

CODERE, S.A. AND SUBSIDIARIES

Audit Report, Consolidated Annual Accounts
and Consolidated Directors' Report
for the year ended 31 December 2012



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

AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Codere, S.A.:

We have audited the consolidated annual accounts of Codere, S.A. (parent company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2012, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes to the consolidated annual accounts for the year then ended. As explained in Note 2, the Directors of the parent company are responsible for the preparation of these consolidated annual accounts, in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with the legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2012 present fairly, in all material respects, the consolidated financial position of Codere, S.A. and its subsidiaries at 31 December 2012 and the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

The accompanying consolidated Directors' Report for 2012 contains the explanations which the parent company's Directors consider appropriate regarding the Group's situation, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated Directors' Report is in agreement with that of the consolidated annual accounts for 2012. Our work as auditors is limited to checking the consolidated Directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Codere, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Antonio Vázquez
Partner

28 February 2013

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CODERE, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts for the year ended 31 December 2012 and
Consolidated Directors' Report for 2012

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CODERE, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Thousands of euros)

ASSETS	Note	At 31 December	
		2012	2011
Non-current assets		1,577,598	1,261,547
Intangible assets	7	586,844	361,583
Property, plant and equipment	8	638,694	479,624
Goodwill	10	265,097	304,003
Non-current financial assets	11	37,202	67,574
Non-current loans		18,670	49,974
Investments held to maturity		6,093	4,497
Other financial assets		12,439	13,103
Deferred tax assets	12	49,761	48,535
Other non-current assets		-	228
Current assets		355,967	301,481
Inventories	14	12,540	11,528
Receivables	15	186,650	127,423
Trade and other receivables		24,874	22,174
Current tax assets		8,856	6,697
Sundry receivables		46,880	37,128
Tax receivables accrued		106,040	61,424
Financial assets	16	56,343	22,021
Short-term investment securities		2,575	1,275
Other loans and investments		53,768	20,746
Other current assets		15,587	4,817
Cash and cash equivalents	24	84,847	135,692
TOTAL ASSETS		1,933,565	1,563,028

The accompanying notes are an integral part of these Consolidated Annual Accounts.

CODERE, S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Thousands of euros)

EQUITY AND LIABILITIES	Note	At 31 December	
		2012	2011
Equity attributable to owners of the parent	17	(2,008)	115,547
Share capital		11,007	11,007
Share premium		231,280	231,280
Legal reserve and retained earnings (prior-year losses)		(75,236)	(73,889)
Revaluation reserve		4,399	4,577
Translation differences		(68,799)	(109,580)
Profit/(loss) for the year attributable to owners of the parent		(104,659)	52,152
Non-controlling interests		100,559	48,660
Total equity		98,551	164,207
Non-current liabilities		1,347,265	1,005,570
Deferred income		339	540
Non-current provisions	18	44,854	44,219
Non-current payables	19	1,167,358	872,538
Bank borrowings		100,591	59,658
Bonds issued		985,642	758,090
Other payables		81,125	54,790
Deferred tax liabilities	12	134,714	88,273
Current liabilities		487,749	393,251
Provisions and other	18	4,838	2,931
Bank borrowings	19	75,933	45,567
Bonds and other marketable securities		12,141	3,730
Other non-trade payables	19	248,298	191,779
Trade payables		131,135	119,489
Current tax liabilities	19	15,404	29,755
TOTAL EQUITY AND LIABILITIES		1,933,565	1,563,028

The accompanying notes are an integral part of these Consolidated Annual Accounts.

CODERE, S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
(Thousands of euros)

	Note	Year ended 31 December	
		2012	2011
Operating revenue	23	1,663,930	1,374,333
Revenue		1,659,049	1,369,053
Other revenue		4,881	5,280
Operating expenses	23	(1,590,579)	(1,212,271)
Consumables used and other external expense		(54,439)	(63,323)
Employee costs	23.d	(327,858)	(261,819)
Depreciation and amortisation		(154,832)	(125,614)
Change in trade provisions		(1,808)	2,112
Other operating expenses	23.c	(976,430)	(759,512)
Asset impairment charges	10, 13	(75,212)	(4,115)
Gain/(loss) on retirement or disposal of assets	6	36,550	(1,440)
CONSOLIDATED OPERATING PROFIT		109,901	160,622
Finance income		7,557	16,890
Finance costs		(166,422)	(86,486)
Net foreign exchange gains/(losses)		416	3,145
NET FINANCE COSTS	23	(158,449)	(66,451)
CONSOLIDATED PROFIT/(LOSS) BEFORE INCOME TAX		(48,548)	94,171
Income tax expense	21	(72,907)	(58,380)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(121,455)	35,791
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		(121,455)	35,791
Attributable to:			
Non-controlling interests		(16,796)	(16,361)
Owners of the parent		(104,659)	52,152
Basic earnings per share (in euros)	23f	(2.21)	0.65
Basic earnings per share from continuing operations attributable to owners of the parent (in euros)	23f	(1.91)	0.95

The accompanying notes are an integral part of these Consolidated Annual Accounts.

CODERE, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Thousands of euros)

	Year ended 31 December	
Note	2012	2011
Profit/(loss) for the year	(121,455)	35,791
Other comprehensive income:		
Currency translation differences	18,902	(38,082)
Other comprehensive income for the year, net of tax	18,902	(38,082)
Total comprehensive income for the year	(102,553)	(2,291)
Attributable to owners of the parent	(89,834)	12,830
Attributable to non-controlling interests	(12,719)	(15,121)

The accompanying notes are an integral part of these Consolidated Annual Accounts.

CODERE, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Thousands of euros)

	Note	Share capital	Share premium	Legal reserve and retained earnings (prior-year losses)	Revaluation reserve	Translation differences	Profit/(loss) attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
BALANCE at 31 December 2011		11,007	231,280	(73,889)	4,577	(109,580)	52,152	115,547	48,660	164,207
Profit/(loss) for the year		-	-	-	-	-	(104,659)	(104,659)	(16,796)	(121,455)
Other comprehensive income for the year		-	-	-	-	14,825	-	14,825	4,077	18,902
Total comprehensive income		-	-	-	-	14,825	(104,659)	(89,834)	(12,719)	(102,553)
Reversal of revaluation reserve		-	-	178	(178)	-	-	-	-	-
Changes in consolidation scope and business combinations	6									
- Scope changes				(2,387)	-	-	-	(2,387)	12,601	10,214
- Business combinations	17.c	-	-	(49,868)	-	25,956	-	(23,912)	58,891	34,979
Reserves for treasury shares		-	-	316	-	-	-	316	-	316
Provision for options	18.2	-	-	(1,434)	-	-	-	(1,434)	-	(1,434)
Gain/(loss) on treasury shares		-	-	(304)	-	-	-	(304)	-	(304)
Dividends (*)		-	-	-	-	-	-	-	(6,874)	(6,874)
Transfer to retained earnings		-	-	52,152	-	-	(52,152)	-	-	-
Total changes in equity		-	-	(1,347)	(178)	25,956	(52,152)	(27,721)	64,618	36,897
BALANCE at 31 December 2012		11,007	231,280	(75,236)	4,399	(68,799)	(104,659)	(2,008)	100,559	98,551

(*) Corresponds to the distribution of dividends to the holders of non-controlling interests in the Group's Spanish subsidiaries.

The accompanying notes are an integral part of these Consolidated Annual Accounts.

CODERE, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Thousands of euros)

	Note	Share capital	Share premium	Legal reserve and retained earnings (prior-year losses)	Revaluation reserve	Translation differences	Profit/(loss) attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
BALANCE at 31 December 2010		<u>11,007</u>	<u>231,280</u>	<u>(99,721)</u>	<u>4,765</u>	<u>(70,258)</u>	<u>29,331</u>	<u>106,404</u>	<u>38,778</u>	<u>145,182</u>
Profit/(loss) for the year		-	-	-	-	-	52,152	52,152	(16,361)	35,791
Other comprehensive income for the year		-	-	-	-	(39,322)	-	(39,322)	1,240	(38,082)
Total comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,322)</u>	<u>52,152</u>	<u>12,830</u>	<u>(15,121)</u>	<u>(2,291)</u>
Reversal of revaluation reserve		-	-	188	(188)	-	-	-	-	-
Changes in consolidation scope and business combinations										
- Acquisitions of non-controlling interests	6	-	-	(1,489)	-	-	-	(1,489)	12,536	11,047
- Business combinations	6	-	-	-	-	-	-	-	14,927	14,927
Reserve for treasury shares	17.c	-	-	(671)	-	-	-	(671)	-	(671)
Provision for options	18.2	-	-	(1,444)	-	-	-	(1,444)	-	(1,444)
Gain/(loss) on treasury shares		-	-	(83)	-	-	-	(83)	-	(83)
Dividends (*)		-	-	-	-	-	-	-	(2,460)	(2,460)
Transfer to retained earnings		<u>-</u>	<u>-</u>	<u>29,331</u>	<u>-</u>	<u>-</u>	<u>(29,331)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total changes in equity		<u>-</u>	<u>-</u>	<u>25,832</u>	<u>(188)</u>	<u>-</u>	<u>(29,331)</u>	<u>(3,687)</u>	<u>25,003</u>	<u>21,316</u>
BALANCE at 31 December 2011		<u>11,007</u>	<u>231,280</u>	<u>(73,889)</u>	<u>4,577</u>	<u>(109,580)</u>	<u>52,152</u>	<u>115,547</u>	<u>48,660</u>	<u>164,207</u>

(*) Corresponds to the distribution of dividends to the holders of non-controlling interests in the Group's Spanish subsidiaries.

The accompanying notes are an integral part of these Consolidated Annual Accounts.

CODERE, S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
(Thousands of euros)

	Note	Year ended 31 December	
		2012	2011
Consolidated profit/(loss) for the year before income tax		(48,548)	94,171
Net finance costs		158,449	66,450
Expenses that do not represent cash movements		246,480	143,002
Depreciation and amortisation	7,8	154,832	125,614
Asset impairment charges	13	75,212	4,115
Other operating expenses		16,436	13,273
Revenue that does not represent cash movements		(41,918)	(887)
Net changes in working capital		(24,455)	(16,651)
Income tax paid		(81,056)	(53,793)
NET CASH GENERATED FROM OPERATING ACTIVITIES		208,952	232,292
Purchases of property, plant and equipment and intangible assets		(235,822)	(105,686)
Proceeds from sale of plant, property and equipment and intangible assets		8,264	1,327
Payments on non-current loans		(25,651)	(17,909)
Repayments received on non-current loans		25,706	19,129
Amounts paid on investments		(157,924)	(13,684)
NET CASH USED IN INVESTING ACTIVITIES	24	(385,427)	(116,823)
Bond issues		226,005	-
Net change in Codere's senior debt		(9,561)	10,000
Other borrowings drawn down		4,666	11,072
Other borrowings repaid		(1,226)	(4,717)
Net change in borrowings		(6,121)	16,355
Proceeds from bank borrowings		58,458	11,799
Repayment of bank borrowings		(14,614)	(12,117)
Net change in other bank borrowings		43,844	(318)
Dividends paid		(6,505)	(2,255)
Proceeds from other financial debt		19,713	3,456
Repayments of other financial debt		(47,832)	(7,833)
Net change in other financial liabilities		(28,119)	(4,377)
Acquisition of own equity instruments		(810)	(2,506)
Disposal of own equity instruments		877	1,791
Net investment in own equity instruments		67	(715)
Finance income		3,555	4,394
Finance cost		(107,438)	(78,191)
Effect of exchange rate differences		1,713	(2,734)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		127,001	(67,841)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(49,474)	47,628
Reconciliation:			
Cash and cash equivalents at beginning of the year		135,692	90,601
Exchange gains/(losses) on cash and cash equivalents		(1,371)	(2,537)
Cash and cash equivalents at end of year		84,847	135,692
	24	(49,474)	47,628

The accompanying notes are an integral part of these Consolidated Annual Accounts.

