meeting to acquire and transfer own shares.**

The General Shareholders' Meeting held on 25 June 2009 approved the following as the fifth point on the agenda:

1. Relinquishing the unused part of the approval for the buy-back of shares granted under point eight on the agenda by the General Shareholders' Meeting held on 7 May 2008, to approve, in accordance with the stipulations contained in article 75 et seq. and the first additional provision, paragraph 2, of the current Companies Act, the derivative acquisition by Codere, S.A of the Company's own shares, fully paid up, at any time and as often as deemed appropriate, either directly or through any of the subsidiaries of which it is the parent company, by means of their purchase or under any other legal title involving a valuable consideration.

The minimum acquisition price or consideration will be the nominal value of the shares bought back and the maximum will be the result of increasing the share price on the date of acquisition by 20 percent.

Such approval is granted for a period of eighteen months counting from the date of this Meeting and is expressly subject to the restriction that at no time may the nominal value of the shares bought-back through this approval, added to that of those already owned by Codere, S.A. and any of its subsidiaries, exceed 5% of the Company's corporate capital at the time of the acquisition.

It is expressly stated that this approval may be used fully or partially for the acquisition of the Company's own shares to be handed over or transferred to directors or to employees of the Company or of the companies in its group, directly or as a consequence of the implementation of the "Share-Price Based Incentive Programme" to which the resolution adopted by this General Shareholders' Meeting under point five of the agenda refers.

2. To empower the Board of Directors, in the broadest terms, for the exercise of the approval concerned in this resolution and in order to carry out the rest of the planned actions contained therein, with the possibility of the delegation of such powers by the Board of Directors to any of the Members, the Secretary or the Deputy Secretary of the Board of Directors, or to any other person whom the Board of Directors may empower expressly for this purpose.

**A.10 Indicate, if applicable, any restrictions imposed by law or by the corporate bylaws in regard to the exercise of voting rights, as well as any legal restrictions on the acquisition or transfer of share capital.**

**Indicate if there are any legal restrictions on the exercise of voting rights:**

Yes

No ☒

<b>Percentage of voting rights which a shareholder may exercise owing to legal restriction</b>	0
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**Indicate whether there are any restrictions imposed by the corporate bylaws on the exercise of voting rights:**

Yes

No ☒

<b>Percentage of voting rights which a shareholder may exercise owing to restriction imposed by corporate bylaws</b>	
--	--

<b>Description of the constraints established in law and bylaw restrictions on the exercise of voting rights</b>	
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**Indicate whether there are legal restrictions on share capital acquisitions or transfer:**

Yes

No ☒

<b>Description of legal restrictions on the acquisition or disposal of shares in the capital</b>	
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**A.11 Indicate if the General Shareholders' Meeting 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.**

**B. COMPANY ADMINISTRATION STRUCTURE**

**B.1 Board of Directors**



**B.1.1 Detail the maximum and minimum number of directors provided for in the Bylaws.**

<b>Maximum number of Directors</b>	<b>15</b>
<b>Minimum number of Directors</b>	<b>4</b>

**B.1.2 Complete the following table with the names of the members of the Board.**

<b>Name of director</b>	<b>Representative</b>	<b>Position on the Board</b>	<b>Date of initial appointment</b>	<b>Date of most recent appointment</b>	<b>Method of Election</b>
José Antonio Martínez Sampedro		Chairman	07/05/1999	25/06/2009	General Shareholders' Meeting
Masampe S.L.	Fernando Lorente Hurtado	Deputy Chairman	30/10/2009	30/10/2009	General Shareholders' Meeting
Javier Martínez Sampedro		Director	07/05/1999	25/06/2009	General Shareholders' Meeting
Encarnación Martínez Sampedro		Director	17/06/1999	25/06/2009	General Shareholders' Meeting
José Ramón Romero Rodríguez		Director	17/06/1999	25/06/2009	General Shareholders' Meeting
José Ignacio Cases Méndez		Director	17/06/1999	25/06/2009	General Shareholders' Meeting
Joseph Zappala		Director	20/11/2002	25/06/2009	General Shareholders' Meeting
Eugenio Vela Sastre		Director	17/06/1999	25/06/2009	General Shareholders' Meeting
Juan José Zornoza		Director	17/06/1999	25/06/2009	General Shareholders' Meeting

<b>Total number of Directors</b>	<b>9</b>
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**Indicate any resignations or dismissals from the Board of Directors produced during the period.**

**B.1.3 Complete the following tables regarding members of the Board of Directors and their type of directorship:**

**EXECUTIVE DIRECTORS**

<b>Name of director</b>	<b>Committee which proposed the appointment</b>	<b>Position in company organization chart</b>
José Antonio Martínez Sampedro		Chairman and CEO
Javier Martínez Sampedro		Director Codere America
Encarnación Martínez Sampedro		Director

<b>Total number of Executive Directors</b>	3
<b>Total % of the Board</b>	33.33

#### **EXTERNAL NOMINEE DIRECTORS**

<b>Name of director</b>	<b>Committee which proposed the appointment</b>	<b>Name of significant shareholder which this director represents or which proposed the director's appointment</b>
Masampe SL	Appointments And Compensation Committee	José A. Martínez Sampedro
José Ignacio Cases Méndez		José A. Martínez Sampedro
José Ramón Romero Rodríguez		José A. Martínez Sampedro

<b>Total number of External Nominee Directors</b>	3
<b>Total % of Board</b>	33.33

#### **EXTERNAL INDEPENDENT DIRECTORS**

<b>Name of Director</b>	<b>Profile</b>
Eugenio Vela Sánchez	President of the Cosien SA Group Degree in Business and Industrial Engineering from the Madrid

	Complutense University and the Madrid Polytechnic.
Joseph Zappala	Former US Ambassador in Spain 1989-1992. President of Joseph Zappala Investments
Juan José Zornoza Pérez	Department Chairman of Finance and Tax Law at the Universidad Carlos III in Madrid. Doctorate in Law from the Madrid Autonomous University.

<b>Total number of Independent Directors</b>	3
<b>Total % of Board</b>	33.33

#### OTHER EXTERNAL DIRECTORS

<b>Name of Director</b>	<b>Committee which proposed the appointment</b>

<b>Total number of Independent Directors</b>	
<b>Total % of Board</b>	

State the reasons why they cannot be considered as nominee or independent directors and any ties they have, whether with the company or its managers, or with company shareholders.

<b>Name of director</b>	<b>Reasons</b>	<b>Company, manager or shareholder with which the director has ties</b>

Indicate, if applicable, any changes which may have taken place during the period in regard to the type of directorship:

<b>Name of director</b>	<b>Date of change</b>	<b>Prior type of directorship</b>	<b>Current type of directorship</b>
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- B.1.4 Explain, if applicable, the reasons for appointing nominee directors at the request of shareholders holding less than 5% of the share capital:**

Name of shareholder	Justification

**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:**

Yes

No ☒

- B.1.5 In the case where a director has resigned from his or her position before the end of the term of the directorship, indicate whether or not said director has explained his or her reasons to the Board, and by what means, and, in the case where the director has explained the reasons in writing to the entire Board, explain below at least the reasons given by the director:**

Yes

No ☒

- B.1.6 Indicate, where appropriate, the powers delegated to the managing director/s:**

Name of shareholder	Brief description
José Antonio Martínez Sampedro	The Board of Directors permanently delegates all powers to the Managing Director, except those which are reserved by law or the bylaws, and those which cannot be delegated in accordance with the Rules of Procedure of the Board of Directors of Codere, S.A.

- B.1.7 Identify, if applicable, the members of the Board who hold directorships or management positions in other companies which form part of the listed company group.**

Name of director	Corporate name of group company	Position
José Antonio Martínez Sampedro	C-F8 S.L.	Joint and Several Director
José Antonio Martínez Sampedro	Cartaya SA	Joint and Several Director
José Antonio Martínez Sampedro	Codere América, SLU	Joint and Several Director

José Antonio Martínez Sampedro	Codere Asesoría SA	Joint and Several Director
José Antonio Martínez Sampedro	Codere Barcelona SA	Joint and Several Director
José Antonio Martínez Sampedro	Codere Distribuciones SL	Joint and Several Director
José Antonio Martínez Sampedro	Codere España SLU	Joint and Several Director
José Antonio Martínez Sampedro	Codere Interactiva SL	Chairman of the Board
José Antonio Martínez Sampedro	Codere Internacional SLU	Joint and Several Director
José Antonio Martínez Sampedro	Codere Madrid SA	Joint and Several Director
José Antonio Martínez Sampedro	Codere México S.A. de CV	Chairman of the Board
José Antonio Martínez Sampedro	Codere Valencia SA	Joint and Several Director
José Antonio Martínez Sampedro	Colonder SA	Joint and Several Director
José Antonio Martínez Sampedro	Nididem SLU	Joint and Several Director
José Antonio Martínez Sampedro	Operibérica SA	Joint and Several Director
José Antonio Martínez Sampedro	Recreativos Mae SL	Joint and Several Director
Encarnación Martínez Sampedro	2010 S-Matic SLU	Sole Director
Encarnación Martínez Sampedro	Bingo Oasis SRL	Sole Director
Encarnación Martínez Sampedro	Bingo Re SRL	Sole Director
Encarnación Martínez Sampedro	Bintegral S.P.A.	Sole Director
Encarnación Martínez Sampedro	C-F8 S.L.	Sole Director
Encarnación Martínez Sampedro	Cartaya SA	Joint and Several Director
Encarnación Martínez Sampedro	Codemática SRL	Sole Director
Encarnación Martínez Sampedro	Codere América SLU	Joint and Several Director
Encarnación Martínez Sampedro	Codere Asesoría SA	Joint and Several Director
Encarnación Martínez Sampedro	Codere Barcleona SA	Joint and Several Director
Encarnación Martínez Sampedro	Codere Distribuciones SL	Joint and Several Director
Encarnación Martínez Sampedro	Codere España SLU	Joint and Several Director
Encarnación Martínez Sampedro	Codere Gaming Italia SRL	Sole Director
Encarnación Martínez Sampedro	Codere Girona SA	Joint and Several Director

Encarnación Martínez Sampedro	Codere Internacional SLU	Joint and Several Director
Encarnación Martínez Sampedro	Codere Italia SPA	Sole Director
Encarnación Martínez Sampedro	Codere Madrid SA	Joint and Several Director
Encarnación Martínez Sampedro	Codere Network SPA	Director
Encarnación Martínez Sampedro	Codere Valencia SA	Joint and Several Director
Encarnación Martínez Sampedro	Codestrada SRL	Sole Director
Encarnación Martínez Sampedro	Colonder SA	Joint and Several Director
Encarnación Martínez Sampedro	El Portalón SL	Joint Director
Encarnación Martínez Sampedro	Gaming New SRL	Sole Director
Encarnación Martínez Sampedro	Gestioni Marconi SRL	Sole Director
Encarnación Martínez Sampedro	Giomax S.R.L.	Sole Director
Encarnación Martínez Sampedro	Immobilgest SRL	Sole Director
Encarnación Martínez Sampedro	JPVMatic 2005 SL	Sole Director
Encarnación Martínez Sampedro	Maxibingo SRL	Sole Director
Encarnación Martínez Sampedro	Misuri SA	Sole Director
Encarnación Martínez Sampedro	Nididem SLU	Joint and Several Director
Encarnación Martínez Sampedro	Operbingo Italia SPA	Deputy Chair of the Board
Encarnación Martínez Sampedro	Opergames SRL	Sole Director
Encarnación Martínez Sampedro	Opergiochi Italia SRL	Sole Director
Encarnación Martínez Sampedro	Operibérica SA	Joint and Several Director
Encarnación Martínez Sampedro	Operinvestments	Sole Director
Encarnación Martínez Sampedro	Operslots Italia SRL	Sole Director
Encarnación Martínez Sampedro	Opersherka SL	Joint and Several Director
Encarnación Martínez Sampedro	Recreativos Cósmicos SL	Joint and Several Director
Encarnación Martínez Sampedro	Recreativos Mae SL	Joint and Several Director
Encarnación Martínez Sampedro	Recreativos Obelisco SL	Chair of the Board
Encarnación Martínez Sampedro	Recreativos Populares SL	Joint Director

Encarnación Martínez Sampedro	Red AEAM SA	Joint and Several Director
Encarnación Martínez Sampedro	Sigirec SL	Chair of the Board
Encarnación Martínez Sampedro	Superpik SL	Joint and Several Director
Encarnación Martínez Sampedro	Vegas SRL	Sole Director
José R. Romero Rodríguez	Codere Interactiva SL	Director
Luis J. Martínez Sampedro	Alta Cordillera SA	Chairman
Luis J. Martínez Sampedro	Bingos del Oeste S.A	Director
Luis J. Martínez Sampedro	Bingos Platenses S.A	Director
Luis J. Martínez Sampedro	Codere América SL	Joint and Several Director
Luis J. Martínez Sampedro	Codere Argentina SA	Director
Luis J. Martínez Sampedro	Codere Internacional SL	Joint and Several Director
Luis J. Martínez Sampedro	Codere México SA de CV	Treasurer
Luis J. Martínez Sampedro	Codere Panamá SA	Chairman of the Management Board
Luis J. Martínez Sampedro	Compañía de Recreativos de Panamá SA	Chairman of the Management Board
Luis J. Martínez Sampedro	Hípica de Panamá SA	Chairman of the Management Board
Luis J. Martínez Sampedro	Iberargen S.A.	Chairman of the Board
Luis J. Martínez Sampedro	Interbas S.A.	Chairman of the Board
Luis J. Martínez Sampedro	Interjuegos S.A.	Director
Luis J. Martínez Sampedro	Intermar Bingos S.A	Director
Luis J. Martínez Sampedro	Itapoán S.A	Chairman of the Board
Luis J. Martínez Sampedro	Nanos S.A.	Chairman of the Board
Luis J. Martínez Sampedro	San Jaime S.A.	Director

**B.1.8 Detail, if applicable, the company directors who are members of the Board of Directors of other listed companies in Spain other than those of your Group, which have been reported to the company:**

Name of director	Corporate name of group	Position
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	<b>company</b>	

**B.1.9**      **Indicate, and if applicable, explain, if the company has established rules on the number of boards its directors may form part of.**

Yes ☒

No

<b>EXPLANATION OF THE RULES</b>
Pursuant to article 4 of the Rules of Procedure of the Board of Directors of Codere, unless expressly authorized by the Board after a report by the Appointments and Compensation Committee, Directors may not form part of more than 8 Boards, excluding (i) Boards of Companies forming part of the same group as the Company, (ii) Boards of family Companies or Companies which form part of the patrimony of the Directors or their families and (iii) Boards which they are members of owing to their professional relation.

**B.1.10**      **In relation to Recommendation number 8 of the Unified Code, indicate the general policies and strategies which the plenum of the Board has reserved for itself to approve:**

	Yes	No
Investment and Finance Policy	X	
Definition of the Structure of the Group of Companies	X	
Corporate Governance Policy	X	
Corporate Social Responsibility Policy	X	
Strategy or Business Plan, as well as Management Objectives and Annual Budgets	X	
Compensation Policy and Evaluation of Senior Management Performance	X	
Risk Management and Control, as well as Periodic Monitoring of Internal Information and Control Systems	X	
Dividend Policy, as well as Treasury Stock Policy, especially the limits thereof	X	

**B.1.11**      **Complete the following tables with respect to aggregate compensation of directors payable during the year:**



**a) In the company which is the subject of the present report:**

<b>Type of compensation</b>	<b>Figures in thousands of euros</b>
Fixed compensation	310
Variable compensation	
Meeting Attendance fees	219
Directors' fees as stipulated in bylaws	
Stock options and/or other financial instruments	
Other	
<b>Total:</b>	<b>529</b>

<b>Other benefits</b>	<b>Figures in thousands of euros</b>
Advances	
Credits granted	
Pension Funds and Plans: Contributions	
Pension Funds and Plans: Obligations	
Life Insurance Premiums	
Guarantees furnished by the company in favor of directors	

**b) Payable to company directors forming part of other boards of directors and/or senior management of other group companies.**

<b>Type of compensation</b>	<b>Figures in thousands of euros</b>
Fixed compensation	1403
Variable compensation	
Meeting Attendance fees	
Directors' fees as stipulated in bylaws	
Stock options and/or other financial instruments	
Other	
<b>Total:</b>	<b>1403</b>

<b>Other benefits</b>	<b>Figures in thousands of euros</b>
Advances	
Credits granted	
Pension Funds and Plans: Contributions	
Pension Funds and Plans: Obligations	
Life Insurance Premiums	
Guarantees furnished by the company in favor of directors	

**c) Total compensation by type of directorship**

<b>Type of directorship</b>	<b>By company</b>	<b>By group</b>
Executive	236	1403
External nominee	125	0
External independent	168	0
Other external	0	0
<b>Total</b>	<b>529</b>	<b>1403</b>

**d) With respect to income attributed to the parent company:**

Total compensation paid to directors (in thousands of euros)	1,932
Total compensation paid to directors / income attributed to the parent company (expressed as a percentage)	

**B.1.12 Identify any senior management who are not executive directors, and indicate total compensation payable to them during the year:**

<b>Name</b>	<b>Position</b>
Adolfo Carpena Manso	Internal Audit Manager
Rafael Catalá Polo	General Secretary and Secretary of the Board of Directors; Legal Area Manager
Pedro Carlos Echevarria Arnaiz	Manager Assisting the Chairman
David Elízaga Corrales	Financial Manager
Serafín Rafael Gómez R.	Compliance Manager
Rafael López Enríquez Chillón	Human Resources Manager
Jorge Martín Francesconi	Technology Manager
Ricardo Moreno Warleta	Corporate Development Manager
Fernando Ors Villarejo	New Business Manager
Claudio Vallejo Aguila- Real	Communications Manager
Jorge Elías Sospedra	Bingos Division Manager Europe
Jaime Estalella Carvajal	Operations Manager Europe
Antonio Para Andrade	Sports Betting Division Manager Spain
Alejandro Pascual González	Machines Division Manager Italy
Pedro Vidal - Aragón	Recreational Machines Manager Spain
Luis Miguel Arean	Operations Manager Mexico
Vicente Di Loreto	Operations Manager Latin America
Alberto González del Solar	General Manager Argentina
Kim Pasha Sharpe	General Manager Mexico
Beatrice Rangel	Institutional Relations Manager for America
Juan Carlos Restrepo Kozeschnik	General Manager Colombia and Panama

<b>Senior Management Total Compensation (in thousands of euros)</b>	5,247
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**B.1.13** Identify in aggregate terms whether any golden parachute contracts exist for senior management, including the executive directors, of the company or its group for cases of dismissal or changes in control. Indicate whether the existence of such contracts is to be reported and/or whether they must be approved by the governance organs of the company or of its group.

<b>Number of beneficiaries</b>	5
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	<b>Board of Directors</b>	<b>General Shareholders' Meeting</b>
<b>Organ which authorized the contracts</b>	<b>NO</b>	<b>NO</b>

	<b>Yes</b>	<b>No</b>
<b>Was the General Shareholders' Meeting informed of the contracts?</b>		<b>X</b>

**B.1.14** Indicate the process for determining the compensation paid to members of the Board of Directors and, if warranted, any clauses in the bylaws pertaining to this:

<b>Process for Determining Compensation to Members of the Board of Directors and Pertinent Bylaw Clauses</b>
<p>In accordance with article 5.2 of the stipulations of the Rules of Procedure of the Board of Directors of Codere, S.A., compensation of Directors shall be made in accordance with the Bylaws. After a report by the Appointments and Compensation Committee containing the proposals in regard to said matter, the Board of Directors shall be in charge of approving an annual report on compensation policy which, among other matters, shall deal with fixed compensation, types of compensation, and characteristics of social welfare systems. The Board of Directors may put said annual report to a vote by the General Shareholders' Meeting, as a separate item on the Agenda, for the purpose of consultation.</p> <p>Pursuant to the stipulations of the Bylaws:</p> <p>24.5.- The position of Director shall be remunerated. Said compensation shall be comprised of three categories:</p> <ul style="list-style-type: none"> <li>a) A fixed annual payment of twenty-four thousand (24,000) euros for each Director.</li> <li>b) Payment of a fee for attendance at Board meetings. For each case of personal attendance at a Board meeting, each director</li> </ul>

shall be paid two-thousand four-hundred (2,400) euros.

- c) Compensation for all directors consisting of the equivalent of 1% of the year's consolidated income attributed to the Company, less 50% of the fixed annual amount payable for the year in question in accordance with paragraph a) above, likewise applicable to all directors. The Board of Directors shall establish for each year the specific amount to be paid to each of its members, in terms of the position each one holds on the Board, as well as each director's dedication to the service of the Company. In any event, profit-sharing in the Company may only be carried out in accordance with article 130 of the Companies Act.

The amount of compensation referred to in paragraphs (a) to (c) above shall be automatically adjusted each year to the increases and decreases recorded in the Consumer Price Index published by the Spanish National Institute of Statistics.

If so resolved by the General Shareholders' Meeting, the Directors may likewise receive compensation in the form of shares or stock option rights to said shares or by means of any other market-indexed option compensation system.

24.6- The amounts payable as stipulated in this article shall be compatible with and independent from the wages, compensation, indemnity, pensions, stock options, market-indexed option compensation systems or any other type of compensation generally or specifically established for Directors providing executive or professional services for the Company regardless of the nature of their relation to the Company, whether this be an ordinary or special senior management labor relation, mercantile labor relation or service-provision labor relation, all of which types of relations shall be compatible with the position of member of the Board of Directors.

24.7.- Compensation shall be understood as payable monthly in arrears; consequently, the compensation paid to each Director shall be proportional to the time said director has held his or her position during the year.

**Indicate whether the plenum of the Board has reserved for itself the approval of the following decisions:**

	<b>Yes</b>	<b>No</b>
<b>At the proposal of the chief executive of the company, the appointment and eventual dismissal of senior management, as well as their indemnity contracts.</b>	<b>X</b>	
<b>Compensation of directors, and, in the case of executives, additional compensation for their executive duties and other conditions which their contracts must respect .</b>	<b>X</b>	

- B.1.15** Indicate whether the Board of Directors has approved a detailed compensation policy and specify the matters with regard to which it pronounces itself.

Yes ☒

No

	Yes	No
Amount of fixed components, itemizing, if applicable, fees for participation at Board Meetings and Board Committees, and an estimation of the fixed annual compensation to which they give rise.	X	
Variable compensation categories	X	
Principle characteristics of social welfare systems, estimating their equivalent annual amount or cost.	X	
Conditions which must be respected by the contracts of those performing senior management duties as executive directors, among which these shall be included.	X	

- B.1.16** Indicate whether the Board puts a report on director compensation policy to a vote by the General Shareholders' Meeting, as a separate item on the agenda, for the purpose of consultation. If applicable, explain those aspects of the report dealing with the compensation policy approved by the Board for future years, the most significant changes in these policies with respect to the policy applied during the year, and an overall summary of how the compensation policy was applied in the year. Detail the role of the Compensation Committee and, if external consultancy has been used, identify the external consultants providing the service.

Yes

No ☒

Matters dealt with in the Compensation Policy
<ol style="list-style-type: none"> <li>1. Composition of the Board of Directors of the Company</li> <li>2. Composition, functions and running of the Appointments and Compensation Committee</li> <li>3. General Principles pertaining to Directors' Compensation Policy</li> <li>4. Compensation System for executive directors, including compensation planned for 2010.</li> <li>5. Compensation system for non-executive directors, including compensation planned for 2010.</li> </ol>

Role of Compensation Committee
In accordance with article 5.2 of the Rules of Procedure of the Board of Directors of CODERE, the Board approves said Report after a report by the Appointments and Compensation Committee.

	Yes	No
Have you used external consultancy	X	

<b>Identity of the external consultants</b>	<b>Garrigues Abogados</b>	
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- B.1.17** Indicate, if applicable, the identity of the members of the Board who are, in turn, members of the Board of Directors, managers or employees of companies having significant shareholdings in the listed company and/or in companies belonging to its group:

<b>Name of director</b>	<b>Corporate name of significant shareholder</b>	<b>Position</b>
José Antonio Martínez Sampedro	MASAMPE HOLDING, B.V.	Chairman



**Detail, if applicable, any relevant relations other than those considered in the preceding paragraph with respect to members of the Board of Directors which relate them with significant shareholders and/or in companies of their group.**

<b>Name of related director</b>	<b>Corporate name of related significant shareholder</b>	<b>Description of relation</b>

- B.1.18** Indicate if any change has been made during the year in the rules of procedure of the Board:

YES

<b>Description of changes</b>
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The Board of Directors, at the meeting held on December 10, 2009, agreed to add a paragraph 6 to article 10 of the Rules of Procedure of the Board, with the following wording.

The Board of Directors may appoint, at its own discretion, a Deputy Chairman to stand in for the Chairman in the case of his absence or illness. If a Deputy Chairman is appointed, the person shall assist the Chairman in the performance of his or her functions and, in particular, in the monitoring and coordination of corporate governance affairs, reporting to both the Board and the Chairman and making such proposals as he or she may deem appropriate for the optimisation of said governance and for compliance with Securities Market Code of Conduct

- B.1.19** Indicate the procedures for appointment, reelection, evaluation and resignation and dismissal of directors. Detail the competent organs, the steps to be taken and the criteria to be employed in each procedure.

**Appointment.**

The designation of members of the Board of Directors corresponds to the General Meeting of Shareholders, notwithstanding the power of the Board to appoint, from among the shareholders, the persons who are to fill any vacancies produced, until the next Shareholders' Meeting is held.