CODERE, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

1. General information

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

The corporate purpose of Codere S.A. is described in article 2 of its bylaws and consists of investment and reinvestment activities in real estate, hospitality services, 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 coordinating the provision of legal, tax and financial advisory services.

Codere, S.A. and its subsidiaries (hereinafter “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 (Argentina, Brazil, Colombia, Mexico, Panama and Uruguay). The companies forming the Group are detailed in Appendix 1.

These Consolidated Annual Accounts were authorised for issue by the Board of Directors on 27 February 2013.

2. Accounting policies

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

a) Basis of presentation

The Consolidated Annual Accounts have been prepared on the basis of the accounting records of Codere S.A. and its consolidated subsidiaries and are presented in thousands of euros in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). The Consolidated Annual Accounts have been prepared under the historical cost convention, except for available-for-sale financial assets, which were measured at fair value, and land and buildings, which were recognised at their fair values upon first-time application of IFRS-EU.

The preparation of Consolidated Annual Accounts in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Annual Accounts, are disclosed in note 4.

a.1) Going concern

At 31 December 2012, the Group had negative working capital in the amount of €131.78 million (year-end 2011: €91.77 million). This is a common situation in the sector in which the Group operates and given its financial structure and does not imply an impediment to business continuity.

The Directors consider that the following factors support the reasonable expectation that the Group has sufficient resources to continue as a going concern for the foreseeable future:

CODERE, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

- The average collection period in the gaming sector is very short, while the average supplier payment period is longer, enabling the business to generate sufficient operating cash flow to cover working capital requirements.
- The Group generates positive cash flow from operating activities.
- The Group is in the process of implementing financial measures that are designed to optimise the Group's free cash flow.
- The Group holds cash and available or potentially available financial resources to cover the payment obligations generated by its activities.

In the light of the above, the Group has prepared these Consolidated Annual Accounts on a going concern basis. Note 3.c.3) provides additional disclosures on the Group's risk management objectives and policies and its management of liquidity risk. Also, Note 3.d) itemises the main non-recurring items that were recognised as charges in 2012 that are responsible for the negative balance of equity attributable to owners of the parent (a negative balance of €2.01 million at year-end 2012).

a.2) New standards, amendments and interpretations issued

The new standards, amendments and interpretations that took effect in 2012:

		Applicable for annual periods beginning on or after:
Amendments		
IFRS 7	Financial Instruments: Disclosures - Transfers of financial assets	1 July 2011

The Directors believe that adoption of this amended standard has not had a material impact on the Group's financial position, financial performance or disclosure requirements.

CODERE, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

At the date of authorising these Consolidated Annual Accounts for issue, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations detailed below, which are applicable for annual periods beginning in 2013 or 2014. They have not been early adopted by the Group.

		Applicable for annual periods beginning on or after:
Amendments		
IFRS 7	Financial instruments: Offsetting financial assets and financial liabilities	1 January 2013
IFRS 7 (*)	Financial instruments: Mandatory effective date and transition disclosures	-
IAS 1	Presentation of financial statements	1 July 2012
IFRS 9 (*)	Financial instruments: Classification and measurement	1 January 2013
IFRS 9 (*)	Financial instruments: Mandatory effective date and transition disclosures	-
IAS 19	Employee benefits	1 January 2013
IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IFRS 13	Fair value measurement	1 January 2013
IAS 12	Deferred tax: Recovery of underlying assets	1 January 2013
IAS 27	Separate financial statements	1 January 2014
IAS 28	Investments in associates and joint ventures	1 January 2014
IAS 32	Offsetting financial assets and financial liabilities	1 January 2014

Improvements to IFRSs for 2012, introducing clarifications on the following standards:

IFRS 1 (*)	First-time adoption of International Financial Reporting Standards	1 January 2013
IAS 1 (*)	Presentation of financial statements	1 January 2013
IAS 16 (*)	Property, plant and equipment	1 January 2013
IAS 32 (*)	Financial Instruments: Presentation	1 January 2013
IAS 34 (*)	Interim financial reporting	1 January 2013

New standards and amendments to new standards

IFRS 1 (*)	Accounting for government grants and disclosure of government assistance	1 January 2013
IFRS 10 (*)	Consolidated financial statements – transitional provisions	1 January 2013
IFRS 10 (*)	Consolidated financial statements – investment entities	1 January 2014
IFRS 11 (*)	Joint arrangements – transitional provisions	1 January 2013
IFRS 12 (*)	Disclosure of interests in other entities – transitional provisions	1 January 2013
IFRS 12 (*)	Disclosure of interests in other entities – investment entities	1 January 2014

(*) Standards pending adoption by the European Union.

The Directors are analysing the potential impact of adoption of these new standards and interpretations on the Group's Consolidated Annual Accounts.

CODERE, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

b) Accounting policies

b.1) Consolidation

• ***Subsidiaries and business combinations***

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

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

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

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

Put and call options with non-controlling interests that form part of a business combinations are included within the consideration transferred (increasing or decreasing such consideration as warranted) such that the options do not have an impact on the calculation of non-controlling interests, as these options correspond to rights and obligations that affect Codere Group only. As a result of application of this policy, the amounts corresponding to the business combination with Caliente Group closed in 2011 have been updated; as a result, goodwill and non-controlling interests decreased by €2.49 million.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities

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assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

- Changes in ownership interests in subsidiaries without loss of control

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

- Interests in joint ventures

The Group's interests in jointly controlled entities are proportionately consolidated, implying the consolidation in the Consolidated Annual Accounts of the Group's share of these companies' income and expenses, assets and liabilities in proportion with the Group's ownership interests. Joint ventures are those over which the Group has joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

The assets, liabilities, income and expenses of the joint ventures are presented in the similar items of the consolidated balance sheet and consolidated income statement.

- Disposal of subsidiaries

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

b.2) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-making authority, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

b.3) Foreign currency translation

b.3.1) Functional currency and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Annual Accounts are presented in euros, which is the Group's presentation currency.

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b.3.2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or measurement, where items are remeasured.

Foreign currency gains and losses resulting from the settlement of these transactions and the translation of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

The monetary items of each Group company that are denominated in a currency other than the functional currency are translated using the exchange rate prevailing at the balance sheet date. All realised and unrealised exchange gains or losses are taken to the income statement for the year, with the exception of exchange gains or losses on intra-group monetary transactions considered part of an investment in a foreign operation, which are included under "Translation differences" in the consolidated balance sheet.

Non-monetary items denominated in foreign currency and carried at historical cost are translated using the exchange rate prevailing on the transaction date, while currency-denominated non-monetary items measured at fair value are translated into the functional currency using the rate of exchange on the date the fair value was determined.

b.3.3) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

b.4) Intangible assets

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and any impairment loss.

Expenses incurred in relation to intangible assets are only capitalised when they increase the future economic benefits expected to be generated by the assets in question. All other costs are expensed when incurred.

- Gaming licences include the amount paid to the granting authorities. They are amortised over the term of the associated concession.
- Exclusive rights comprise amounts paid to the owners of food and drink establishments to install gaming machines in their premises. They are amortised over the term of the contracts.
- Installation rights comprise amounts paid to authorities for permits to install gaming machines. They are amortised over the authorisation period.

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- Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.
- Separately acquired trademarks are shown at acquisition cost. Trademarks are deemed to have an indefinite useful life.
- Rights to use brands, trademarks, customer portfolios and licenses acquired in business combinations are recognised at their acquisition-date fair values. With the exception of trademarks, which are deemed to have an indefinite useful life, they are amortised during the term of the related right, concession or the best estimate of the term of the contractual customer relationship, calculated on the basis of financial models and the Group's prior experience with customers in each of its operating markets.

Intangible assets with a finite useful life are amortised on a straight-line basis over their estimated useful lives from when they become available for use. The amortisation rates applied are as follows:

	Annual amortisation rate
Gaming licences	2.5%-11%
Exclusive rights	15%-25%
Installation rights	10% - 33%
Customer portfolios	4.5%-10%
Computer software	20%- 25%
Leasehold assignment rights	10% - 20%

These rates are regularly reviewed to ensure their accuracy.

b.5) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost. Nevertheless, on first-time application of IFRS-EU, the Group decided to revalue its land and buildings, using their fair value at the transition date as deemed cost.

This revaluation was recognised directly with a charge to equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group. All other costs are expensed when incurred.

Fixtures and fittings in bingo halls are depreciated over the shorter of the lease term or the depreciation period used for this asset category.

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Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful life of each component of property, plant and equipment. Items of property, plant and equipment are depreciated from when they are ready for their intended use. Land is not depreciated. The depreciation rates applied are as follows:

	Annual amortisation rate
Leisure, gaming and sports betting machines	10% - 40%
Furniture, fittings and equipment	7% - 30%
Computer hardware	10% - 30%
Vehicles	10% - 30%
Structures and buildings	2% - 3%
Work done to leased premises	10% - 30%
Plant and machinery	7% - 30%

These rates are regularly reviewed to ensure their accuracy.

Borrowing costs associated with loans which are directly attributable to the acquisition, construction or production of items of property, plant and equipment are added to the cost of the asset, in accordance with IAS 23.

b.6) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed and any non-controlling interest in the acquiree. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is carried at the amount recognised on the acquisition date less any accumulated impairment losses. Goodwill is not amortised but is allocated to cash-generating units for the purpose of impairment testing. Goodwill is allocated to cash-generating units which coincide, in general, with the Group's operating segments, which in turn correspond to geographical areas, as the cash-generating units comprising business lines (gaming machines, bingo halls, betting and casinos) do not provide sufficiently detailed information to allow individual analysis, given that a range of different types of operations usually take place in the same location, with gaming and betting machines frequently being installed in bingo halls and casinos (note 6).

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

b.7) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of

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assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

b.8) Financial assets

Financial investments classified as held for trading are recognised at fair value; changes in fair value are recognised in the consolidated income statement. Fair value is the market price at the balance sheet date.

Loans, receivables and financial investments which the Group has the positive intent and ability to hold to maturity are carried at amortised cost less any impairment losses.