Any persons who are legally disqualified, barred, rendered unfit, or banned either in general terms or in relation to the corporate object and activities, in any territorial scope affecting the Company, are not eligible to be directors or to represent directors.

Furthermore, in any event, those persons appointed as Directors are required to meet not only the requisites stipulated by Law and the Corporate Bylaws, but also those laid down in the Rules of Procedure of the Board of Directors, formally undertaking at the time when they take over their position to comply with the obligations and duties thereof; it is to be highlighted that proposals of Directors made by the Board of Directors to the General Meeting are required, firstly, to be proposed by the Appointments and Compensation Committee in the case of independent directors, and secondly, to be proposed after a report by said Committee in the case of other directors.

#### **Reelection.**

Directors shall perform their duties during a term of six years, and are eligible for reelection for new terms of the same duration.

As in the case of appointments, reelection must be preceded either by a proposal or by a report from the Appointments and Compensation Committee, in regard to Independent Directors as well as the other Directors.

#### **Evaluation.**

Pursuant to the stipulations of the Rules of Procedure of the Board of Directors, the Board meeting in plenum shall be required to evaluate once a year the quality and efficiency thereof.

#### **Resignation and Dismissal.**

Directors shall resign from their position when the term for which they were appointed has expired; likewise, they shall be dismissed in the legally stipulated cases and grounds.

### **B.1.20 Indicate the cases in which directors are obliged to resign.**

In accordance with article 3.6 of the Rules of Procedure of the Board of Directors, Directors are required to resign in those cases in which they may damage the credit and reputation of the Company, and are required to inform the Board of any criminal matter of which they are accused, as well as of the subsequent procedural outcome. In the event that a Director should be indicted or tried for any of the crimes listed in article 124 of the Companies Act, the Board shall examine the case as soon as possible and, in view of the specific circumstances, decide on whether or not the Director should

continue to hold his or her position. The Board shall explain the entire matter in a reasoned manner in the Corporate Governance Annual Report.

**B.1.21 Explain whether the position of chairman of the board entails the function of chief executive of the company. If so, indicate the measures taken to limit the risks of accumulation of powers in a sole person:**

Yes ☒

No

Measures aimed at limiting Risks
In accordance with the Rules of Procedure of the Board of Directors, the Chairman and Chief Executive Officer is a member of the Board of Directors, a collegiate organ which is required to carry out its duties with a sole purpose and independence, strictly within the context of criteria of strictness, impartiality and objectivity as stipulated by Law and the Corporate Bylaws.
Likewise, any resolution or decision which is of special significance to the company is required, prior to approval by the Board, to be put to the corresponding Board Committee.
Furthermore, in order to adopt certain resolutions, reports and proposals by the various Committees of the Company are required.
Likewise, it is important to highlight that the Chairman does not have a casting vote on the Board of Directors.

**Indicate and, if applicable, explain whether regulations have been established which empower one of the independent directors to request that a Board meeting be called, or that new items be included on the agenda, in order to coordinate and reflect the concerns of external directors and to direct the evaluation made by the Board of Directors.**

Yes ☒

No

Explanation of the Rules
In accordance with article 10.5 of the Rules of Procedure of the Board of Directors, insofar as the Chairman of the Board is the chief executive of the company, exercising the position of Chairman together with that of CEO, the Board of Directors may authorize one of the Independent Directors to request that a meeting be called or new items included on the agenda; to coordinate and reflect the concerns of the external Directors; and to direct the evaluation which the Board makes of its Chairman.

**B.1.22 Are reinforced majorities, other than the legal ones, required for any type of decision?**

Yes

No ☒



**Indicate how resolutions are adopted on the Board of Directors, stating at least the minimum attendance quorum and the type of majorities required in order to adopt resolutions:**

**Attendance Quorum**

In accordance with article 24.11 of the Corporate Bylaws, in order for the Board to be validly constituted, it is required that half plus one of its members be in attendance, whether physically present or represented by proxy.

Pursuant to article 12.3 of the Rules of Procedure of the Board of Directors, the stipulations contained in the Law and in the Bylaws shall be abided by for the valid constitution of the Board and the adoption of resolutions.

**Quorum for the Adoption of Resolutions**

Article 24.13 of the Corporate Bylaws stipulates that the resolutions of the Board, except for those requiring by law a reinforced majority, shall be adopted by an absolute majority of votes by the Directors, both present and represented, and shall be reflected in the corresponding Minutes.

In regard to matters concerning the adoption of resolutions, we make reference to the aforesaid article 12.3 of the Rules of Procedure of the Board of Directors.

Adoption of Resolutions		
Description	Quorum	Type of Majority

**B.1.23 Explain whether there are any specific requirements other than those pertaining to directors, in order to be appointed Chairman.**

Yes

No ☒

Description of Requirements

**B.1.24 Indicate whether the Chairman has a casting vote.**

Yes

No ☒

Matters in which a casting vote exists

**B.1.25** Indicate whether the bylaws or the Rules of Procedure of the Board of Directors stipulate any age limit for directors:

Yes No ☒

**Age Limit for Chairman**

**Age Limit for CEO**

**Age Limit for Director**

**B.1.26** Indicate whether the bylaws or the Rules of Procedure of the Board of Directors stipulate a limited term of office for independent directors:

Yes ☒ No

<b>Maximum number of years for term of office</b>	<b>12</b>
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**B.1.27** In the event that there are no or very few women directors, explain the reasons and the initiative adopted to correct this situation.

<b>Explanation of Reasons and Initiatives</b>
At the present time, the Codere SA Board of Directors is made up by nine members, one of whom is Ms. Encarnación Martínez Sampedro, who has the status of an executive director of the Company. This means that 11.11% of the Board of Directors is composed of women, a percentage which is much higher than that of other Spanish listed companies. Moreover, through its Rules of Procedure, the Codere SA Board of Directors attributes to the Appointments and Compensation Committee the task of assessing the expertise, knowledge and experience necessary for Board membership.

**In particular, indicate whether the Appointments and Compensation Committee has established procedures aimed at ensuring that the selection processes are not implicitly biased so as to prevent the selection of female directors, and that they deliberately seek out female candidates who meet the required profile.**

Yes ☒ No

<b>Indicate the Principle Procedures</b>
When the Appointments and Compensation Committee assesses the expertise, knowledge and experience necessary for serving on the Board, it takes into consideration the recommendation on the policy of equality to be applied to Boards of Directors, ensuring that, when filling vacancies, the selection procedures have no implicit bias that would place obstacles in the way of the selection of female directors and that the Company will deliberately seek out and include women with the required professional profile among the potential candidates.

**B.1.28      Indicate whether there are any formal processes for proxy voting on the Board of Directors. If so, briefly explain.**

Notwithstanding the obligation of Directors to attend the meetings of the governance organs which they form part of, in accordance with the Corporate Bylaws and with the Rules of Procedure of the Board of Directors, Directors may delegate their attendance, provided that their representation is essential and is conferred upon another member of the Board by means of a written communication addressed to the Chairman of the Board, containing instructions and serving for the special purpose of that particular meeting.

**B.1.29      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.**

Number of meetings of the Board	9
Number of meetings of the Board without the attendance of its Chairman	0

**Indicate the number of meetings which the various Board Committees have held during the year:**

Number of meetings of the Executive or Delegated Committee	
Number of meetings of the Audit Committee	8
Number of meetings of the Appointments and Compensation Committee	5
Number of meetings of the Appointments Committee	
Number of meetings of the Compensation Committee	

**B.1.30      Indicate the number of meetings held by the Board of Directors during the year without the attendance of all of its members. This calculation shall consider proxies without specific instructions as cases of non-attendance:**

Number of cases of non-attendance by directors during the past year	1
% of non-attendance with respect to total votes during the year	1,350%

**B.1.31      Indicate whether the individual and consolidated annual accounts submitted for approval by the Board have been previously certified:**

YES

**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:**

<b>Name</b>	<b>Position</b>
David Elfzaga Corrales	Financial Manager

- B.1.32 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.**

In accordance with article 14 e) of the Rules of Procedure of the Board of Directors, among the powers of the Audit Committee is that of maintaining relations with the outside Auditor to receive information on any matters which may jeopardize the Auditor's independence, and any other matters related to the auditing process, as well as to receive information and maintain with the auditor the communications stipulated by law.

Pursuant to article 9.4 of the Rules of Procedure of the Board of Directors, the relations of the Board with the outside Auditors of the company, which are to be channeled through the Audit Committee, shall abide by criteria of loyal collaboration and respect for their independence. It is sought that the annual accounts drafted by the Board be verified without a qualified opinion by the auditors. In the event that such a qualified opinion is unavoidable, the Board, the Chairman of the Audit Committee and the auditors shall explain clearly to the shareholders the content and scope of the reservations or qualified opinions.

The report by the outside auditors Price Waterhouse Coopers corresponding to the year 2009 has not presented any reservation.

- B.1.33 Is the Secretary of the Board of Directors a Director?**

Yes

No ☒

- B.1.34 Explain the procedures for appointment and dismissal of the Secretary of the Board, indicating whether the Secretary's appointment and dismissal have been reported by the Appointments Committee and approved by the plenum of the Board.**

<b>Procedure for Appointment and Dismissal</b>
In accordance with article 11 of the Rules of Procedure of the Board of Directors, in order to safeguard the independence, impartiality and professionalism of the Secretary, the appointment and dismissal of the latter shall be reported to the Appointments and Compensation Committee and approved by the plenum of the Board.

	<b>Yes</b>	<b>No</b>
<b>Does the Appointments Committee report the appointment?</b>	<b>X</b>	
<b>Does the Appointments Committee report the dismissal?</b>	<b>X</b>	
<b>Does the plenum of the Board approve the appointment?</b>	<b>X</b>	
<b>Does the plenum of the Board approve the dismissal?</b>	<b>X</b>	

**Does the Secretary of the Board have the special duty to monitor compliance with the recommendations of good governance?**

Yes ☒

No

Comments
<p>Pursuant to article 11.3 of the Rules of Procedure of the Board of Directors, the Secretary of the Board has the special duty to monitor Board actions in order to verify the following:</p> <ul style="list-style-type: none"> <li>▪ That said actions conform to the letter and spirit of the Law and the regulations thereof, including those approved by regulatory agencies;</li> <li>▪ That they conform to the Corporate Bylaws and the Rules of Procedure of the General Shareholders' Meeting, and those of the Board of Directors, as well as any other Rules of Procedure which the Company has.</li> <li>▪ That said actions keep in mind any recommendations on good governance accepted by the Company.</li> </ul>

**B.1.35 Indicate the mechanisms, if any, established by the company to preserve the independence of the auditor, the financial analysts, the investment banks and the valuation agencies.**

Pursuant to article 14 of the Rules of Procedure of the Board of Directors, one of the powers of the Audit Committee is to maintain relations with the outside Auditor in order to receive information which may compromise the independence of the latter.

Additionally, the Audit Committee is the one in charge of submitting to the Board of Directors proposals for the selection, appointment, reelection and substitution of the outside auditor, as well as the conditions for the contracting thereof, in order that these may be subsequently put to the General Shareholders' Meeting.

Moreover, according to article 14.3.2.c) of the Rules of Procedure of the Board of Directors, the Audit Committee is responsible for ensuring the independence of the external auditor and, to this end, must:

- i) Ensure that the Company reports any change in auditor to the CNMV as a significant event, attaching a statement on the existence or not of discrepancies with the outgoing auditor and, if any did exist, the content thereof.
- ii) Ensure that the Company and the auditor observe current legislation on the provision of services other than audit services, the limits to the concentration of the auditor's business and, in general, all other regulations established to ensure the independence of auditors.
- iii) In the event of the resignation of the external auditor, examine the circumstances which led the auditor to do so.

**B.1.36 Indicate whether during the year the Company has changed its auditor. If so, identify the incoming and the outgoing auditor:**

YES

<b>Outgoing Auditor</b>	<b>Incoming Auditor</b>
ERNST & YOUNG S.L	PRICEWATERHOUSECOOPERS AUDITORES S.L.

**In the event of any disagreement with the outgoing auditor, explain:**

NO

<b>Explanation of disagreements</b>

**B.1.37**     **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

	<b>Company</b>	<b>Group</b>	<b>Total</b>
Amount of work other than auditing	159	25	184
Amount of work other than auditing / Total amount invoiced by the auditing firm (in %)	58,88%	2,7%	15,39%

**B.1.38**     **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 ☒

<b>Explanation of Reasons</b>

**B.1.39**     **Indicate the number of years that the current auditing firm has been auditing the annual accounts of the company and/or its group without interruption. Likewise, indicate what the percentage is of the number of years audited by the current auditing firm with respect to the total number of years in which the annual accounts have been audited:**

	<b>Company</b>	<b>Group</b>
<b>Number of uninterrupted years</b>	1	1

	Company	Group
Number of years audited by the current auditor firm /no. of years that the company has been audited	9.1%	9.1%

**B.1.40** Indicate the shareholdings which members of the Board of Directors have in the capital of companies having the same, similar or complementary type of activity as that which constitutes the corporate object of both the company and its group, and which have been reported to the company. Likewise, indicate the positions they hold or the duties they perform in these companies:

Name of Director	Corporate name of object company	Shareholding %	Position or Duties
José Antonio Martínez Sampedro	Formula Giochi SPA in liquidation	3.31	Shareholder
José Antonio Martínez Sampedro	Majicol	26.52	Shareholder
José Antonio Martínez Sampedro	Promobowling, S.A	15.42	Director and Chairman of the Board
José Antonio Martínez Sampedro	Majisa, S.A.	26.00	Joint and Several Director
José Antonio Martínez Sampedro	Formula Bingo, S.p.A in liquidation	0.03	Shareholder
José Antonio Martínez Sampedro	Planet Bowling España, S.A.	17.68	Shareholder
José Antonio Martínez Sampedro	Sunset Bowling, S.L.	17.68	Shareholder
José Antonio Martínez Sampedro	Francomar Investments,S.A.	52%	Director and Chairman of the Board
José Antonio Martínez Sampedro	Zarabowling, S.A.	12.38	Shareholder
José Antonio Martínez Sampedro	Promobowling Levante, S.A.	17.68	Joint and Several Director
José Antonio Martínez Sampedro	Centros de Ocio familiar, S.L.	8.84	Shareholder
José Antonio Martínez Sampedro	Magic Recreativos, S.L	12.38	Shareholder
Encarnación	Formula Giochi	0.76	Shareholder

Martínez Sampedro	SPA in liquidation		
Encarnación Martínez Sampedro	Majicol	6.12	Shareholder
Encarnación Martínez Sampedro	Promobowling, S.A.	10.66	Shareholder
Encarnación Martínez Sampedro	Majisa, S.A.	6.00	Shareholder
Encarnación Martínez Sampedro	Planet Bowling España, S.A	4.08	Director and Chairman of the Board
Encarnación Martínez Sampedro	Formula Bingo SPA in liquidation	0.02	Shareholder
Encarnación Martínez Sampedro	Francomar Investments, S.A	12.00	Director and Secretary of the Board
Encarnación Martínez Sampedro	Sunset Bowling SL	4.08	Shareholder
Encarnación Martínez Sampedro	Zarabowling SA	4.08	Shareholder
Encarnación Martínez Sampedro	Promobowling Levante, S.A.	4.08	Joint and Several Director
Encarnación Martínez Sampedro	Centros de Ocio familiar, S.L.	2.04	Director and Secretary of the Board
Encarnación Martínez Sampedro	Magic Recreativos SL	2.86	Shareholder
Luis Javier Martínez Sampedro	Formula Giochi SPA in liquidation	0.76	Shareholder
Luis Javier Martínez Sampedro	Majicol	6.12	Shareholder
Luis Javier Martínez Sampedro	Promobowling SA	10.66	Shareholder
Luis Javier Martínez Sampedro	Majisa SA	6.00	Shareholder
Luis Javier Martínez Sampedro	Planet Bowling España SA	4.080	Shareholder
Luis Javier Martínez Sampedro	Formula Bingo SPA in liquidation	0.03	Shareholder
Luis Javier	Francomar	12.00	Director



Martínez Sampedro	Investments, S.A.		
Luis Javier Martínez Sampedro	Sunset Bowling SL	4.08	Shareholder
Luis Javier Martínez Sampedro	Zarabowling SA	2.86	Shareholder
Luis Javier Martínez Sampedro	Promobowling Levante SA	4.08	Shareholder
Luis Javier Martínez Sampedro	Recreativos Metropolitano, S.L	100	Joint and Several Director
Luis Javier Martínez Sampedro	Centros de Ocio Familiar SL	2.04	Shareholder
Luis Javier Martínez Sampedro	Magic Recreativos SL	2.86	Shareholder

**B.1.41** Indicate whether there is any procedure allowing directors to have access to external consultancy, and if so, give details:

Yes ☒

No

Details of the Procedure
<p>In accordance with article 5 of the Rules of Procedure of the Board of Directors, Directors shall have access to all company services, and may gather any information and consultancy they require for the performance of their duties. They are required to gather said information through the channels of the Chairmanship.</p> <p>In addition, Directors may propose to the Board of Directors the hiring of external consultants, whether financial, legal, technical, commercial or of any other type which they consider necessary for the interests of the company. External consultancy should be sought when the majority of independent Directors coincide in deeming said need to exist.</p>

**B.1.42** Indicate 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

Details of the Procedure
<p>In accordance with article 12.2 of the Rules of Procedure of the Board of Directors, the notice of meeting shall always include the agenda of the meeting together with any information required in accordance with the stipulations of said Rules. Nevertheless, when the Chairman considers that</p>

the circumstances so warrant, the meeting of the Board may be called by telephone, fax or e-mail, without complying with the term of advance notice mentioned above, and without attaching the aforesaid information, with the Directors being informed of the possibility of examining said information at the registered office.

**B.1.43** Indicate, and if applicable, detail whether the company has established rules obliging directors to inform about, and, where appropriate, resign, in those cases which may damage the credit and reputation of the company:

Yes ☒

No

Explain the Rules
Article 3.6 stipulates that “The Directors are obliged to resign in those cases which may damage the credit and reputation of the Company, and likewise to inform the Board of any criminal matters of which they stand accused, as well as the subsequent procedural outcome.

**B.1.44** Indicate whether any member of the Board of Directors has informed the company that he or she has been indicted or ordered to stand trial for any of the crimes indicated in article 124 of the Companies Act:

Yes

No ☒

Name of Director	Criminal Action	Comments

Indicate whether the Board of Directors has analyzed the case. If so, give a reasoned explanation of the decision taken as to whether or not it is advisable for the director to remain in his or her position.

Yes

No ☒

Decision Taken	Reasoned Explanation
It is/ is not advisable to continue	

## B.2 Committees of the Board of Directors

**B.2.1** Detail all of the Committees of the Board of Directors as well as the members thereof:

### EXECUTIVE OR DELEGATED COMMITTEE

Name	Position	Type

### AUDIT COMMITTEE

<b>Name</b>	<b>Position</b>	<b>Type</b>
Mr. Eugenio Vela Sastre	Chairman	Independent
Mr. Joseph Zappala	Member	Independent
Mr. Juan José Zornoza Pérez	Member	Independent

#### **COMPLIANCE COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Type</b>
Mr. José Ignacio Cases Méndez	Chairman	Nominee
Mr. Eugenio Vela Sastre	Member	Independent
Mr. Juan José Zornoza Pérez	Member	Independent

#### **APPOINTMENTS AND COMPENSATION COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Type</b>
Mr. Juan José Zornoza Pérez	Chairman	Independent
Mr. Eugenio Vela Sastre	Member	Independent
Mr. Joseph Zappala	Member	Independent
Mr. José Ignacio Cases Méndez	Member	Nominee

#### **APPOINTMENTS COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Type</b>

#### **COMPENSATION COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Type</b>

**B.2.2**    **Indicate whether the following functions correspond to the Audit Committee:**

	<b>Yes</b>	<b>No</b>
--	------------	-----------

<b>Supervise the process for the drafting and the integrity of the financial information regarding the company and, where appropriate, the group, reviewing compliance with the regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of accounting criteria.</b>	X	
<b>Periodically revise the internal control and risk management systems in order that the principal risks may be identified, managed and adequately made known.</b>	X	
<b>Monitor the independence and efficiency of the internal audit process; propose the selection, appointment, reelection 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 consideration the conclusions and recommendations of its reports.</b>	X	
<b>Set up and supervise a mechanism allowing employees to report confidentially, and where appropriate, anonymously, any irregularities which they note in the company and which may have repercussions, especially in regard to financial and accounting matters.</b>	X	
<b>Bring before the Board proposals for the selection, appointment, reelection and replacement of the external auditor, as well as the auditor's contract conditions.</b>	X	
<b>Receive on a regular basis from the external auditor information regarding the audit plan and the results of its implementation, and verify that senior management take into consideration the recommendations thereof.</b>	X	
<b>Ensure the independence of the external auditor</b>	X	
<b>In the case of groups, encourage that the auditor of the group take responsibility for conducting the audits of the companies making up the group.</b>	X	

**B.2.3 Describe the rules of procedure regarding the organization and functioning, as well as the responsibilities, of each Board committee:**

**AUDIT COMMITTEE**

Article 14 of the Rules of Procedure of the Board of Directors regulates the Audit Committee in the following terms:

**1) Composition.**

The Audit Committee is comprised of a minimum of three and a maximum of six members appointed by the Board of Directors. All members of said Committee are required to be external Directors.

The Chairman of the Audit Committee is required to be an Independent Director, is to be replaced every four years, and is eligible for reelection after one year has lapsed from the time the Chairman steps down.

**2) Functions.**

Notwithstanding any other duty which may be assigned to it by the Board of Directors, the principle function of the Audit Committee shall be to serve as support for the Board of Directors in its supervisory functions and, specifically, the Audit Committee shall be required to do at least the following:

- a) Inform the General Shareholders' Meeting of any matters within the scope of the Audit Committee's functions posed by shareholders at the Meeting.
- b) Propose to the Board of Directors the appointment of external auditors in order that said proposals may be put to the General Shareholders' Meeting.
- c) Supervise the internal auditing services.
- d) Be familiarized with the financial information and internal control systems.
- e) Maintain relations with the external auditor in order to receive information on any matters which may compromise the independence of the latter, and any other matters related to the audit process, and likewise receive information and maintain with the auditor the information stipulated by law.
- f) Report on the annual accounts, as well as on the issue prospectuses and the periodical financial information which is required to be sent quarterly or semi-annually to the regulatory agencies, paying special attention to compliance with the legal requirements and the correct application of generally accepted accounting principles, as well as to the existence of internal control systems and the monitoring thereof and compliance with internal auditing.
- g) Draft an annual report containing the activities performed by the Committee.

The Audit Committee shall also be responsible for:

- 1 In relation to the information and internal control systems:
  - a) Supervising the preparation process and the accuracy of the financial information relating to the Company and, if applicable, to the Group, by reviewing compliance with the regulatory requirements, the adequate delimitation of the perimeter of consolidation and the proper application of the accounting principles.
  - b) Reviewing on a regular basis the internal control and risk management systems, to ensure that the principal risks are adequately identified, managed and made known.
  - c) Ensuring the independence and effectiveness of the internal audit function; proposing the selection, appointment, reelection and removal of the person responsible for the internal audit service; proposing the budget for this service; receiving regular reporting on its activities; and verifying that the senior management takes into account the conclusions and recommendations contained in the service's reports.
  - d) Establishing and supervising a mechanism that will enable the employees to report, confidentially and, if considered appropriate, anonymously, any

irregularities of potential significance, particularly financial and accounting irregularities, as they may detect within the Company.

2. In relation to the external auditor:
  - a) Referring proposals to the Board on the selection, appointment, reelection and substitution of the external auditor, as well as the terms and conditions of the engagement of the auditor.
  - b) Receiving from the external auditor, on a regular basis, information on the audit plan and the results of its implementation, and verifying that the senior management takes the auditor's recommendations into account.
  - c) Ensuring the independence of the external auditor and, to this end:
    - i) Ensure that the Company reports any change in auditor to the CNMV as a significant event, attaching a statement on the existence or not of discrepancies with the outgoing auditor and, if any did exist, the content thereof.
    - ii) Ensure that the Company and the auditor observe current legislation on the provision of services other than audit services, the limits to the concentration of the auditor's business and, in general, all other regulations established to ensure the independence of auditors;
    - iii) In the event of the resignation of the external auditor, examine the circumstances which led the auditor to do so.
  - d) Favoring the assumption by the auditor of the Group, as the case may be, of the responsibility of performing the audits of the companies belonging to it.
3. Informing the Board, prior to the adoption by the latter of the decisions determined in article 7.17 of these Rules of Procedure as the exclusive responsibility of the Board, with respect to the following matters:
  - a) The financial information which, as a listed company, the Company must make public on a regular basis. The Committee must ensure that the interim accounts are prepared in accordance with the same accounting principles as the annual accounts and, to this end, consider the appropriateness of a limited review by the external auditor.
  - b) The creation or acquisition of stakes in special purpose entities or entities domiciled in countries or territories considered to be tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could diminish the transparency of the Group.
  - c) Related operations.
- 4.- The Company's control and risk management policy shall identify at least:
  - a) The different types of risk (operating, technological, financial, legal, reputational...) faced by the Company, including among the financial or economic risks the contingent liabilities and other off-balance-sheet risks;
  - b) The establishment of the level of risk considered acceptable by the Company;
  - c) The measures to be adopted in order to lessen the impact of the risks identified should they materialize;
  - d) The information and internal control systems to be used in order to control and manage the aforementioned risks, including the contingent liabilities and other off-balance-sheet risks.