Other financial investments held by the Group are classified as available-for-sale and are carried at fair value less costs to sell, with any resulting gains or losses recognised directly in equity. When these investments are sold, the accumulated fair value adjustments recognised in equity are included in the income statement.

Where there is no benchmark price in an active market for an available-for-sale investment and there is no alternative method for determining its fair value, the investment is carried at cost less any impairment losses.

Loans and receivables maturing within 12 months from the balance sheet date are classified in the consolidated balance sheet as current assets and those maturing after twelve months, as non-current. The Group recognises provisions for the impairment of loans and receivables when there is sufficient evidence to reasonably classify these assets as doubtful debts.

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

b.9) Inventories

Inventories correspond mainly to bingo cards and hospitality stocks. They are carried at the lower of acquisition cost or net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling costs and other sales expenses.

b.10) Impairment of financial assets

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

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

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

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

b.11) Derivative financial instruments and hedging activities

The Group regularly enters into contracts to hedge its exposure to exchange rate risk. The risk identified relates to the impact of exchange rate fluctuations on its operations in Argentina and Mexico, which represent a significant percentage of the Group's total sales.

The purpose of these hedge arrangements is to cover a significant portion of the Group's consolidated sales. These hedging arrangements are designed to mitigate the impact of changes in the aforementioned exchange rates with a view to minimising variability in the Group's consolidated revenue reported in euro. There are no hedges outstanding at year-end 2012.

The Group's hedging instruments typically consist of currency insurance contracts: forward exchange contracts which fix the price at which a specified quantity of currency will be bought or sold on a specified future date (Argentine or Mexican pesos versus the US dollar and/or euro). The key characteristics of these foreign exchange insurance contracts are:

- Existence of a price for the purchase and sale of the currency being hedged on regulated exchanges.
- The contract is binding for the counterparties, first-class financial institutions, and the Group.
- The basic terms are not standard: each financial institution offers its own forward rate quotes based on supply and demand.
- There is no up-front payment.
- The contracts are settled net, at the difference between the agreed price and the market rate on future or settlement date.

The contract price is set at the spot rate plus or minus the interest rate spread between the two currencies calculated forward to the settlement date. The currency's forward rate is determined by capitalising this interest rate spread at the contract date.

The hedged items are usually an identified amount of the Group's sales in Argentine pesos, thereby hedging exposure to cash flow variability attributable to the exchange rate risk associated with recognition of the related cash flows.

The Codere Group changed its hedge accounting policy in 2011. Since then it recognises changes in the fair value of its derivatives, both those maturing in the financial year and those not matured at the balance sheet date, in the income statement. Since 2011, inclusive, management consistently and purposely treats its derivatives as speculative derivatives for administrative simplicity.

b.12) Trade receivables

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

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

b.13) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and which are not subject to significant variations.

b.14) Share capital

Ordinary shares are classified as equity.

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

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

b.15) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

b.16) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan when it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. If it is not probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

b.17) Current and deferred income tax

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Tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates the positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, recognising provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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

b.18) Employee benefits

- Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement age, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. When an offer of termination benefits is made to encourage voluntary redundancy, the amount recognised is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

- Bonuses

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

- Retirement bonuses

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Retirement bonuses are recognised at the amount accrued at the balance sheet date by those companies obliged to make such payments under applicable collective bargaining agreements.

b.19) Provisions and contingent liabilities

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

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

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the consolidated companies. Contingent liabilities are not recognised in the annual accounts but are detailed in the notes to annual accounts (note 22).

Amounts recognised in respect of tax provisions are included in the income statement as a function of the nature of the related tax.

b.20) Revenue recognition

Revenue is recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, irrespective of the timing of the resulting cash collection or payments

The Group recognises revenue as follows:

- Gaming machines: revenues include the amount received net of prize, including associated gaming taxes, except in Uruguay, where there is no direct tax.
- Bingo halls: the total face value of the cards sold less winnings paid out, which are recorded as a deduction from revenue.
- Casinos: the net takings collected by the operator.
- Racetracks: the total amount of the bets placed, less winnings paid out.
- Betting: the net takings collected by the operator.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

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

b.21) Leases

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

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The Group leases certain items of property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

b.22) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent by the weighted average number of ordinary shares in issue during the year, excluding any treasury shares held by the Group.

3. Financial risk management targets and policies

a) Sources of funding and gearing policy

The Group's main financing instruments comprise credit lines, bank loans, bond issues and finance and operating leases.

The Group generally obtains third-party financing for the following purposes:

- To finance the working capital requirements of the Group companies.
- To finance the investments implied by the Group's business plan.

With regard to its capital structure, the Group's borrowings can be classified into two tiers of seniority:

- Firstly, senior debt, with a range of maturities, contracted with leading Spanish and international banks.
- Secondly, bonds, the payment of which is, in some cases, subordinate to payment of the senior debt; these bonds mature in 2015 and 2019 and are held by international financial investors.

The Group's gearing policy is to maintain leverage within certain multiples of its EBITDA, consolidated cash flows and debt servicing commitments, in accordance with its covenants with financial creditors and investors.

b) The Group's main risk factors

The Group's main risk factors include those related to the gaming sector in which it operates (regulatory risk, the gaming sector being a highly regulated sector, risks associated with public perceptions of the gaming sector and the risk of increased competition) and risk factors that are specific to the Group. The latter include political, economic and monetary risks associated with international operations, litigation risks, risks deriving from the Company's indebtedness, risks associated with relying on third parties where the Group does not hold the gaming licences which it operates, risks deriving from its growth strategy, concentration risk in the supply of gaming

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machines in Spain, the risk of being unable to offer secure gaming products or ensure the integrity and security of business lines, and the risks associated with operating joint ventures with third parties.

c) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group often uses derivative financial instruments to hedge certain risk exposures.

Risk management is overseen by the Group's Central Treasury Department in accordance with the policies approved by the Board of Directors. This Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

c.1) Market risk

Foreign exchange risk

The Group has significant investments in countries whose currency is not the euro; exposure to the Argentine and Mexican pesos stands out. The Group companies transact primarily in their respective functional currencies.

The Group's policy is to minimise asset and liability currency mismatches so that currency devaluations would not have a significant impact on the Group's financial situation. It also regularly contracts hedging instruments to reduce its exposure to Latin American currency risk, specifically exposure to Argentine pesos in 2012. The Group uses forward contracts with these currencies as underlyings to hedge an identified part of its cash flows (see note 20 for details of these derivative instruments).

For the purposes of IFRS 7, market risk disclosures must include sensitivity analyses showing the effects of hypothetical changes in relevant risk variables on profit or loss and equity. Currency risks within the meaning of IFRS 7 arise from monetary financial assets and liabilities denominated in a currency other than the functional currency of a given company. Exchange differences arising on the translation of financial statements into the Group's presentation currency are not taken into account in subsequent sensitivity analysis.

The impact on profit or loss and equity of changes in the Group's most relevant exchange rates with respect to the year-end rates are shown in the following table:

Currency	Exchange rate at 31/12/2012	Thousands of euros			
		10% euro devaluation		10% euro appreciation	
		Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
ARS/EUR	6.50	(77)	-	77	-
BRL/EUR	2.70	-	1,353	-	(1,353)
COP/EUR	2,333.00	66	-	(66)	-
USD/EUR	1.32	15	-	(15)	-
UYU/EUR	25.60	72	-	(72)	-
MXN/EUR	17.14	1,405	-	(1,405)	-

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Currency	Exchange rate at 31/12/2012	Thousands of euros			
		10% dollar depreciation		10% dollar appreciation	
		Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
ARS/USD	4.9180	236	(348)	(236)	348
BRL/USD	2.0435	-	1,888	-	(1,888)
COP/USD	1768.23	203	-	(203)	-
MXN/USD	12.9880	10,075	32,557	(10,075)	(32,557)
UYU/USD	19.4010	2,471	-	(2,471)	-
EUR/USD	0.7579	(5,145)	(34,139)	5,145	34,139

Currency	Exchange rate at 31/12/2011	Thousands of euros			
		10% euro devaluation		10% euro appreciation	
		Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
ARS/EUR	5.59	(475)	-	475	-
BRL/EUR	1.88	78	1,270	(78)	(1,270)
COP/EUR	2,512.56	25	-	(25)	-
USD/EUR	1.29	(288)	546	288	(546)
UYU/EUR	25.75	(907)	51	907	(51)
MXN/EUR	18.09	2,810	-	(2,810)	-

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Currency	Exchange rate at 31/12/2011	Thousands of euros			
		10% dollar depreciation		10% dollar appreciation	
		Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
ARS/USD	3.87	420	(392)	(420)	392
BRL/USD	1.88	2	1,877	(2)	(1,877)
COP/USD	1,941.75	247	-	(247)	-
MXN/USD	18.09	4,123	23,676	(4,123)	(23,676)
UYU/USD	19.90	705	615	(705)	(615)
EUR/USD	0.77	2,995	(27,155)	(2,995)	27,155

The main movements affecting the analysis of exchange rate risk from 2010 to 2011 are:

- Mexican peso/dollar: the increased exposure as of 31 December 2012 is due to a higher number of loans between the Spanish and Mexican Group companies at year-end compared to twelve months earlier, mainly due to the loans arranged to finance the acquisition of the 35.8% of ICELA Group.
- Euro/dollar: the change in exposure as of 31 December 2012 reflects a higher number of loans between Codere S.A., Codere América and Codere Internacional Dos, S.A.U. and other Group companies.

Price risk

As a gaming operator, and because it does not hold investment securities classified as available for sale or at fair value through profit or loss, the Group is not exposed to this type of risk.

Interest rate risk

The Group has issued fixed-coupon bonds international markets with face values of €760 million and \$300 million. In addition, HRU, S.A., a 50%-owned investee, has issued \$42 million of bonds. The rest of the Group's financial debt, generally bank borrowings, which totalled approximately €177 million at 31 December 2012, is benchmarked to variable interest rates (Euribor/Libor/the Mexican Interbank Equilibrium Interest Rate).

Given this capital structure, and because fixed-rate bonds represent almost 84% of the Group's overall debt, the Group's exposure to interest rate risk, and its potential impact on profit or loss, is considered low.

Sensitivities to interest rate movements are detailed below:

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Impact	Thousands of euros		
	Increase (+) / decrease (-) in interest rates (basis points)	2012	2011
Impact on post-tax profit			
	+50	(491)	(511)
	-50	491	511
Impact on equity			
	+50	(491)	(511)
	-50	491	511

c.2) Credit risk

The Group's credit risk arises mainly on the following financial assets:

- Investments in financial assets included in cash and cash equivalents (notes 16 and 24).
- Non-current financial assets (note 11).
- Balances with customers and other receivables (note 15).

The Group's overall exposure to credit risk at the reporting date is the carrying value of the asset classes mentioned above.

The Group has established internal rules to minimise the risks associated with investments in financial products and the use of financial derivatives. Counterparties must be credit entities with high credit ratings awarded by recognised international ratings agencies. The Group's management also establishes investment and contracting limits which are regularly reviewed.