### 3) Functioning.

The Audit Committee meets at least once each quarter, as well as whenever this is deemed advisable, after having been called by its Chairman, either as a result of the Chairman's own decision or in response to a request by two Committee members or by the Board of Directors, the Chairman of the Board, or the CEO.

## COMPLIANCE COMMITTEE

Pursuant to article 14 *bis* of the Rules of Procedure of the Board of Directors, the Compliance Committee is regulated under the following terms:

### 1) Composition.

The Compliance Committee is comprised of a minimum of three and a maximum of six members appointed by the Board of Directors.

The Chairman of the Compliance Committee is required to be an Independent Director.

### 2) Functions.

Notwithstanding any other duty which may be assigned to it by the Board of Directors, the Compliance Committee shall have the following functions:

- a) Examine compliance with the Internal Rules of Conduct and make the proposals required for the improvement thereof, as well as supervise compliance with the applicable corporate governance rules.
- b) Draft reports and proposals to the Board in regard to the decision to be adopted in cases of conflict of interests.
- c) Submit the annual Corporate Governance Report to the Board for approval thereof.
- d) Monitor on behalf of the Company and the Group all applicable national or foreign gaming regulations.
- e) Evaluate the internal control systems of the Company and the Codere Group in relation to their obligations regarding information and transparency in gaming matters, and make any proposals for introducing measures and making improvements which it considers necessary and unnecessary or advisable.
- f) Monitor compliance and control systems by the Company and the Group in regard to the regulations for the prevention of money laundering, and make any proposals for introducing measures and making improvements which it considers necessary or advisable.

### 3) Functioning.

The Compliance Committee shall meet whenever the Board of Directors calls for a report or the approval of proposals which fall within the scope of the functions of the Compliance Committee, as well as whenever the Chairman of said Committee considers such a meeting necessary to successfully carry out the objects thereof.

## **APPOINTMENTS AND COMPENSATION COMMITTEE**

Pursuant to article 15 of the Rules of Procedure of the Board of Directors, the Appointments and Compensation Committee is regulated under the following terms:

### **1) Composition.**

The Appointments and Compensation Committee is comprised of a minimum of three and a maximum of six members appointed by the Board of Directors. All members of said Committee are required to be external Directors and the majority must be Independent Directors.

The Chairman of the Appointments and Compensation Committee is required to be an Independent Director.

### **2) Functions.**

Notwithstanding any other duty which may be assigned to it by the Board of Directors, the Appointments and Compensation Committee shall have the following functions:

- a) Make the proposals as provided for in these Rules, in regard to compensation of the members of the Board of Directors.
- b) Evaluate the competence, knowledge and experience required on the Board, consequently define the functions and aptitudes required of the candidates who are to cover each vacancy and evaluate the time and dedication required to adequately carry out said functions.
- c) Carry out the proposals of the Board in line with the Committee functions of appointment or proposal, in relation to the composition of the Board and its Committees.
- d) Examine or organize, in the way it sees fit, the succession of the Chairman and the CEO and, where appropriate, make proposals to the Board in order that said succession may take place in a well-planned, orderly manner.
- e) Report the appointments and dismissals of senior management proposed by the CEO to the Board.
- f) Inform the Board about the various types of matters provided for in article 1.12.
- g) Draft a proposal to the Board of Directors regarding compensation of the Managing Director as chief executive officer of the company, or compensation of the other executive directors, apart from the compensation they receive as directors pursuant to the Bylaws, as well as all of their other contract conditions, with said proposal being approved in a closed session in the absence of the interested party.



- h) Propose to the Board the general compensation policy for senior management of the Company and its subsidiaries, as well as the basic contract conditions for senior management.
- i) Set up guidelines and supervise actions in regard to the appointment, selection, career development, promotion and dismissal of managers, in order that the Company may have the highly qualified personnel it requires for its management.

3) Functioning.

The Appointments and Compensation Committee shall meet whenever the Board of Directors calls for a report or the approval of proposals which fall within the scope of the Committee's functions, as well as whenever the Chairman of said Committee considers such a meeting necessary to successfully carry out the objects thereof.

**B.2.4 Indicate the advisory and consultancy powers of each one of the committees and, if applicable, any delegations they may have:**

Committee Name	Brief Description
Audit Committee	Supervision of internal auditing, verification of financial information and proposal for appointment of external auditor. See B.2.3
Compliance Committee	Supervision of the correct application of the rules of Good Corporate Governance which are in force in the Company. See B.2.3
Appointments and Compensation Committee	Development and Coordination of the appointment and compensation policy for senior representation and management of the Company. See B.2.3

**B.2.5 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.**

The organization and operation of the Committees of the Board of Directors are regulated in detail in the Rules of Procedure of the Board of Directors. Said document can be found on the Codere web page ([www.codere.com](http://www.codere.com)).

**B.2.6 Indicate whether the composition of the executive committee reflects the participation in the Board of the various directors in terms of their type of directorship.**

NO

**If “no”, explain the composition of your executive committee**

There is no executive committed in Codere.

**C. RELATED OPERATIONS**

- C.1** Indicate whether the plenum of the Board has reserved the right to approve, after a favorable report from the Audit Committee or any other entrusted with said function, the operations which the Company engages in with directors, significant shareholders or represented shareholders on the Board, or any person related to them:

Yes ☒

No

- C.2** Detail the relevant operations entailing a transfer of resources or obligations between the company or entities of its group, and the significant shareholders of the company:

Name of significant shareholder	Name of company or entity of its group	Nature of the relation	Type of operation	Amount (in thousands of euros)

- C.3** Detail the relevant operations entailing a transfer of resources or obligations between the company or entities of its group, and the directors or management of the company:

Name of Director or Manager	Name of company or entity of its group	Nature of the operation	Type of operation	Amount (in thousands of euros)
Adolfo Carpena	Codere, S.A.	Contractual	Loan	93
Encarnación Martínez	Codere, S.A.	Contractual	Loan	463
David Elízaga	Codere, S.A.	Contractual	Loan	93
Fernando Ors	Codere, S.A.	Contractual	Loan	139
Jaime Estalella	Codere, S.A.	Contractual	Loan	93
Jorge Martín	Codere, S.A.	Contractual	Loan	15
José Ramón Romero	Codere, S.A.	Contractual	Provision of services	454
José Ramón	Codere, S.A.	Contractual	Loan	463

Romero				
Javier Martínez	Bingos del Oeste SA.	Contractual	Provision of services	64
Javier Martínez	Bingos Platenses SA.	Contractual	Provision of services	32
Javier Martínez	Codere, S.A.	Contractual	Loan	927
Javier Martínez	Iberargen, S.A.	Contractual	Provision of services	97
Javier Martínez	Interbas, S.A.	Contractual	Provision of services	97
Javier Martínez	Interjuegos, S.A.	Contractual	Provision of services	32
Masampe SL	Codere México, S.A. de CV	Contractual	Provision of services	557
Pedro Vidal	Codere, S.A.	Contractual	Loan	139
Rafael Catalá	Codere, S.A.	Contractual	Loan	93
Ricardo Moreno	Codere, S.A.	Contractual	Loan	464
Vicente Di Loreto	Codere, S.A.	Contractual	Loan	93

- C.4 Detail the relevant operations 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:**

Corporate Name of the Company of its Group	Brief description of the operation	Amount (thousands of euros)

- C.5 Indicate whether during the year the members of the Board of Directors have found themselves in any situation of conflict of interest, as stipulated in article 127.3 of the Companies Act.**

Yes

No ☒

Name of Director	Description of situation creating conflict of interest

**C.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.**

Pursuant to article 5 of the Codere Internal Code of Conduct, those persons affected by a conflict of interest (that is, the directors, senior management and any employees who may have access to privileged information) are required, in relation to said conflict, to act in line with the stipulations of the present Code and likewise those of the Rules of Procedure of the Board of Directors, insofar as this proves applicable to them.

When a situation of actual or potential conflict of interest occurs for the person subject to the Code, said person is to notify Compliance Management immediately, in order that the latter may transfer the matter to the Compliance Committee for the adoption of the pertinent decisions.

The affected person shall refrain from intervening in or influencing, either directly or indirectly, the operation, decision or situation which is the object of conflict.

In the event of conflict of interest, and as a general rule stemming from the obligation of loyalty to the Company, the interest of the CODERE Group shall prevail over that of the person affected by the conflict.

**C.7 Does the Group have more than one listed company in Spain?**

Yes

No ☒

**Identify the listed subsidiaries in Spain:**

Listed subsidiaries

**Indicate whether the respective areas of activity and their eventual mutual business relations, as well as those of the listed subsidiary with the other companies in the group, have been accurately defined to the public:**

Yes

No

Define the eventual business relations between the parent company and the listed subsidiary, and between the latter and the other companies in the group

**Identify the mechanisms provided to resolve eventual conflicts of interest between the listed subsidiary and the other companies in the group:**

Mechanisms to resolve eventual conflicts of interest

## **D. RISK CONTROL SYSTEMS**

### **D.1 Provide a general description of the risk policy of the company and or its group, detailing and evaluating the risks covered by the system, and justifying how said systems fit each type of risk profile.**

Codere considers the identification, control and management of internal and external risks to be a basic part of its management system; consequently, it monitors on an ongoing basis the most significant risks which could affect the principle companies comprising the Group.

With this aim in mind, Codere has introduced the system proposed by the reports of the COSO II (Committee of Sponsoring Organizations of the Treadway Commission), establishing an integrated framework of Internal Control and Risk Management.

In this way, the Group has a risk map allowing it to identify those risks requiring specific control and monitoring, listed in order of importance.

The principle risks on which the Codere Corporate Risk Management is based are the following:

#### **1.- Risk identification and evaluation.**

Codere recognizes the need to increase the capacity to identify potential occurrences, evaluate risks and establish effective, immediate responses as the most suitable way to achieve a better management of these risks.

#### **2.- Centralization of Risk Systems.**

The repercussions of the decisions taken in the Group requires the establishment of centralized policies, measurement procedures and exposure limits at the various levels of organization which the Board of Directors defines.

#### **3.- Global Perspective.**

The risk management system is conceived from a global perspective, that is, integrating all of the strategic and operational factors which comprise the Codere risks profile, including economic, regulatory, legal and socio-political factors.

#### **4.- Compliance.**

Monitor policies and procedures and the state of corporate risk management.

By virtue of the model in force which Codere employs, the types of risks are detailed and identified by the Group:

#### **Regulatory and socio-political risks.-**

- Risks of changes in the legal framework, which may adversely affect foreseen income or profit margins.
- Social movements against Gaming.

**Financial risks, with the following being considered the most important:**

- Change in interest rates
- Risks from fluctuations in exchange rates of local currencies or, if applicable, with respect to the euro.
- Breach of payment or late payment by customers
- Risks in countries (Latin America)

#### **Risks by Business Unit**

- Strategic and Management Risks
- Human Resources Management Risks
- Legal Management Risks
- Gaming Management Risks
- Hotel and Restaurant Management Risks
- Administration Management Risks

#### **Technological Risks**

- Information security verification (accesses, data protection, etc.)
- Contingency Plans
- Automation of Activities

#### **Reputation and Compliance Risks**

- Consolidate the Compliance Policy by intensifying transparency and Codere good practices.

**D.2 Identify whether any of the various types of risks (operational, technological, financial, legal, reputation, fiscal, etc.) affecting the company and/or its group have materialized:**

Yes

**If “yes”, indicate the circumstances which gave rise to said risks and whether or not the control systems worked.**

<b>Risk materialized during the year</b>	<b>Circumstances giving rise to the risk</b>	<b>How the control systems functioned</b>
Financial risk	Fluctuation of the exchange rates of the local currencies with respect to the euro	The insurance contracted for changes in the exchange rates of the local currencies with respect to the euro was effective.

Financial risk	Nonpayment or payment in arrears by customers	The risk has been identified, defaulted payments have been monitored and out-of-court claims have been made as well as legal action, as appropriate.
Gaming management risk	Non-renewal of the Operating License of the La Plata Bingo in Argentina	Adequate functioning. The risk has been identified, and an administrative and judicial claim has been filed, up to obtaining the renewal of the said License.
Regulatory and socio-political risks	Changes in the legislative and regulatory framework in certain markets	Following the detection of changes, the monitoring and management thereof have been accomplished both through the Company's participation in the business associations of the sector, as well as through the relevant institutional relations.