In the case of transactions in countries whose economic and socio-political situations preclude high credit ratings, the Group generally uses the branches and subsidiaries of foreign entities which meet or come close to meeting the required criteria, as well as larger local entities.

Maximum exposure

The Group's exposure to credit risk is mainly attributable to trade receivables on ordinary operations, principally advances paid to the owners of food and drink establishments against their share of the takings from the gaming machines located in their premises, and accounts receivable from CIE Group companies. The amounts recorded in the consolidated balance sheet, net of provisions for impairment, were €70.28 million and €55.73 million at year-end 2012 and 2011, respectively.

Provisions for impairment are determined according to the following criteria:

- The age of the debt.
- The existence of insolvency proceedings.
- An analysis of the customer's ability to repay the amount owed.

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The provisions for receivables impairment at 31 December 2012 and 2011 are disclosed in note 15. These provisions represent the Group's best estimate of the losses incurred in respect of its receivable balances.

The Group's maximum exposure to credit risk at 31 December 2012 and 2011, broken down by type of financial instrument and without excluding the amounts covered by the guarantees mentioned below, is as follows:

	Thousands of euros	
	2012	2011
Non-current receivables from the Caliente Group	-	29,149
Trade receivables	70,278	55,726
Cash and cash equivalents	84,847	135,692
Other financial assets (note 16)	56,343	22,021
	211,468	242,588

The increase in "Trade receivables" in the table above reflects the change in how the investment in Group ICELA is accounted from proportionate to full consolidation since February 2012. The full balance of non-current receivables from the Caliente Group was provisioned in 2012 (note 11).

c.3) Liquidity risk

Liquidity risk is defined as the risk of the Group being unable to satisfy its obligations on time and/or at a fair price.

The Group's Finance Department manages and handles liquidity and financing. Liquidity and financing risks related to processes and policies are also overseen by this department.

The Group manages its liquidity risk on a consolidated basis, taking into account the needs of its companies, taxes payable, capital requirements and multiple regulatory considerations, using a wide range of sources of financing to maintain flexibility. The Finance Department uses rolling forecasts of the Group's cash flows to control its net liquidity position. The Group deposits its cash and cash equivalents with the leading regulated entities.

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The table below shows how the Finance Department manages net liquidity, based on the contractual maturities of the Group's assets and liabilities, excluding trade receivables and payables, at 31 December 2012 and 2011:

	Thousands of euros					
	Balance at 31/12/2012	Between 01/01/2013 and 31/03/2013	Between 01/01/2013 and 31/12/2013	Between 01/01/2013 and 31/12/2014	Between 01/01/2013 and 31/12/2015	Between 01/01/2012 and 31/12/2016
Current assets						
Short-term investment securities	2,575	2,575	2,575	2,575	2,575	2,575
Cash and cash equivalents	84,847	84,847	84,847	84,847	84,847	84,847
Total current assets	87,422	87,422	87,422	87,422	87,422	87,422
Non-current liabilities						
Bonds, debentures and other marketable securities	985,642	-	-	1,580	763,095	994,398
Non-current bank borrowings	100,591	-	-	12,766	85,738	100,591
Total non-current liabilities	1,086,233	-	-	14,346	848,833	1,094,989
Current liabilities						
Current bonds and debentures	12,141	7,829	12,141	12,141	12,141	12,141
Current bank borrowings	75,933	32,215	75,933	75,933	75,933	75,933
Total current liabilities	88,074	40,044	88,074	88,074	88,074	88,074
Forecast result on foreign exchange hedging transactions (liability)						
Net liquidity	(1,086,885)	47,378	(652)	(14,998)	(849,485)	(1,095,641)

	Thousands of euros				
	Balance at 31/12/2011	Between 01/01/2012 and 31/03/2012	Between 01/01/2012 and 31/12/2012	Between 01/01/2012 and 31/12/2015	Between 01/01/2012 and 31/12/2016
Current assets					
Short-term investment securities	1,275	1,275	1,275	1,275	1,275
Cash and cash equivalents	135,692	135,692	135,692	135,692	135,692
Total current assets	136,967	136,967	136,967	136,967	136,967
Non-current liabilities					
Bonds, debentures and other marketable securities	758,090	-	-	1,675	763,156
Non-current bank borrowings	59,658	-	-	13,747	59,658
Total non-current liabilities	817,748	-	-	15,422	822,814
Current liabilities					
Current bonds and debentures	3,730	3,730	3,730	3,730	3,730
Current bank borrowings	45,567	34,746	45,567	45,567	45,567
Total current liabilities	49,297	38,476	49,297	49,297	49,297
Forecast result on foreign exchange hedging transactions (liability)	(84)	(334)	(84)	(84)	(84)
Net liquidity	(730,162)	98,157	87,586	72,164	(735,228)

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The tables above do not include cash flows from the Group's operating activities or the repayment of debt or payment of interest in the periods indicated.

This risk is also managed by carefully monitoring the maturities of the Group's various sources of financing (as detailed in note 19) together with the proactive management and maintenance of sufficient credit lines to cover the Group's liquidity requirements.

Regular forecasts of cash inflows and outflows are made at both the Group level and at business and project levels to determine the Group's current and ongoing liquidity position.

The bonds issued by the Codere Group (bonds with a face value of €760 million due in June 2015 and bonds with a face value of \$300 million due in February 2019) are subject to full and partial early redemption clauses that are customary for this type of contracts. In certain circumstances, the bondholders would be entitled to call for early repayment. Specifically:

- In the event of a change of control at the parent guarantor (Codere S.A.), or
- In the event certain assets are disposed of in certain circumstances, the bondholders are entitled to redeem their bonds against any proceedings from said disposal over 10 million euros.

The bonds are redeemable in full in the event of certain events of default (accelerated maturity):

- Immediately in the event of bankruptcy or insolvency
- At the request of bondholders holding at least 25% of the total issue in the event of repeated events of default, including:
 - o Late payment by over 30 days of interest or principal due.
 - o Failure to comply with early repurchase requests in applicable circumstances.
 - o Failure to pay the amount due or the early repayment of other debts from disposal proceeds in excess of €10 million.
 - o Failure to satisfy other obligations established in the contract within 30 days of receiving specific requests to do so.

This list specifies the main circumstances but is not exhaustive.

Having declared accelerated maturity, the bondholders may withdraw the request if the issuer rectifies the events of default that triggered the call.

The instruments used by the Group to meet its liquidity requirements include a senior credit line due on 15 June 2013. At 31 December 2012, €17.5 million (approximately €40 million as of the date of authorising these Consolidated Annual Accounts for issue) had been drawn down under this facility. Debt guarantees lines associated with this senior debt facility for up to €80 million, of which €56.5 million had been drawn at year-end 2012 (€59.7 million as of the date of authorising these Consolidated Annual Accounts for issue) are also due on 15 June 2013.

As of the date of authorising the accompanying Consolidated Annual Accounts for issue, the Group was negotiating the renewal of this senior credit line and the related debt guarantees lines as well as exploring its options for tapping alternative sources of financing. In the event that these facilities are not renewed, the Group would have to realign its cash and capital expenditure forecasts to enable repayment of the amount drawn down at year-end 2013,

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although this would not undermine the Group's ability to continue as a going concern. The Group's inability to repay this principal could give rise to an event of default, as detailed above.

Notwithstanding the above, at the date of authorising the accompanying Consolidated Annual Accounts for issue, no default or circumstance had arisen that could give rise to a request for the early redemption or accelerated maturity of the issued bonds. As its businesses may reasonably be expected to continue operating, on the basis of the Board-approved business plan, the Group does expect such circumstances or events to arise in the course of 2013.

Almost 84% of the Codere Group's total gross borrowings at 31 December 2012, specifically its issued bonds with face values of €760 million and \$300 million, have contractual maturities of 2015 and 2019, respectively. The amounts of borrowings falling due before 2015 are accordingly moderate in size and do not, in light of projected cash flow forecasts, present liquidity risk, understood as risk that the Group will not be able to service contractual payment obligations.

With respect to the bonds maturing in 2015 with a face value of €760 million, the Group plans to incorporate financing of a similar or greater amount into its permanent capital structure. As the original maturity date approaches, therefore, and when market conditions are optimal, the Group will make the necessary efforts to replace this financing with financing of a similar nature but longer maturity date, with financing of a different nature, or via the issuance of equity by the Parent or one of its subsidiaries, or via a combination of the aforementioned alternatives.

d) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue to manage its recurring business activities and to continue to grow through new projects, by optimising the capital structure in order to create value for shareholders.

The Group is financing its growth in three main ways:

- Internally-generated cash flows from the Group's recurring businesses.
- Tapping the opportunities for growth through investments in new projects funded largely by project finance, thereby feeding the Group's growth capacity in its recurring activities.
- An asset turnover policy focused on the sale of mature projects in order to continue financing investments in new projects

The Group's optimal capital structure is not determined on the basis of its overall debt-to-equity ratio but rather with the goal of maintaining moderate levels of debt.

At 31 December 2012, the Group presented equity attributable to owners of the Parent of a negative €2.001 thousands, a reduction of €117.56 million with respect to the positive balance recognised at 31 December 2011. This reduction is mainly attributable to the loss recognised in 2012 of €104.66 million, partially offset by an increase of €14.83 million in translation differences. The loss for the year was mainly the result of the following factors:

- Recognition of an impairment loss on the Spanish operating segment in the amount of €75.21 million (note 13).

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- A provision for impairment on the loan receivable from the Caliente Group in the amount of €29.68 million and on the value of the put option on 7.3% of the equity of the Joint Opcos, Mio Games, S.A., de C.V. and Promojuegos S.A. de C.V., in the amount of €11.51 million (note 11).

The Codere Group believes that these are non-recurring items.

The Codere Group does not consider the debt-to-equity ratio to be the best indicator for defining its capital management policy as its consolidated equity is exposed to a range of factors which are not necessarily indicative of its ability to satisfy its future financial obligations, notably among which:

- The effect of fluctuations in functional currencies other than the euro through currency translation differences.
- High depreciation and amortisation charges deriving from periods of heavy investment in growth.
- Impairment losses on assets that are not expected to recur and which do not involve a cash outflow when recognised.

The Group's capital policy does not set short-term quantitative targets with respect to its debt-to-equity ratio, but is adjusted to allow the Group to manage its recurring operations and take advantage of opportunities for growth while maintaining indebtedness at appropriate levels in the light of its expected future cash flow generation and in compliance with any covenant-imposed quantitative restrictions.

None of the Group's main borrowing agreements, namely its revolving senior credit line with a cash draw down limit of €60 million and bonds issued with face values of €760 million and \$300 million, contain specific clauses restricting the Group's debt-to-equity ratio.

As described in note 19, the main quantitative restrictions imposed by the aforementioned revolving senior credit line related to covenanted credit ratios for the rolling twelve-month period to each quarter end.

At 31 December 2012, the Group is in compliance with all the debt restrictions imposed and covenants.

The Group does not plan to distribute dividends in the short term.

e) Fair value estimation

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

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

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

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Assets /(liabilities) (Level 2)	Thousands of euros	
	2012	2011
Derivatives	-	(59)
Provision for options	(4,102)	(2,865)
Other financial assets (sale-purchase options on investments)	12,458	11,080

At 31 December 2012 there are no derivatives outstanding.

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

4. Accounting estimates and judgements

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

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

a) Estimated losses due to impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates (note 13).

To test for impairment, the Group estimates the future cash flows for each cash-generating unit using forecasting models based on applicable operating, financial and macroeconomic indicators. The projections cover a five-year period. From year 5, a terminal value is estimated assuming a constant rate of growth in perpetuity. The first year of the projection period is based on detailed budgets approved by each unit for the next financial year, incorporating any changes arising as a result of significant events occurring after their approval. The projections for the remaining years are based on the performance that can reasonably be expected in accordance with the strategies and plans defined by the Group for each of the markets in which it operates in accordance with their specific characteristics and competitive landscapes.

b) Income taxes

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

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

The Group recognises tax assets in respect of tax credits when there is convincing evidence that sufficient taxable profit will be available for their utilisation. The Group tests these assets for impairment annually.

c) Fair value of derivatives and other financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on the market conditions prevailing at the end of each reporting period.

d) Provisions for litigation and other contingencies

The Group has made judgements and estimates in respect of the likelihood of certain risks materialising and the amount thereof, recognising a provision when the risk is considered likely and estimating the resulting cost.

e) Legal proceedings in Italy

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

On 10 May 2007 Lazio's Regional Court of Auditors (*Corte dei Conti*) requested the management of the Italian gaming authority (hereinafter, the "AAMS") and all gaming license holders, including Codere Network S.p.A., to present evidence concerning the following matters:

(a) Failure to implement the IT network in the timeframe set. This failure was originally quantified at €0.48 million.

(b) Failure to activate the network in the timeframe set. This failure was originally quantified at €1.2 million.

(c) Failure to complete the connection of the network in the timeframe set. This failure was originally quantified at €1.78 million.

(d) Failure to meet minimum service level requirements. This failure was originally quantified at €3,043 million.

In 2012 and 2011, the key points with regard to these alleged breaches and the claims presented by the *Corte dei Conti* and the AAMS are:

Claims presented by the AAMS:

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Following a series of legal proceedings, on 12 January 2010 the Lazio Regional Administrative Court (TAR Lazio) ruled against the various the appeals lodged by Codere Network, S.p.A and upheld the fines imposed by the AAMS with regard to points (a), (b) and (c) above, albeit reducing the total amount to €0.68 million. Codere Network, S.p.A. lodged appeals against these new rulings before the State Council. On 25 April 2011 this body declared the aforementioned fines imposed by the AAMS null and void.

With respect to the proceedings concerning the non-compliance detailed in point (d) above, concession holders were notified of the fines in February 2012, with the fine applicable to Codere Network, S.p.A. totalling €2.73 million. Codere has lodged an appeal on the grounds that the technical data used were incorrect. At the date of authorising the accompanying Consolidated Annual Accounts for issue, the AAMS had not responded to the appeal presented by Codere. The guarantees presented by the Company as performance bonds had already been provisioned in prior years (note 18). In the Directors' opinion, having taken appropriate legal advice, the amounts provisioned at 31 December 2012 and 2011 in respect of this matter, totalling €12.16 million and €12.0 million, respectively, are sufficient.

Claims presented by the Corte dei Conti

Following a series of legal proceedings, on 11 October 2010 the *Corte dei Conti* issued ruling 2152/2010 ordering Digit S.p.A (a non-profit public body) to carry out a technical study into the problems encountered by the concession holders with respect to activating the IT network (lack of telephone lines, actions of the managers, etc.) and the technical deficiencies of AAMS's central system in terms of the service that should have been provided by the concession holders.

The ruling, which gave Digit S.p.A six months to carry out the study, contained the following main points:

- The Court rejected the tax authority's assessment of the non-compliance at €3.04 billion.
- It rejected the bid by the concession holders (including Codere Network S.p.A) to have the claim declared void.

On 10 October 2011, Digit S.p.A presented its expert report to the *Corte dei Conti* indicating that the concession holders should not be held liable to pay the amount claimed by the tax authority.

On 17 February 2012 the Lazio Regional Office of the Italian Court of Auditors (*Corte dei Conti*) issued a preliminary ruling against 10 Italian concession holders of gaming machine networks in respect of proceedings launched in 2007. Under this ruling, fines totalling approximately €2.5 billion were imposed on all the concession holders, of which €115 million, plus interest, corresponded to the Codere Group subsidiary, Codere Network S.p.A. In addition, the tax authority has requested fines equivalent to 1% of the fine in respect of breach of compliance with point (d) above (€30 million) and 50% of the amount of the fine handed down in the ruling (€57.5 million). There have been no new legal developments with respect to these proceedings since that date.

In the Directors' opinion, having taken appropriate legal advice, the amounts provisioned at 31 December 2012 and 2011, indicated above, are sufficient.

5. Segment information

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Operating segments are determined on the basis of the reports used by the Board of Directors to make strategic decisions. The Group segments its businesses by geographical region as well as by activity. Operating businesses are organised and managed separately in each geographical area where the Group operates, each country being a strategic unit of activity involved in a range of activities and serving various markets.

The Group manages its operations by business line and separately monitors the operating results from gaming machines, bingo halls, betting establishments, casinos and head office expenses. Nevertheless, on occasions different types of operation converge within the same business line, as gaming machines are also installed in bingo halls and casinos.

As it is not possible to separate the costs of these activities, the Group treats each geographical area in which it operates as an operating segment.

As a result of a number of regulatory and strategic changes in Spain and Italy, allowing different gaming products to be offered in the same location (such as permits to place betting terminals in bars in the Basque Region and Navarra, electronic poker and roulette machines in gaming halls, electronic bingo terminals in bingo halls, videolotteries, etc), the Group decided in 2011 to unify its Gaming Machine, Bingo and Sports Betting businesses in Spain and its Gaming Machines and Bingo businesses in Italy, integrating their financial and operating structures into a single unit organised and managed for the whole of Spain and Italy, respectively.

The main operating segments and their business activities are:

- Spain: gaming machines, bingo halls, betting establishments and self-service terminals in food and drink establishments. Within this segment 'operating expenses' include €75.21 million corresponding to non-financial asset impairment losses (note 13).
- Italy: gaming machines, gaming machine network operators and bingo halls.
- Mexico: bingo hall operations, including electronic bingo terminals and gaming machines. In Mexico, the Group also operates betting agencies, the Las Américas racetrack and the Centro Banamex conference building. The widespread increase in all metrics in this segment corresponds to the acquisition of an additional 35.8% of ICELA Group. The losses recognised correspond to the non-recurring impairment provision on the loan receivable from the Caliente Group (note 11).
- Argentina: bingo halls with gaming machines.
- Colombia: gaming machines, bingo halls and casinos.
- Uruguay: racetracks, gaming machines and betting agencies.
- Panama: racetracks, gaming machines, casinos and betting agencies.
- Brazil: betting agencies.
- Head offices: management and operational support services.

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a) Operating segments

2012 income statement	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Head offices	Internal transactions (*)	Total
Operating revenue											
Revenue from external customers	154,243	437,179	653,814	35,706	261,009	26,040	3,403	92,518	18	-	1,663,930
Inter-segment revenue	-	-	-	-	-	-	-	-	48,206	(48,206)	-
	154,243	437,179	653,814	35,706	261,009	26,040	3,403	92,518	48,224	(48,206)	1,663,930
Operating expenses											
Depreciation and amortisation	(28,331)	(65,924)	(18,472)	(4,974)	(18,254)	(2,934)	(589)	(13,920)	(1,434)	-	(154,832)
Change in trade provisions	(1,734)	-	(1)	129	(202)	-	-	-	-	-	(1,808)
Other operating expenses	(207,294)	(319,225)	(471,031)	(29,503)	(224,028)	(26,310)	(4,145)	(76,146)	(76,257)	-	(1,433,939)
	(237,359)	(385,149)	(489,504)	(34,348)	(242,484)	(29,244)	(4,734)	(90,066)	(77,691)	-	(1,590,579)
Gain/(loss) on retirement or disposal of assets	(2,228)	37,188	63	852	(53)	-	1	727	-	-	36,550
Inter-segment expenses	(6,323)	(14,737)	(22,173)	(757)	(1,960)	(122)	-	(2,134)	-	48,206	-
OPERATING PROFIT/(LOSS)	(91,667)	74,481	142,200	1,453	16,512	(3,326)	(1,330)	1,045	(29,467)	-	109,901
External finance income	466	4,705	270	90	1,055	155	12	67	737	-	7,557
Inter-segment finance income	-	-	-	-	-	-	-	-	44,914	(44,914)	-
External finance costs	(3,205)	(9,986)	(8,544)	(424)	(1,619)	(568)	(107)	(1,582)	(89,005)	-	(115,040)
Inter-segment finance costs	710	(37,295)	(927)	33	(2,867)	(264)	(3,418)	(886)	-	44,914	-
Change in financial asset impairment provisions	(28)	(41,180)	-	-	-	-	-	-	(10,174)	-	(51,382)
Net foreign exchange gains/(losses)	1	4,180	(909)	295	-	328	(309)	(101)	(3,069)	-	416
NET FINANCE COSTS	(2,056)	(79,576)	(10,110)	(6)	(3,431)	(349)	(3,822)	(2,502)	(56,597)	-	(158,449)
PROFIT/(LOSS) BEFORE INCOME TAX	(93,723)	(5,095)	132,090	1,447	13,081	(3,675)	(5,152)	(1,457)	(86,064)	-	(48,548)
Income tax	3,301	(22,714)	(43,360)	(376)	(6,943)	1,138	(1,329)	394	(3,018)	-	(72,907)
PROFIT/(LOSS) FOR THE YEAR	(90,422)	(27,809)	88,730	1,071	6,138	(2,537)	(6,481)	(1,063)	(89,082)	-	(121,455)
CONSOLIDATED PROFIT / (LOSS)	(90,422)	(27,809)	88,730	1,071	6,138	(2,537)	(6,481)	(1,063)	(89,082)	-	(121,455)
Attributable to:											
Non-controlling interests	(775)	(15,113)	900	64	1,942	(2,724)	-	(1,090)	-	-	(16,796)
Owners of the parent	(89,647)	(12,696)	87,830	1,007	4,196	187	(6,481)	27	(89,082)	-	(104,659)
CONSOLIDATED PROFIT/(LOSS)	(90,422)	(27,809)	88,730	1,071	6,138	(2,537)	(6,481)	(1,063)	(89,082)	-	(121,455)

(*) Internal transactions are carried out at arm's length. They correspond mainly to expenses incurred by parent companies on behalf of the other Group companies.