**D.3 Indicate whether there is any committee or other organ of governance in charge of establishing and supervising these control mechanisms:**

Yes ☒

No

**If “yes”, explain their functions.**

Name of committee or organ	Description of functions
Audit Committee	The functions of this Committee are contained in article 24 of the Corporate Bylaws and in article 14 of the Rules of Procedure of the Board of Directors. See point B.2.3
Compliance Committee	The functions of this Committee are contained in article 14 bis of the Rules of Procedure of the Board of Directors. See point B.2.3

**D.4 Identify and describe the processes for compliance with the various regulations affecting your company and/or group.**

Codere is aware that it carries out its business activity in a particularly sensitive sector, as is the gaming sector. This is a sector which has experienced many different degrees

of public perception in the course of its history, which has ranged from its absolute prohibition, with the ensuing negative consequences, to the highest levels of regulation and control, going through intermediate periods of unregulated activity and legal vacuum.

In view of its position of leadership in the sector, Codere considered that it should take up the challenge of establishing standards of maximum excellence with respect to the Authorities, Suppliers and Customers, to be included in its global strategy of social responsibility and in its corporate culture. These standards have been materialized through the establishment of an intense Compliance Policy.

The Codere Compliance Policy:

Codere has taken as its Compliance standard the framework established by the Basel Committee in 2004. In this way, Codere has assumed the full extent of the Compliance Function understood as that Independent Function which identifies, advises on, alerts to, monitors and reports on the compliance risks in organizations, that is, the risk of being penalized for legal or regulatory noncompliance, of undergoing financial losses or of suffering reputational damage on account of failures to comply with the applicable laws, regulations, codes of conduct and standards of best practices (taken together, 'laws, rules and standards').

Codere requires of itself, and also of its associates and suppliers, the most absolute adaptation to the regulations applicable to the gaming sector in each of the countries in which it operates, as well as scrupulous respect for all of the financial, tax and employment-related rules wherever it carries out its activity.

The Compliance Policy demonstrates the particular commitment by CODERE to the legislation against fraud and money laundering, as well as to the value of honesty and integrity in corporate business practices and to the internal code of conduct put into place, all of which translates into the following strategic objectives:

- . To establish the appropriate activities y mechanisms for the implementation throughout the Company of a conscious Compliance Culture as an indispensable tool for achieving and maintaining the level of excellence to which Codere aspires.
- . To cooperate in the identification and establishment of the most stringent standards of ethical conduct and of the applicable legislation in the performance of Codere's business activities.
- . To achieve the proactive participation of all of Codere's Managers and Employees in relation to Compliance policies in the range of activities and geographical areas in which the Company operates, by establishing the basic mechanisms of coordination and exigency among the various players.
- . To identify, assess and control the principal Compliance Risks, understanding as such those which are capable of generating legal penalties, material financial losses, or reputational damage as the result of possible instances of noncompliance with laws, regulations or the self-regulation standards of the organization, or with codes of conduct applicable to its business activities.

Processes for the implementation of Codere's Compliance Policy:

During 2009, the following processes were carried out:

- Implementation and management of the International Money-Laundering Prevention Policies in Codere S.A.



- Implementation and management of the Codes of Ethics and of Conduct, evidencing the use of best business and Corporate Social Responsibility practices in Codere S.A.
- Implementation and management of the Compliance Information System required by the Codere S.A. Compliance Plan.

Furthermore, the structures approved by the Compliance Committee in the previous year with respect to the operativity of the Local Compliance Officers have been reinforced. This has occurred in Colombia and Mexico which, together with those already in place in Panama, Italy and Argentina, significantly enhance the capacities of the Corporate Compliance Department in its task of implementing the Compliance Policies effectively.

To sum up the activities in the area of the Prevention of Money Laundering (PML) and Know Your Customer (KYC), as well as the Training in PML for employees and managers and the Control of Customers or Suspicious Transactions in 2009, the following have been carried out:

- . 3,283 Due Diligences of different kinds have been carried out between the Corporate and Business Unit levels in the various countries in which the Company operates with respect to the Customers with whom business or contractual relations are maintained, including both natural as well as legal persons.
- . 839 Due Diligences have been made of CODERE's own personnel.
- . Compulsory Training in PML has been provided to 1,034 employees in-house in Argentina, Panama, Colombia and externally (on-line) in Spain.
- . The control and reporting of Prizes and Transactions to the competent Authorities totaled 13,041, in addition to 6 Reports of Suspicious Transactions; this process has been carried out in full in all of the Business Units.

## **E. GENERAL SHAREHOLDERS' MEETING**

**E.1 Indicate, and, if applicable, explain any differences in the minimum quorum requirement for constituting the General Shareholders' Meeting with respect to the quorum requirements stipulated in the Spanish Companies Act (LSA).**

Yes

No ☒

	% quorum differing from that stipulated in art. 102 LSA for general cases	% quorum differing from that stipulated in art. 103 LSA for the special cases in art. 103
Quorum required at first call		
Quorum required at second call		

DESCRIPTION OF THE DIFFERENCES

**E.2 Indicate, and, if applicable, explain any differences regarding the adoption of corporate resolutions with respect to the system provided for in the Spanish Companies Act (LSA):**

	Reinforced majority other than that stipulated in art. 103.2 LSA for the cases stated in 103.1	Other cases of reinforced majority
% established by the company for the adoption of resolutions		
Description of the differences		

**E.3 State the shareholders' rights in regard to the general shareholders' meetings, other than those stipulated in the LSA.**

The Corporate Bylaws and the Rules of Procedure of the General Shareholders' Meeting do not stipulate any shareholder rights with respect to the General Meetings other than those stipulated in the Companies Act.

**E.4 Indicate, if applicable, the measures taken to encourage shareholder participation at general shareholders' meetings.**

Apart from the requirements of the applicable legislation, and of the Rules of Procedure of the General Shareholders' Meeting, which aim to set out the principles for the organization and running of the General Shareholders' Meeting of Codere, S.A. in order to facilitate the exercise by shareholders of their corresponding rights, the following measures aimed at encouraging participation should be highlighted:

Web page.-

As from the time the notice of the meeting is published, the Company shall make available to the shareholders at the registered office all the information which it considers appropriate, and shall maintain access to this information for shareholders and investors in general at all times through the Company web page. This information includes the following:

- The complete text of the call to meeting.
- All documents and information which, in accordance with the Law or the Corporate Bylaws, is required to be furnished in relation to the various items on the agenda, such as annual accounts, reports by directors, auditors, experts, etc.
- The complete text of all resolutions proposed by the Board of Directors, as well as the corresponding documentation, for approval of said resolutions by the General Shareholders' Meeting.
- Specimen of attendance and proxy delegation card, and indication of the procedures to be followed in order to acquire said card.
- Indication of the procedures required in order to delegate a proxy for the General Meeting.

- f) Indication of the procedures required for remote voting by shareholders as stipulated by Law and the Corporate Bylaws.
- g) Information on the manner in which the General Meeting is to be carried out, such as the location where it is to be held, accesses, the existence of various halls, technical means or procedures making it easier to follow the Meeting, such as simultaneous interpreting, the use of audiovisuals, etc.
- h) Also included are telephone numbers, e-mail addresses, offices, shareholder information service timetable and any other shareholder information service data which the Company has.

#### Remote voting.-

Shareholders may exercise their right to vote on proposals related to items on the agenda by mail, electronic means or any other means of remote voting, provided that the identity of the shareholder exercising his or her right to vote is duly guaranteed.

**E.5 Indicate whether the post of Chairman of the General Shareholders' Meeting coincides with that of Chairman of the Board of Directors. Detail, if applicable, the measures that are taken to ensure the independence and proper running of the General Shareholders' Meeting:**

Yes ☒

No

Description of Measures
The General Shareholders' Meeting of Codere, S.A. establishes in its Rules of Procedure the principles for the organization and running of the General Meetings, by which the Chairman is bound, in order to ensure that shareholders are able to exercise their rights.
In addition, at its own initiative, the Board of Directors usually calls for the presence of a Notary to attend the General Meeting and take the minutes of the meeting. Consequently, neither the Chairman nor the Secretary of the General Meeting take part in the drafting of the minutes, which is entrusted to a Notary, with the resulting guarantee of neutrality for the shareholders.

**E.6 Indicate, if applicable, any modifications made during the year to the Rules of Procedure of the General Shareholders' Meeting.**

No modifications have been made to the Rules of Procedure of the General Shareholders' Meeting during 2009.

**E.7 Indicate the attendance data for the general meetings held during the year of reference of the present report:**

		Attendance data		
Date of	Physically	Proxy %	Remote vote %	Total

General Meeting	present %		Electronic vote	Other	
25/06/2009	17.608	58.866			76.474%

**E.8 Briefly indicate the resolutions adopted at the general shareholders' meetings held during the year of reference of the present report and the percentage of votes with which each resolution has been adopted.**

The items discussed according to the Agenda for the General Shareholders' Meeting held on June 25, 2009 were approved by the votes and the percentages specified below:

#### ORDINARY GENERAL SHAREHOLDERS' MEETING HELD ON JUNE 25, 2009.

ONE.- Examination and approval of the annual accounts (balance sheet, statement of income, statement of changes in net assets, cash flow statement and notes to the annual accounts) and of the management report, both with respect to CODERE, S.A. as well as its consolidated group of companies, for the financial year ended December 31, 2008 and of the application of the result for that year.

This Agenda item was approved by 99.97% of the quorum in attendance.

TWO.- Approval of the running of the Company by the Board of Directors during the 2008 financial year.

This Agenda item was approved unanimously by the quorum in attendance.

THREE.- Appointment or reelection of the auditor for CODERE, S.A. and its consolidated group of companies.

This Agenda item was approved by 99.97% of the quorum in attendance.

FOUR.- Reelection of directors.

This Agenda item was approved by 99.85% of the quorum in attendance.

FIVE.- Authorization for the acquisition of treasury stock, directly or through Group Companies.

This Agenda item was approved unanimously by the quorum in attendance.

SIX.- Delegation of powers in order to formalize, interpret, remedy and implement the resolutions adopted by the General Shareholders' Meeting.

This Agenda item was approved unanimously by the quorum in attendance.

**E.9 Indicate whether the Bylaws contain any restriction regarding the minimum number of shares required in order to attend the General Meeting:**

Yes ☒

No

Number of shares required to attend the General Meeting	100
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**E.10 Indicate and justify the policies followed by the company regarding proxy voting at the General Shareholders' Meetings.**

Pursuant to article 14 of the Rules of Procedure of the General Shareholders' Meeting, any shareholder entitled to attend the General Meeting can be represented at said Meeting by another person, who need not be a shareholder, by using the method of proxy delegation. The same shareholder may not be represented by more than a single representative at the same Meeting.

Delegation of proxy is to be made in writing specifically for each General Meeting, by means of sending in the attendance and delegation card duly filled in and signed by the shareholder delegating proxy, or by those means of remote voting which comply with the stipulations of article 105 of the Spanish Companies Act and all other applicable legislation for the exercise of the right of remote voting, as well as that which may be established by the Board of Directors as a general rule or for each Meeting.

Proxy delegation is under all circumstances subject to revocation, and shall be understood to be revoked when the principal personally attends the Meeting or, if applicable, exercises his or her right to remote voting.

**E.11 Indicate whether or not the company is aware of the institutional investor policy to participate or not in company decisions:**

Yes

No ☒

Describe the Policy

**E.12 Indicate the address and mode of access to the contents of Corporate Governance on your web page.**

Codere complies with the applicable legislation and the best practices in regard to the contents related to Corporate Governance on its web page, as can be seen in the section on shareholder and investor information on the company web page ([www.codere.com](http://www.codere.com)).

**F DEGREE OF COMPLIANCE WITH THE REGULATIONS**

**Indicate the degree of compliance by the company of the Recommendations of the Unified Code of Good Governance.**

**If any of these are not complied with, explain the recommendations, standards, practices or criteria which are applied by the company.**

1. That the Bylaws 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.

See sub-paragraphs: A.9, B.1.22, B1.23 and E.1, E.2

Complies ☒ Fails to comply

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.

See sub-paragraphs: C.4 and C.7

Complies Complies partially Explain Not applicable ☒

3. That although this is not expressly required by commercial legislation, any operations entailing a structural change in the company be put to the General Shareholders' Meeting for approval, particularly any of the following operations:
- a) The transformation of listed companies into holdings, through a process of subsidiarization or incorporation into the subsidiaries of activities essentially carried out up until then by the company itself, even though the company maintains full control over the subsidiaries;
  - b) The acquisition or disposal of essential operating assets, when this entails an amendment of the corporate object;
  - c) Operations the effect of which is equivalent to winding up the company;

Complies partially

Given that there is no requirement in this regard in business law and considering that, for the present, operations of this kind are not likely (to date, Codere SA has not had to confront an operation of this kind nor does it have any plans to do so), it has not been considered necessary or advisable to include a mention of this kind in the Corporate Bylaws or in any of the Company's Rules of Procedure. Notwithstanding the foregoing, article 7 of the Rules of Procedure of the Codere SA General Shareholders' Meeting establishes that the transformation, merger, spin-off and dissolution of the Company and, in general, any amendment to the Corporate Bylaws shall be a prerogative of the General Shareholders' Meeting.

4. That the detailed proposals of the resolutions to be adopted at the General Meeting, including the information which recommendation 28 refers to, be made public at the time of publication of the notice of the General Meeting.

Complies ☒ Explain

**5. That at the General Meeting a separate vote be taken on those matters which are substantially independent, so that shareholders may exercise their voting preferences separately. And that said regulation be applied in particular:**

- a) To the appointment or ratification of directors, which are to be voted on individually;**
- b) In the case of amendment of Bylaws, to each article or group of articles which are substantially independent.**

**See sub-paragraph: E.8**

Complies ☒      Complies partially      Explain

**6. That the companies allow votes to be split in order that financial intermediaries who are legitimated as shareholders, but who act on behalf of different clients, can cast their votes in accordance with the instructions of said clients.**

**See sub-paragraph: E.4**

Complies ☒      Explain

**7. That the Board carry out its functions with a sole purpose and independence of criteria, treat all shareholders alike, and be guided by company interest, understood as maximizing the economic value of the company in a sustained manner.**

**And that it likewise oversee that the company in its relations with the stakeholders respect the laws and regulations; comply in good faith with its obligations and contracts; respect the usage and good practices of the sectors and territories where it exercises its activity; and observe those additional principles of any social responsibility which it has voluntarily accepted.**

Complies ☒      Complies partially      Explain

**8. That the Board take on, as the core of its objective, the approval of the corporate strategy and the organization required for its implementation, and likewise supervise and ensure that the Management comply with the objectives set out and respect the corporate object and interest of the company. And for said purpose, that the Board reserve for itself the power to approve:**

**a) The general policies and strategies of the company, particularly the following:**

- i) The strategic plan or business plan, as well as the management objectives and annual budgets;**
- ii) The investment and financing policy;**
- iii) The definition of the structure of the group of companies;**
- iv) The corporate social responsibility policy**

- v) The compensation policy and evaluation of senior management performance;
- vi) The dividend policy and the treasury stock policy, especially in regard to the limits thereof.

See sub-paragraphs: B.1.10, B.1.13, B.1.14, and D.3

b) The following decisions:

- i) At the proposal of the company CEO, the appointment and eventual dismissal of senior management, as well as their indemnity clauses.

See sub-paragraph: B.1.14

- ii) Compensation of directors, and, in the case of executive directors, additional compensation for their executive duties and all other conditions which their contracts are required to respect.

See sub-paragraph: B.1.14

- iii) The financial information which, given that it is a listed company, the company is required to make public periodically.
- iv) All types of investments or operations which, in view of the elevated amount or special characteristics thereof, are strategic, unless they are required to be approved by the General Meeting.
- v) The creation or acquisition of shares in special-purpose companies or companies domiciled in countries or territories considered as tax havens, and any other similar transactions or operations which, given their complexity, may diminish the transparency of the group.

c) Operations which the company carries out with directors, significant shareholders or shareholders represented on the Board, or with related persons (“related operations”).

This authorization by the Board shall not be understood as necessary, however, in those related operations which simultaneously comply with the following three conditions:

1. That they be carried out by virtue of contracts having standardized conditions and be applied en masse to a large number of clients;
2. That they be carried out at prices or rates generally established by the supplier of the good or service in question;
3. That the amount thereof not exceed 1% of the annual revenues of the company.

It is recommended that the Board approve the related operations after a favorable report of the Audit Committee or, where appropriate, of any other Committee entrusted with this function; and that the directors which these operations affect, in addition to not exercising or delegating their right to vote, be absent from the meeting room while the Board deliberates and votes on said operation.



**It is recommended that the functions attributed herein to the Board not be subject to delegation, except those mentioned in letters b) and c), which, for urgent reasons, may be taken on by the Delegated committee, to be subsequently ratified by the plenum of the Board.**

**See sub-paragraphs: C.1 and C.6**

Complies ☒      Complies partially      Explain

- 9. 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.**

**See sub-paragraph: B.1.1**

Complies ☒      Explain

- 10. That the external nominee and independent directors make up an ample majority of the Board 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.**

**See sub-paragraphs: A.2, A.3, B.1.3, and B.1.1.4**

Complies ☒      Complies partially      Explain

- 11. That in the event that there is any external director who cannot be considered either as a nominee or independent director, the company explain said circumstance and the ties of said director either with the company or its management or with company shareholders.**

**See sub-paragraph: B.1.3**

Complies      Complies partially      Explain      Not applicable ☒

- 12. That with respect to the external directors, the ratio of the number of nominee directors to the number of independent directors be the same as the ratio of the corporate capital represented by the nominee directors to the rest of the capital.**

**This criterion of strict proportionality may be modified so that the nominee directors have greater weight than that which would correspond to the total percentage of capital which they represent:**

- 1. In highly capitalized companies in which there are few or no shareholdings which are legally considered as significant, but where there are shareholders with packages having a high absolute value.**
- 2. When companies have a plurality of shareholders represented on the Board, and said shareholders have no ties among them themselves.**

See sub-paragraphs: B.1.3 and A.3

Complies ☒ Explain

- 13. That the number of independent directors represent at least one-third of the total number of directors.**

See sub-paragraph: B.1.3

Complies ☒ Explain

- 14. That the type of directorship be explained by the Board to the General Shareholders' Meeting which is to make or ratify the appointment, and that this be confirmed or, where appropriate, revised, annually in the Corporate Governance Report, after verification by the Appointments Committee. Furthermore, that said report likewise give the reasons for the appointment of nominee directors at the petition of shareholders holding less than 5% of the capital; and that the reasons be given for not having heeded formal petitions for appointments to the Board from shareholders holding the same or greater percentage of shares in comparison to the percentage held by others at whose petition nominee directors were appointed.**

See sub-paragraphs: B.1,3 and B.1.4

Complies ☒ Complies partially Explain

- 15. That when there are few or no female directors the Board explain the reasons and the initiatives adopted to correct the situation; and that, in particular, the Appointments Committee see to it that when new vacancies are produced:**

- a) There be no implicit bias in the selection processes so as to hinder the selection of female directors;
- b) The company deliberately seek out and include among the potential candidates women having the professional profile sought.

See sub-paragraphs: B.1,2, B.2.7, and B.2.3

Complies ☒ Complies partially Explain Not applicable

- 16. That the Chairman, as the person in charge of seeing to it that the Board is run effectively, make sure that the directors receive sufficient information in advance; encourage debate and the active participation of the directors during Board meetings, safeguarding their freedom to take their own stand and express their own opinion; and organize and coordinate together with the chairs of the pertinent Committees the periodical evaluation of the Board and of the Managing Director or CEO.**

See sub-paragraph B.1.4

Complies ☒ Complies partially Explain

- 17. That, when the Chairman of the Board is also the company CEO, one of the independent directors be authorized to do as follows: request that a meeting be called or that new items be included on the agenda; coordinate and reflect the concerns of the external directors; and conduct the evaluation by the Board of its Chairman.**

**See sub-paragraph: B.1.21**

Complies ☒      Complies partially      Explain      Not applicable

- 18. That the Secretary of the Board see to it that the actions of the Board:**

- a) **Conform to the letter and the spirit of the Law and its regulations, including those approved by regulatory agencies;**
- b) **Conform to the Corporate Bylaws and the Rules of Procedure of the General Shareholders' Meeting, the Board of Directors and any other Rules of the company;**
- c) **Keep in mind the recommendations on good governance contained in the Unified Code accepted by the company.**

**Furthermore, to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and resignation or dismissal be reported by the Appointments Committee and approved by the plenum of the Board, and that said procedure for appointment, resignation or dismissal be included in the Rules of Procedure of the Board.**

**See sub-paragraph: B.1.34**

Complies ☒      Complies partially      Explain

- 19. That the Board meet as often as required in order to carry out its functions effectively, following the timetable and agenda which it establishes at the beginning of the year, with each Director being authorized to propose additional items to be put on the agenda.**

**See sub-paragraph: B.1.29**

Complies ☒      Complies partially      Explain

- 20. That the number of cases of non-attendance of directors at Board meetings be limited to absolute necessity, and that such cases be quantified in the Annual Corporate Governance Report; moreover, if proxy delegation should prove to be essential, that this be granted with instructions.**

**See sub-paragraphs: B.1.28 and B.1.30**

Complies ☒      Complies partially      Explain

- 21. 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 meeting, said circumstance be reflected in the minutes at the request of the person voicing such concerns.**

Complies ☒      Complies partially      Explain      Not applicable

**22. That the plenum of the Board evaluate once a year the following:**

- a) The quality and efficiency of the manner in which the Board is run;**
- b) On the basis of the report submitted to it by the Appointments Committee, the Chair's performance of his or her functions, as well as the CEO's performance of his or her functions.**
- c) How well its Commissions are run, on the basis of the report submitted to it by said Commissions.**

**See sub-paragraph: B.1.34**

Complies ☒      Complies partially      Explain

**23. That all directors be able to exercise their right to gather any additional information which they consider necessary regarding matters which are the competence of the Board, And, unless the Bylaws or Rules of Procedure of the Board stipulate otherwise, that they address their request to the Chairman or the Secretary of the Board.**

**See sub-paragraph: B.1.42**

Complies ☒      Explain

**24. That all directors be entitled to obtain from the company the consultancy they require in order to comply with their functions. Moreover, that the company find the adequate channels for the exercise of this right, which under special circumstances may include external consultancy at company expense.**

**See sub-paragraph: B.1.41**

Complies ☒      Explain

**25. That companies set up an orientation program to familiarize new directors with the company and its corporate governance rules rapidly and to a sufficient degree. Moreover, that the companies offer their directors programs for updating their knowledge when this is deemed advisable by the circumstances.**

Complies ☒      Complies partially      Explain

**26. That companies require that their directors devote sufficient time and energy to their function in order to perform their duties efficiently; consequently,**

- a) That directors inform the Appointments Committee of their other professional obligations, in case these should interfere with the dedication required;
- b) That companies establish rules on the number of boards on which their directors may sit.

See sub-paragraphs: B.1.8, B.1.9 and B.1.17

Complies ☒      Complies partially      Explain

**27. That the proposal for appointment or reelection of directors by the Board to the General Shareholders' Meeting, as well as their provisional appointment owing to co-option, be approved by the Board:**

- a) At the proposal of the Appointments Committee, in the case of independent directors;
- b) After a report by the Appointments Committee, in the case of the other directors.

See sub-paragraph: B.1.2

Complies ☒      Complies partially      Explain

**28. That companies publicize and keep up to date through their Web page the following information on their directors:**

- a) Professional profile and biography;
- b) Other Boards of Directors on which they sit, regardless of whether or not these are listed companies.
- 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 ☒      Complies partially      Explain

**29. That independent directors not remain as such for a continual period of more than 12 years.**

Complies ☒      Complies partially      Explain

- 30. 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.**

**See sub-paragraphs: A.2, A.3 and B.1.2**

Complies ☒      Complies partially      Explain

- 31. That the Board of Directors refrain from proposing the dismissal of any independent director before said director finishes his or her term of appointment as stipulated in the Bylaws, unless there is good cause to do so, as determined by the Board on the basis of a report by the Appointments Committee. In particular, good 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 described in sub-paragraph a5 of section III of the definitions of this Code.**

**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 Recommendation 12.**

**See sub-paragraphs: B.1.2, B.1.5, and B.1.26**

Complies ☒      Explain

- 32. That the companies set up rules obliging directors to report and, where appropriate, resign in those cases which may damage the credit and reputation of the company, and in particular, oblige them to report to the Board any criminal matter of which they stand accused, as well as the subsequent procedural outcome.**

**That, in the event that a director should be charged or ordered to stand trial for any of the crimes indicated in article 124 of the Companies Act, the Board is to examine the case as soon as possible and, in view of the specific circumstances, decide on whether or not the director should remain in his or her position. Moreover, the Board is to render account thereof, in a reasoned manner, in the Annual Report on Corporate Governance.**

**See sub-paragraphs: B.1.43, and B. 1.44**

Complies ☒      Complies partially      Explain

- 33. That all directors clearly express their opposition when they consider that a given proposal for decision put to the Board may be contrary to the corporate interest. And that they likewise do so, especially the independent and other**

**directors who are not affected by the potential conflict of interest, when decisions are involved which may harm the shareholders not represented on the Board.**

**Moreover, when the Board 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 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 ☒      Complies partially      Explain      Not applicable

- 34. 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. 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 Annual Corporate Governance Report.**

**See sub-paragraph: B.1.5**

Not applicable

- 35. That the compensation policy approved by the Board deal at least with the following matters:**

- a) Amount of fixed components, with a breakdown, if applicable, of fees for attendance at Board and Committee meetings, and an estimation of the fixed annual compensation to which they give rise;**
- b) Variable types of compensation, including, in particular, the following:**
  - i) Types of directorships to which they apply, together with an explanation of the relative importance of the variable types of compensation with respect to fixed types.**
  - ii) Criteria for evaluating results which serve as a basis for any right to compensation in shares, stock options or any variable component;**
  - iii) Fundamental parameters and basis for any annual premium (bonus) system or other non-cash benefits; and**
  - iv) An estimation of the absolute amount of variable compensation to which the proposed compensation plan will give rise, in terms of the degree of compliance with the hypotheses or objectives which it takes as a reference.**
- c) Principle characteristics of the social welfare systems (for instance, additional pensions, life insurance and the like), with an estimation of their equivalent annual cost.**
- d) Conditions to be respected in the contracts of those performing senior management duties as executive directors, among which are to be included:**

- i) Duration
- ii) Terms of advance notice
- iii) Any other clauses regarding contract premiums, such as indemnity or golden parachute contracts for early rescission or termination of the contractual relation between the company and the executive director.