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2011 income statement	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Head offices	Internal transactions (*)	Total
Operating revenue											
Revenue from external customers	165,726	291,409	553,185	28,857	224,230	20,279	3,562	87,067	18	-	1,374,333
Inter-segment revenue	-	-	-	-	-	-	-	-	40,585	(40,585)	-
	165,726	291,409	553,185	28,857	224,230	20,279	3,562	87,067	40,603	(40,585)	1,374,333
Operating expenses											
Depreciation and amortisation	(33,504)	(35,041)	(17,230)	(3,933)	(15,093)	(2,404)	(723)	(15,748)	(1,938)	-	(125,614)
Change in trade provisions	(3,524)	-	-	549	5,214	-	-	-	(127)	-	2,112
Other operating expenses	(144,089)	(215,559)	(371,795)	(22,730)	(177,318)	(16,311)	(4,469)	(68,148)	(68,350)	-	(1,088,769)
	(181,117)	(250,600)	(389,025)	(26,114)	(187,197)	(18,715)	(5,192)	(83,896)	(70,415)	-	(1,212,271)
Gain/(loss) on retirement or disposal of assets	(1,366)	(66)	2	30	(24)	-	-	(1)	(15)	-	(1,440)
Inter-segment expenses	(6,096)	(14,070)	(16,227)	(208)	(2,616)	(75)	-	(1,293)	-	40,585	-
OPERATING PROFIT/(LOSS)	(22,853)	26,673	147,935	2,565	34,393	1,489	(1,630)	1,877	(29,827)	-	160,622
External finance income	1,581	8,706	307	59	543	79	32	357	5,226	-	16,890
Inter-segment finance income	-	-	-	-	-	-	-	-	27,525	(27,525)	-
External finance costs	(3,973)	(6,886)	(2,302)	(275)	(1,786)	(959)	(94)	(1,271)	(68,940)	-	(86,486)
Inter-segment finance costs	824	(20,090)	(1,028)	31	(4,215)	20	(2,308)	(759)	-	27,525	-
Net foreign exchange gains/(losses)	(1)	(2,369)	620	(30)	-	(977)	(247)	194	5,955	-	3,145
NET FINANCE COSTS	(1,569)	(20,639)	(2,403)	(215)	(5,458)	(1,837)	(2,617)	(1,479)	(30,234)	-	(66,451)
PROFIT/(LOSS) BEFORE INCOME TAX	(24,422)	6,034	145,532	2,350	28,935	(348)	(4,247)	398	(60,061)	-	94,171
Income tax	4,559	(10,289)	(47,405)	(252)	(5,665)	3,779	(325)	174	(2,956)	-	(58,380)
PROFIT/(LOSS) FOR THE YEAR	(19,863)	(4,255)	98,127	2,098	23,270	3,431	(4,572)	572	(63,017)	-	35,791
CONSOLIDATED PROFIT / (LOSS)	(19,863)	(4,255)	98,127	2,098	23,270	3,431	(4,572)	572	(63,017)	-	35,791
Attributable to:											
Non-controlling interests	(1,634)	(13,242)	601	54	1,905	(1,033)	-	(3,012)	-	-	(16,361)
Owners of the parent	(18,229)	8,987	97,526	2,044	21,365	4,464	(4,572)	3,584	(63,017)	-	52,152
CONSOLIDATED PROFIT/(LOSS)	(19,863)	(4,255)	98,127	2,098	23,270	3,431	(4,572)	572	(63,017)	-	35,791

(*) Internal transactions are carried out at arm's length. They correspond mainly to expenses incurred by parent companies on behalf of the other Group companies.

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Balance sheet at 31 December 2012	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Head offices	Total
Intangible assets	46,879	338,575	112,308	106	52,729	1,696	1,032	29,395	4,124	586,844
Property, plant and equipment	61,382	343,789	74,320	27,391	29,600	73,978	1,098	25,750	1,386	638,694
Goodwill	23,513	111,194	37,197	-	66,563	-	-	26,630	-	265,097
Non-current financial assets	6,552	14,063	2,371	5	7,844	408	-	3,604	2,355	37,202
Deferred tax assets	8,710	14,781	2,306	779	6,193	7,158	-	1,387	8,447	49,761
Other non-current assets	-	-	-	-	-	-	-	-	-	-
Current assets	26,456	154,554	38,463	5,473	55,317	19,816	508	13,984	41,396	355,967
TOTAL ASSETS	173,492	976,956	266,965	33,754	218,246	103,056	2,638	100,750	57,708	1,933,565
Deferred income	75	-	-	-	-	-	-	-	264	339
Provisions	620	17,116	5,529	64	19,055	250	19	2,201	-	44,854
Non-current payables	47,270	196,533	3,870	3,494	25,116	31,522	-	21,280	972,987	1,302,072
Current liabilities	53,161	179,158	119,013	8,106	51,516	16,890	2,299	19,206	38,400	487,749
TOTAL LIABILITIES	101,126	392,807	128,412	11,664	95,687	48,662	2,318	42,687	1,011,651	1,835,014
OTHER INFORMATION										
Additions to non-current assets	29,429	38,732	129,088	6,315	14,589	36,172	190	7,005	2,266	263,786
Intangible assets	8,904	-	107,505	-	6,742	433	-	-	2,152	125,736
Property, plant and equipment	20,525	38,732	21,583	6,315	7,847	35,739	190	7,005	114	138,050
Other expenses that do not represent cash outflows	4,215	10,496	670	74	603	99	332	5	-	16,494

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Balance sheet at 31 December 2011	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Head offices	Total
Intangible assets	47,680	201,727	23,167	101	49,034	746	1,414	34,714	3,000	361,583
Property, plant and equipment	62,497	212,746	79,419	22,661	25,911	45,359	1,356	27,983	1,692	479,624
Goodwill	99,862	70,017	43,309	-	63,661	-	-	27,154	-	304,003
Non-current financial assets	7,608	42,529	547	8	7,363	1,405	-	4,024	4,090	67,574
Deferred tax assets	9,068	11,336	1,301	901	11,035	5,020	-	1,429	8,445	48,535
Other non-current assets	-	-	-	-	-	-	-	-	228	228
Current assets	33,184	104,047	57,321	5,655	52,844	11,884	1,327	16,219	19,000	301,481
TOTAL ASSETS	259,899	642,402	205,064	29,326	209,848	64,414	4,097	111,523	36,455	1,563,028
Deferred income	-	-	-	-	-	-	-	-	540	540
Provisions	646	18,146	6,140	60	16,697	-	16	1,971	543	44,219
Non-current payables	27,208	108,949	9,503	821	29,115	10,858	-	25,876	748,481	960,811
Current liabilities	74,238	122,652	59,645	8,494	52,207	11,186	2,124	18,153	44,552	393,251
TOTAL LIABILITIES	102,092	249,747	75,288	9,375	98,019	22,044	2,140	46,000	794,116	1,398,821
OTHER INFORMATION										
Additions to non-current assets	23,302	20,855	26,220	6,788	8,587	19,542	246	7,336	1,353	114,229
Intangible assets	4,424	0	265	0	4,031	54	49	1,701	1,187	11,711
Property, plant and equipment	18,878	20,855	25,955	6,788	4,556	19,488	197	5,635	166	102,518
Other expenses that do not represent cash outflows	3,218	8,232	1,748	47	(395)	99	300	9	15	13,273

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b) Business lines

With respect to the disclosure of revenue from external customers by product and service, the Group does not have this breakdown in respect of 2012.

6. Business combinations and changes in the scope of consolidation

a) Business combinations

a.1) 2012

a.1.1) 35.8% of ICELA Group

On 15 August 2011, Codere acquired a call option for the acquisition, subject to certain conditions (in addition to the 49% it already held) of 35.8% of ICELA from Corporación Interamericana de Entretenimiento, S.A.B. de C.V. ("CIE") for MXN 35million (approximately €2 million). This option was exercisable up to 30 June 2012.

On 25 January 2012, Codere signed a contract with CIE under which the Group acquired (through Codere México, S.A. de C.V.) the additional 35.8% of ICELA. This transaction closed on 8 February 2012 (the agreement having established a series of conditions precedent, including failure by the Codere Group to pay for the shares of ICELA before 31 March 2012). The acquisition price was MXN2,688 million (€156.87 million); this amount was settled by Codere on that date.

The ICELA purchase agreement contained the following additional clauses:

- Codere acquired an option to purchase the remaining 15.2% of ICELA's shares from CIE at a substantially similar price per share to that agreed for the purchase of the 35.8%, subject to certain adjustments. This option is exercisable until 30 June 2014, subject to compliance with certain conditions, including approval by COFECO.
- If Codere sells its interest in ICELA via a public offering prior to 30 June 2014, it must include the residual 15.2% held by CIE in the offering should CIE so request. In this event, the Codere Group may opt to include CIE's residual 15.2% interest in ICELA in the offering, or to acquire it at a similar price per share to that agreed for the purchase of the 35.8% stake.
- To the extent that CIE continues to hold at least 5% of ICELA, Codere grants ICELA a purchase option, for the benefit of CIE, over the shares owned by Codere in Grupo Inverjuego, S.A. de C.V., Jomaharho, S.A.P.I. de C.V. and Grupo Caliente, S.A.P.I. de C.V. This call option shall be effective for one year from 30 June 2014.
- In the event of the Caliente Group acquiring the Codere Group's shares in Jomaharho, the Caliente Group and Grupo Inverjuego, S.A.P.I. de C.V., CIE will have the option to sell its ownership interest in ICELA to the Codere Group.
- After June 2014 and insofar as CIE continues to own 5% of the share capital of ICELA, the former may ask the Codere Group to publicly list the shares of ICELA, there being no deadline for exercising this right.

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The Group has valued the various options under this purchase agreement, concluding that only the option to acquire the 15.2% owned by CIE is material in size.

The following table summarises the carrying amounts, the consideration paid and the fair value of the identifiable assets acquired and liabilities assumed, as valued by an independent expert, and the non-controlling interest at the acquisition date. This calculation represents the definitive accounting at year-end 2012 for this business combination.

Cash			156,868
Call option on CIE Group's 15.2% interest			(11,100)
Fair value of previously held equity interest			228,743
			<hr/>
Total consideration transferred at the acquisition date			374,511
			<hr/>
Recognised amounts of the identifiable assets acquired and liabilities assumed			
	<u>Carrying amounts</u>	<u>Fair value adjustments</u>	<u>Fair value</u>
Intangible assets	28,906	199,159	228,065
Property, plant and equipment	289,291	3,617	292,908
Deferred tax assets	7,146	5,392	12,538
Current assets	71,612	-	71,612
Cash and cash equivalents	20,937	-	20,937
Non-current liabilities	(73,619)	-	(73,619)
Provisions and contingent liabilities	(4,943)	-	(4,943)
Deferred tax liabilities	(3,620)	(62,169)	(65,789)
Current liabilities	(115,241)	-	(115,241)
	<hr/>	<hr/>	<hr/>
Total identifiable net assets	220,469	145,999	366,468
	<hr/>	<hr/>	<hr/>
Non-controlling interests			(55,703)
			<hr/>
Goodwill			63,746
			<hr/>
Total			374,511
			<hr/>

The fair value of the 49% interest already held in ICELA was measured on the basis on a valuation report prepared by an independent expert.