See sub-paragraph: B. 1.15

Complies

- 36. That only executive directors be eligible for compensation in the form of company or group-company shares, stock options or market-indexed instruments, variable compensation linked to company performance or social welfare systems.**

**This recommendation will not apply to the granting of shares, when this is done under the condition that directors keep said shares until they resign from their directorship.**

See sub-paragraphs: A.3 and B.1.15

Complies ☒ Explain

- 37. That compensation paid to external directors be sufficient so as to compensate their dedication, qualification and responsibility required by the position, but not so high as to compromise their independence.**

Complies ☒ Explain

- 38. 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 ☒ Complies partially Explain

- 39. That in cases of variable compensation, compensation policies incorporate the technical precautions required so as to ensure that said compensation is in line with professional performance of its beneficiaries and do not merely result from general market performance or from corporate sector activity performance or other similar circumstances.**

Not applicable

- 40. That the Board put to the vote of the General Shareholders' Meeting, as a separate item on the agenda, and for the purpose of consultation, a report on director compensation policy. Furthermore, that said report be made available to the shareholders, either separately or in any other way that the company considers advisable.**



Said report is to focus especially on the compensation policy approved by the Board for the year already under way and, if applicable, the policy planned for future years. It shall cover all of the matters referred to in Recommendation 35, except for those points which may entail the revelation of sensitive commercial information, and shall stress the most significant changes made in said policies with respect to the policy applied during the past year to which the General Meeting refers. It shall also include a global summary of how the compensation policy was applied during said past year.

That the Board likewise report on the role played by the Compensation Committee in drafting the compensation policy, and if external consultancy was used, identify the external consultants providing the service.

See sub-paragraph: B.1.16

Complies                      Complies partially ☒                      Explain

On the occasion of the Company's Ordinary General Shareholder' Meeting, shall be delivered, for information purposes, the report regarding the Director compensation policy, which was made available to shareholders from the date of publication of call for General Meeting.

**41. That the Annual Report detail the individual compensation paid to the directors during the year, and that it include:**

- a) An individualized breakdown of the compensation paid to each director, which is to include, if applicable:
  - i) Director attendance fees and other fixed compensation.
  - ii) Additional compensation as chairman or member of a given committee of the Board.
  - iii) Any compensation in the form of profit-sharing or bonuses, and the reason for this compensation.
  - iv) Contributions on behalf of the director to defined contribution pension plans; or the increase in the director's consolidate rights, in cases of contributions to defined benefit plans.
  - v) Any indemnity agreed to or paid in the event of termination of the director's functions.
  - vi) Compensation received as director of other companies in the group.
  - vii) Compensation for the performance of the senior management duties of executive directors.
  - viii) Any other type of compensation other than the above, no matter what type or what company in the group pays it, especially when it is considered to be a related operation or when its omission distorts the true and fair view of the total compensation received by the director.

- b) An individualized breakdown of any eventual granting to directors of shares, stock options or any other market-indexed instruments, detailing:
- i) The number of shares or options granted during the year and the conditions for their exercise;
  - ii) The number of options exercised during the year, indicating the number of shares affected and the exercise price;
  - iii) The number of options pending exercise at year-end, indicating their price, date and other exercise requirements;
  - iv) Any change during the year in the exercise conditions of the options already granted.
- c) Information regarding the relation, during said past year, between the compensation obtained by the executive directors and the results or other measures of company performance.

Complies ☒      Complies partially      Explain

42. That when a Delegated or Executive Committee (hereinafter, “Delegated Committee”) exists, the participation structure of the various categories of directors be similar to that of the Board itself and that its Secretary be the same as the Secretary of the Board.

See sub-paragraphs: B.2.1 and B.2.6

Complies      Complies partially      Explain      Not applicable ☒

43. That the Board always be informed of the matters dealt with and the decisions adopted by the Delegated Committee, and that all members of the Board receive a copy of the minutes of the Delegated Committee meetings.

Complies	Explain	Not applicable <input checked="" type="checkbox"/>
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44. That the Board of Directors set up from among its members, in addition to the Audit Committee required by the Spanish Securities Market Act, an Appointments and Compensation Committee, or two separate Committees.

That the rules for the composition and running of the Audit Committee and the Appointments and Compensation Committee or Committees be stated in the Rules of Procedure of the Board, and that they include the following:

- a) That the Board 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 on their activity and be held accountable for the work they have done, at the first Board plenum held after the Committee meetings.

- b) That said Committees be made up exclusively of a minimum of three external directors. This notwithstanding the attendance of executive directors or senior management, when the Committee members so expressly agree.
- c) That the Chairs thereof be independent directors.
- d) That these Committees may obtain external consultancy, when they consider this advisable for the performance of their functions.
- e) That minutes be taken of these Committee meetings, with a copy being sent to all members of the Board.

See sub-paragraphs: B.2.1 and B.2.3

Complies ☒      Complies partially      Explain

45. That the supervision of compliance with the internal codes of conduct and the rules of good corporate governance correspond to the Audit Committee, to the Appointments Committee or, if there are two separate Committees, to those of Compliance or Corporate Governance.

Complies ☒      Explain

46. That the members of the Audit Committee, especially the Chairman thereof, be appointed taking into account their knowledge and experience in matters of accounting, auditing or risk management.

Complies ☒      Explain

47. That listed companies have an internal audit function which, under the supervision of the Audit Committee, oversees the proper running of the information and internal control system.

Complies ☒      Explain

48. 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 ☒      Complies partially      Explain

49. That the risk control and management policy identify at least the following:

- a) That the various types of risk (operational, technological, financial, legal, reputation, etc.) faced by the company, including contingent liabilities and other off-balance sheet-risks among the financial or economic 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.

See sub-paragraph: D

Complies ☒      Complies partially      Explain

**50. That the Audit Committee be in charge of the following:**

**1. In relation to the information and internal control systems:**

- a) Supervising the process of drafting the financial information of the company and, if applicable, of the group, as well as the integrity of said information, revising compliance with regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of the accounting criteria.
- b) Periodically revising the internal control and risk management systems, in order that the principle risks may be identified, managed and adequately made known.
- c) Seeing to it that the internal audit function is run independently and efficiently; proposing the selection, appointment, reelection and dismissal of the person in charge of the internal audit system; proposing the budget for this service; receiving periodical information on its activities; and verifying that senior management takes into account the conclusions and recommendations contained in its reports.

**2. In relation to the external auditor:**

- a) Submitting to the Board proposals regarding the selection, appointment, reelection and replacement of the external auditor, as well as the auditor's contract conditions.
- b) Receiving from the external auditor on a regular basis information on the audit plan and the results of the execution of said plan, and verifying that senior management take into account the auditor's recommendations.
- c) Ensuring the independence of the external auditor and, in this regard:
  - i) That the company communicate the change in auditor as a relevant fact to the Spanish Securities and Market Commission (CNMV), together with a statement on the eventual existence of disagreements with the outgoing auditor and, if such disagreements had existed, what they consisted of.

- ii) That it be ensured that the company and the auditor respect the regulations in force regarding the provision of services other than auditing services, the limits to the concentration of the auditor's business and, in general, all other norms established to ensure the independence of the auditors.
- iii) That in the event that the auditor should choose to leave, the Committee examine the reasons why.
- d) In the case of groups, favoring that the auditor of the group take on the responsibility for auditing the companies comprising the group.

See sub-paragraphs: B.1.35, B.2.2, B.2.3 and D.3

Complies ☒      Complies partially      Explain

**51. That the Audit Committee may call on any company employee or manager, and even order that they appear without the presence of any other manager.**

Complies ☒      Explain

**52. That the Audit Committee inform the Board, prior to the Board's adopting the corresponding decisions, about the following matters indicated in Recommendation 8:**

- a) The financial information which, given that it is a listed company, the company is required to make public periodically. The Committee should ensure that the intermediate accounts are drafted using the same accounting criteria as the annual accounts and, for this purpose, consider the suitability of a limited revision by the external auditor.
- b) The creation or acquisition of shareholdings in special-purpose companies or those domiciled in countries or territories considered to be tax havens, as well as any other similar transactions or operations which, given their complexity, may diminish the transparency of the group.
- c) Related operations, unless that function of prior report has been entrusted to another supervisory and control Committee.

See sub-paragraphs: B.2.2 and B.2.3

Complies ☒      Complies partially      Explain

**53. That the Board of Directors endeavor to present the annual accounts to the General Meeting without reservations or qualified opinions and, in the exceptional case that there should be a reservation or qualified opinion, both the Chair of the Audit Committee as well as the auditors clearly explain to the shareholders the content and scope of said reservations or qualified opinions.**

See sub-paragraph: B.1.38

Complies ☒      Complies partially      Explain

**54. That the majority of members of the Appointments Committee –or Appointments and Compensation Committee, if there is only one Committee- be independent directors.**

**See sub-paragraph: B.2.1**

Complies ☒      Complies partially      Explain

**55. That the Appointments Committee, in addition to the functions indicated in the preceding Recommendations, be entrusted with the following functions:**

- a) Evaluate the competence, knowledge and experience required on the Board; consequently define the functions and aptitudes required of the candidates who are to cover each vacancy, and evaluate the time and dedication required in order to carry out their functions adequately.**
- b) Examine or organize, in a manner understood to be adequate, the succession of the Chairman and the CEO and, if applicable, make proposals to the Board, in order that said succession may be carried out in an orderly and well-planned manner.**
- c) Report any appointments and dismissals of senior management proposed by the CEO to the Board.**
- d) Inform the Board of the diverse matters indicated in Recommendation 14 of this Code.**

**See sub-paragraph: B.2.3**

Complies ☒      Complies partially      Explain      Not applicable

**56. 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 them suitable.**

Complies ☒      Complies partially      Explain      Not applicable

**57. That the Compensation Committee, in addition to the functions indicated in the preceding Recommendations, be entrusted to do the following:**

- a) Propose to the Board**
  - i) The compensation policy for directors and senior management;**
  - ii) Compensation and other contract conditions for executive directors;**

iii) **Basic contract conditions for senior management.**

b) See to it that the compensation policy established by the company is observed.

See sub-paragraphs: B.1.14 and B.2.3

Complies ☒ Complies partially Explain

**58. That the Compensation Committee consult with the company Chairman and CEO, especially in regard to matters concerning executive directors and senior management.**

Complies ☒ Complies partially Not applicable

## **G OTHER INFORMATION OF INTEREST**

If you consider that there is any principle or relevant aspect in relation to the corporate governance practices applied by your company which has not been addressed by this report, please mention this below and explain the content thereof.

In paragraph C.3. on the details of relevant operations between the Company or entities in its Group and directors or managers of the Company, we note, with reference to the Director, Mr. Luis Javier Martínez Sampedro, contractual relations for the provision of services with the companies Interbas SA (in the amount of 97,200 euros), Iberargen SA (in the amount of 97,200 euros), Bingos Platenses SA (in the amount of 32,400 euros), Interjuegos SA (in the amount of 32,400 euros) and Bingos del Oeste SA (in the amount of 64,800 euros), although it is the company Recreativos Metropolitano S.L., of which the above-named is the Sole Director, who actually provides such services.

In paragraph C.3. on the details of relevant operations between the Company or entities in its Group and directors or managers of the Company, we note, with reference to the Director, M. José Ramón Romero Rodríguez, a contractual relationship for the provision of services in the amount of 517,000 euros, although it is the law firm, Despacho Loyra Abogados, of which the above-named is the Partner Manager, who actually provides such services.

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**Binding definition of independent director:**

Indicate whether any of the independent directors has or has had any relation with the company, its significant shareholders or its managers, which had it been sufficiently significant or important would have made it impossible for the director to be considered independent in accordance with the definition contained in section 5 of the Unified Code of Good Governance:

Yes No ☒

Name of director	Type of relation	Explanation

The Annual Report on Good Governance has been approved by the Board of Directors of the company at its meeting held on 26 February 2008.

**Indicate whether any Directors have voted against or have abstained from the approval of the present report.**

Yes

No ☒

<b>Name of director not voting in favor of the approval of the present report</b>	<b>Reasons (against, abstention, non-attendance)</b>	<b>Explain the reasons</b>