Acquisition costs of €961k were recognised in "Other operating expenses" in the accompanying consolidated income statement.

CODERE, S.A. AND SUBSIDIARIES
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As detailed in note 2.b.1), the value of the option over the 15.2% shareholding in ICELA held by the CIE Group, in the amount of €11.1 million, has been included in the amount of the consideration transferred.

The fair value of the intangible assets acquired (licences, trademarks and customer portfolios) in the amount of €228.07 million is derived from a valuation report issued by an independent expert based on discounted cash flow analysis and using the same assumptions as were used for the projections for impairment testing purposes.

Non-controlling interests were recognised on the basis of their proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The revenue included in the consolidated statement of comprehensive income since 7 February 2012 contributed by the ICELA Group was €264.55 million. This group also contributed profit of €16.61 million over the same period.

In addition, in keeping with the provisions of IFRS 3, the Group has revalued its 49% equity interest in the ICELA Group held before the business combination, generating a gain of €38.84 million, which is recognised under "Gain/(loss) on retirement or disposal of assets" in the 2012 consolidated income statement.

a.1.2) DP Services, S.r.l.

On 30 May 2012, the Group acquired 60% of the shares of Italian company DP Services S.r.l. for €6.87 million. The Codere Group expects to continue to increase its presence in the Italian market with this acquisition.

The following table summarises the carrying amounts, the consideration paid, the fair value of assets acquired and liabilities assumed and the non-controlling interest at the acquisition date. This calculation represents the definitive accounting at year-end 2012 for this business combination.

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Cash	3,503
Contingent consideration	<u>3,367</u>
Total consideration transferred at the acquisition date	<u>6,870</u>

Recognised amounts of the identifiable assets acquired and liabilities assumed

	<u>Carrying amounts</u>	<u>Fair value adjustments and scope changes</u>	<u>Fair value</u>
Intangible assets	4	7,707	7,711
Property, plant and equipment	2,256	-	2,256
Non-current financial assets	798	-	798
Deferred tax assets	9	-	9
Current assets	1,815	-	1,815
Cash and cash equivalents	1,196	-	1,196
Non-current liabilities	(71)	-	(71)
Deferred tax liabilities	-	(2,504)	(2,504)
Current liabilities	<u>(3,238)</u>	<u>-</u>	<u>(3,238)</u>
Total identifiable net assets	<u>2,769</u>	<u>5,203</u>	<u>7,972</u>
Non-controlling interests			(3,189)
Goodwill			<u>2,087</u>
Total			<u>6,870</u>

The contingent consideration agreement obliges the Codere Group to pay the former owners a variable milestone payment in June 2013 based on the acquiree's EBITDA between June 2012 and May 2013. The fair value of the contingent consideration was estimated assuming a probability of occurrence of 100%.

The intangible assets recognised correspond to the business's customer portfolio, measured at €7.71 million. They are measured at fair value on the basis of a discounted cash flow analysis.

The revenue included in the consolidated statement of comprehensive income since 30 May 2012 contributed by the acquiree was €15.49 million. This group also contributed profit of €71k over the same period.

b) Changes in the scope of consolidation

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b.1) 2012

The main changes to the scope of consolidation in 2012 are as follows:

- On 27 January 2012, the Group acquired 30% of the shares of New Joker S.r.l. for €750k.
- On 8 February 2012, the Group acquired an additional 35.8% of the ICELA Group, lifting its shareholding to 84.8% (note 6.a.1.1). This transaction modified the ownership structures of the following Group companies:
 - o The Group increased its shareholdings in Administradora Mexicana del Hipódromo S.A. de C.V., Administradora Mexicana del Hipódromo S.A de C.V, Calle del Entretenimiento S.A de C.V., Centro de Convenciones las Américas S.A. de C.V., Entretenimiento recreativo S.A. de C.V., Entretenimiento Virtual S.A. de C.V., Hotel Entretenimiento las Américas S.A. de C.V., Comercializadora Sortijuegos S.A. de C.V., Impulsora de Centro de Entretenimiento las Américas S.A de C.V., Secofach S.A. de C.V. and Servicios Administrativos del Hipódromo S.A de C.V. from 49% to 84.8%.
 - o The Group increased its shareholding in Administradora Mexicana del Hipódromo II S.A. de C.V. from 24.9% to 43.66%.
 - o The Group increased its shareholdings in Administradora Mexicana del Hipódromo III S.A de C.V. and Impulsora Recreativa de Entretenimiento AMH, S.A de C.V. from 46.55% to 80.60%.
 - o The Group increased its shareholding in Juegamax de las Américas S.A. de C.V. from 24.9% to 43.25%.
- On 14 May 2012, the Group increased its shareholding in Recreativos Marina S.A de C.V. from 52% to 100% at a cost of €7k.
- On 30 May 2012, the Group acquired 60% of DP Service for €6.87 million (note 6.a.1.2).
- On 14 June 2012, the Group sold its shareholding in Automáticos Mendoza S.L., generating a loss of €189k.
- The Group incorporated Codere Apuestas Galicia S.L.U. and Codere Apuestas Murcia S.L.U. on 26 July 2012.
- Super pik S.L.U. merged into Codere Madrid, S.A. on 4 July 2012.
- On 31 October 2012, Codere Panamá, S.A. and International Thunderbird Gaming (Panama) Corporation merged into Alta Cordillera, S.A. After the merger, the non-controlling shareholders of Thunderbird Gaming Corporation became non-controlling shareholders of the transferee and its subsidiaries (Hípica de Panamá, S.A.), so that the Group's ownership interest in these companies changed to 75%.
- Administradora Mexicana del Hipódromo, S.A. de C.V. IV AenP was incorporated on 11 October 2012.

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The impact on equity of these transactions with non-controlling interests amounted to €2.39 million in 2012.

b.2) 2011

The main changes to the scope of consolidation in 2011 were as follows:

- On 27 January 2011, the Group sold its holding in Recreativos Cósmicos S.L., generating a loss of €257k.
- The Group incorporated Codere Apuestas Valencia S.A.U. on 17 February 2011.
- The following transactions closed on 31 March 2011:
 - o The Group acquired 67.3% of Jomaharho, S.A. de C.V. and Grupo Caliente, S.A. de C.V. These two companies hold 100% of the shares in a further three entities, Operadora Cantabria, S.A. de C.V., Libros Foráneos, S.A. de C.V. and Operadora de Espectáculos Deportivos, S.A. de C.V. (hereinafter, the "Joint Opcos").
 - o The Group's shareholdings in the following Mexican companies changed: its interest in Grupo Inverjuego S.A.P.I. de C.V. increased from 50% to 67.3%, in Promojuegos de México S.A. from 99.99% to 67.3%, and in Mio Games S.A. de C.V. from 74.3% to 67.3%.
- Codere Apuestas Aragón, S.L. was incorporated on 3 May 2011.
- The Group acquired 51% of the Italian company Gap Games, S.r.l. on 13 May 2011.
- On 19 July 2011, the Group acquired 75% of the Italian company Gaming Services, S.r.l. This company in turn holds 100% of the Gaming Re, S.r.l.
- Codere Interactive, Inc. was incorporated on 8 August 2011.
- A new agreement was signed between the Codere Group and the holder of a non-controlling interest in Carrasco Nobile, S.A. on 30 September 2011, by virtue of which the Group acquired control of the company. As a result of said agreement, this investee was fully consolidated, having formerly been accounted for using the proportionate method. The percentage held in 2012 and 2011 is 51%. The Codere Group did not deem this change in consolidation method a business combination because Carrasco Nobile, S.A. did not meet the prerequisites for qualifying as a business at the date of the agreement.
- On 17 November 2011, the Group increased its holding in Super pik, S.L. from 79.93% to 100%. The cost of this investment was €602k.
- On 17 November 2011, the Group sold its 50% holding in the Mepe, S.A., generating a gain of €34k.
- Codere Online S.A. was incorporated on 29 November 2011. Its corporate purpose is the organisation, sale and operation of games.

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- On 1 December 2011, Codere S.A. increased its shareholding in Desarrollo Online de Juegos Regulados from 85% to 100%, for a cost of €1 million.

Argentine company Hípica Rioplatense, S.A. merged into Codere Argentina, S.A. in 2011.

If the acquisitions carried out in 2011 had been accounted for from 1 January, these companies would have contributed operating revenue for the year of approximately €208 million and generated a loss of €23 million.

The impact on equity of the Group's increased shareholdings in companies which it already controlled totalled €1.49 million in 2011.

Disclosures on assets and liabilities at their acquisition or incorporation date and their contribution to the Group's profit or loss following the acquisition, incorporation or increased equity investment are provided below (figures in thousand euros):

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2012	ICELA Group (1)	DP Service, S.r.l.	Business combinations
Date of acquisition/incorporation	08/02/2012	30/05/2012	
% Acquired	35.8%	60.00%	
Consideration:	374,511	6,870	381,381
Cash/equity instruments	374,511	3,503	378,014
Contingent consideration	-	3,367	3,367
Pre-existing debt	-	-	
 Goodwill	 63,746	 2,087	 65,833
 Intangible assets	 228,065	 7,711	 235,776
Property, plant and equipment	292,908	2,256	295,164
Other non-current assets	12,538	807	13,345
Current assets	71,612	1,815	73,427
Cash	20,937	1,196	22,133
Provisions	(4,943)	-	(4,943)
Other non-current liabilities	(139,408)	(2,575)	(141,983)
Current liabilities	(115,241)	(3,238)	(118,479)
 Total identifiable net assets	 366,468	 7,972	 374,440
 Non-controlling interests	 (55,703)	 (3,189)	 (58,892)
 Revenue contribution from the acquisition date	 264,549	 15,491	 280,040
Profit contribution from the acquisition date	16,611	71	16,682
Pro forma revenue contribution from 01/01/2012	289,521	28,608	318,129
Pro forma profit contribution from 01/01/2012	20,777	2,046	22,823

(1) Corresponds to the full group balance at the acquisition date due to the change in consolidation method (note 6.a)

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2011	Caliente Group companies	Gap Games, S.r.l.	Gaming Re, S.r.l./Gaming Service, S.r.l.	Business combinations
Date of acquisition/incorporation	31/03/11	13/05/11	19/07/11	
% Acquired	67.30%	51.00%	75.00%	
Consideration:	54,137	4,837	385	59,359
Cash/equity instruments	282	3,637	385	4,304
Contingent consideration/value of option	(7,616)	1,200	-	(6,416)
Pre-existing debt	61,471	-	-	61,471
Goodwill	32,814	188	88	33,090
Intangible assets	126,406	12,316	2,340	141,062
Property, plant and equipment	59,690	1,898	2,030	63,618
Other non-current assets	35,443	214	63	35,720
Current assets	33,944	257	3,675	37,876
Cash	2,455	982	3,437	6,874
Equity	-	-	-	-
Provisions	(15,738)	-	-	(15,738)
Other non-current liabilities	(146,319)	(4,105)	(5,659)	(156,083)
Current liabilities	(64,197)	(2,446)	(5,490)	(72,133)
Total identifiable net assets	31,684	9,116	396	41,196
Non-controlling interests	10,361	4,467	99	14,927
Revenue contribution from the acquisition date	114,219	16,349	11,820	142,388
Profit/(loss) contribution from the acquisition date	(18,336)	855	507	(16,974)
Pro forma revenue contribution from 01/01/2011	153,887	24,739	29,560	208,186
Pro forma profit/(loss) contribution from 01/01/2011	(26,652)	2,029	1,441	(23,182)

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7. Intangible assets

The breakdown and movements on the "Intangible assets" accounts were as follows:

2012

	Thousands of euros						
<u>Cost</u>	Balance at 31/12/2011	Business combinations	Additions	Retirements	Transfers	Translation differences	Balance at 31/12/2012
Licenses	214,551	81,820	109,811	-	-	(13,426)	392,756
Trademarks	9,618	27,404	17	-	-	462	37,501
Rights	218,125	13,832	11,147	(16,656)	218	(2,007)	224,659
Computer software	28,270	914	5,432	(831)	39	(61)	33,763
Other intangible assets	3,542	19,903	1,315	(691)	(257)	46	23,858
Total	474,106	143,873	127,722	(18,178)	-	(14,986)	712,537
<u>Accumulated amortisation</u>							
Licenses	(18,719)	-	(9,120)	5,488	-	1,519	(20,832)
Rights	(71,434)	-	(23,886)	16,726	(525)	356	(78,763)
Computer software	(18,594)	-	(4,163)	765	525	352	(21,115)
Other intangible assets	(1,032)	-	(1,690)	327	-	-	(2,395)
Total	(109,779)	-	(38,859)	23,306	-	2,227	(123,105)
Provisions	(2,744)	-	-	156	-	-	(2,588)
Net carrying amount	361,583	143,873	88,863	5,284		(12,759)	586,844

The "Business Combinations" column includes the acquisitions of 35.8% of ICELA Group and 60% of DP Services, S.r.l. and breaks down as follows:

- Licences: the fair value of the gaming licenses held by the ICELA Group companies.
- Trademarks: the fair value of the various trademarks owned by the ICELA Group companies.
- Rights: the carrying amount of the change in shareholding deriving from the acquisition of ICELA Group.
- Other intangible assets: the fair value of the customer portfolio associated with Centro Banamex, owned by the ICELA Group and DP Services, S.r.l.

The additions to "Licences" correspond primarily to the renewal for 15 years of five bingo operating licences in Buenos Aires province, the concessions for which originally fell due between 2013 and 2015.

The decrease in "Rights" mainly reflects the retirement of rights in Spain as a result of the reduction in the number of machines in operation in the course of 2012.

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2011

	Thousands of euros						
<u>Cost</u>	<u>Balance at 31/12/2010</u>	<u>Business combinations</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Translation differences</u>	<u>Balance at 31/12/2011</u>
Licenses	120,503	109,341	-	-	-	(15,293)	214,551
Trademarks	10,368	-	25	-	-	(775)	9,618
Rights	196,520	31,305	8,924	(16,926)	(3)	(1,695)	218,125
Computer software	25,442	1	3,144	(131)	30	(186)	28,270
Other intangible assets	4,418	415	387	(2,083)	(27)	432	3,542
Total	357,251	141,062	12,450	(19,140)	-	(17,517)	474,106
<u>Accumulated amortisation</u>							
Licenses	(12,048)	-	(7,722)	-	21	1,030	(18,719)
Rights	(58,710)	-	(26,273)	13,158	68	323	(71,434)
Computer software	(14,294)	-	(4,105)	68	81	(263)	(18,594)
Other intangible assets	(1,142)	-	(130)	243	(170)	167	(1,032)
Total	(86,194)	-	(38,230)	13,469	-	1,176	(109,779)
Impairment provisions	(2,590)	-	(156)	2	-	-	(2,744)
Net carrying amount	268,467						361,583

Additions under the heading "Rights" principally correspond to new contracts to install gaming machines in food and drink establishments, mainly in Spain.

Decreases under "Rights" correspond to the retirement of certain exclusivity agreements with food and drink establishments in Spain.

Decreases under "Other intangible assets" principally correspond to the elimination of 50% of the customer portfolio following the sale of Recreativos Cósmicos. The remaining 50% was retained as a result of the purchase of half of this company's gaming machines.

The items reported under the "Business combinations" column principally correspond to:

- Licences: the fair value of licences held by the Joint Opcos to operate bingo halls in Mexico.
- Rights: the fair value of rights to use the "Caliente" brand in the bingo halls in Mexico owned by the Joint Opcos, and the fair value of the customer portfolios consolidated on the acquisition of Gap Games, S.r.l., Gaming Re, S.r.l. and Gaming Services, S.r.l. in Italy.

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7.a) Other information

The only intangible assets held by the Group with an indefinite useful life are non-amortisable installation rights and brands, in the amounts of €52.59 million and €24.78 million at 31 December 2012 and 2011, respectively. The increase in 2012 reflects the recognition of the fair value of trademarks owned by ICELA Group.

The Group considers that brands and non-amortisable installation rights have an indefinite useful life as these assets have no legal or any other type of limit. They are tested for impairment at least annually and whenever there is any indication that they may be have become impaired.

The brands and non-amortisable installation rights are broken down below by cash-generating unit:

	2012		2011	
	Trademarks	Non-amortisable installation rights	Trademarks	Non-amortisable installation rights
Spain	1,321	15,187	1,304	15,157
Mexico	36,180	-	8,314	-
	37,501	15,187	9,618	15,157

The intangible assets that are individually material to the annual accounts are described below, along with their carrying amounts and remaining amortisation periods:

Asset type	Carrying amount	Remaining amortisation period
Gaming room licences, Argentina	111,595	Between 8 and 15 years
Casinos licences, Panama	23,211	11 years
Gaming room licences, Mexico	247,617	Between 21 and 34 years
Gaming machine concession licences, Italy	17,940	11 years

At 31 December 2012, the Group had no material commitment to acquire or sell intangible assets.

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8. Property, plant and equipment

The breakdown and movements on the "Property, plant and equipment" accounts were as follows:

Thousands of euros							
2012	Balance at	Business				Translation	Balance at
Cost	31/12/2011	combinations	Additions	Retirement	Transfers	differences	31/12/2012
Gaming machines	258,765	22,036	45,432	(29,011)	13,023	(4,652)	305,593
Gaming and sports betting machines	13,409	-	6,821	(1,326)	(132)	(1)	18,771
Furniture, fittings and equipment	72,480	2,573	8,393	(8,589)	(4,211)	1,011	71,657
Computer hardware	42,502	3,790	7,947	(934)	(4,045)	745	50,005
Prepayments and PPE under construction	51,284	84	27,649	-	(22,400)	(623)	55,994
Vehicles	6,376	415	561	(854)	7	28	6,533
Land	15,536	-	594	(1,103)	533	(569)	14,991
Structures and buildings	177,311	114,189	8,432	(34,526)	19,164	14,169	298,739
Work done to leased premises	169,515	3,303	48,500	(26,037)	(10,630)	661	185,312
Plant and machinery	64,486	7,022	8,498	(1,450)	8,691	(1,009)	86,238
Total	871,664	153,412	162,827	(103,830)	-	9,760	1,093,833
Accumulated depreciation	Balance at	Business	Additions	Retirements	Transfers	Translation	Balance at
	31/12/2011	combinations				differences	31/12/2012
Gaming machines	(142,274)	-	(50,236)	24,488	2,427	4,876	(160,719)
Gaming and sports betting machines	(9,629)	-	(1,872)	907	77	-	(10,517)
Furniture, fittings and equipment	(37,694)	-	(12,010)	3,481	2,940	(310)	(43,593)
Computer hardware	(29,808)	-	(7,750)	409	698	(196)	(36,647)
Vehicles	(4,246)	-	(795)	558	9	(44)	(4,518)
Structures and buildings	(48,601)	-	(13,917)	659	2,920	(3,689)	(62,628)
Work done to leased premises	(66,381)	-	(21,488)	17,096	(2,143)	350	(72,566)
Plant and machinery	(38,091)	-	(8,610)	3,875	(6,928)	81	(49,673)
Total	(376,724)	-	(116,678)	51,473	-	1,068	(440,861)
Impairment provisions	(15,316)	-	-	1,001	-	37	(14,278)
Net carrying amount	479,624	153,412	46,149	(51,356)	-	10,865	638,694

The "Business combinations" column primarily includes the impact of the acquisition of 35.8% of ICELA Group (note 6).

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The additions under "Gaming machines" mainly include the acquisition of machines in Argentina and Mexico as a result of the renewal of the gaming machine stocks and the acquisition of machines in Uruguay for installation at the Hotel-Casino Carrasco.

The retirements under "Gaming machines" mainly reflect the reduction in the number of machines in operation in Spain in the course of 2012.

The additions to "Prepayments and PPE under construction" correspond mainly to the work underway at the Hotel-Casino Carrasco as well as work ongoing in Mexico on bingo halls yet to be brought into service.

The additions under "Work done to leased premises" correspond mainly to the refurbishment of bingo halls in Mexico and Italy, while the retirements under this same column heading relate to Italian bingo halls.

Thousands of euros								
2011	Balance	Change in	Business				Translati	Balance
Cost	31/12/201	scope	combinatio	Addition	Retirements	Transfers	differenc	31/12/201
Gaming machines	242,912	-	2,922	48,033	(30,936)	(710)	(3,456)	258,765
Gaming and sports betting machines	14,290	-	3	1,743	(2,632)	5	-	13,409
Furniture, fittings and equipment	54,551	9	16,070	8,085	(3,353)	(1,082)	(1,800)	72,480
Computer hardware	35,444	10	1,171	9,737	(2,381)	11	(1,490)	42,502
Prepayments and PPE under construction	21,038	8,868	1,496	25,953	-	(6,086)	15	51,284
Vehicles	6,252	15	263	930	(976)	(14)	(94)	6,376
Land	14,746	-	-	981	-	24	(215)	15,536
Structures and buildings	185,902	-	-	4,787	(1,001)	680	(13,057)	177,311
Work done to leased premises	121,653	7	41,643	20,407	(11,779)	1,037	(3,453)	169,515
Plant and machinery	56,155	-	50	4,701	(312)	6,135	(2,243)	64,486
Total	752,943	8,909	63,618	125,357	(53,370)	-	(25,793)	871,664
Accumulated depreciation	Balance	Change in	Business				Translati	Balance
	31/12/201	scope of	combinatio	Addition	Retirements	Transfers	differenc	31/12/201
Gaming machines	(125,602)	-	-	(40,663)	23,855	(181)	317	(142,274)
Gaming and sports betting machines	(10,264)	-	-	(1,356)	1,994	(3)	-	(9,629)
Furniture, fittings and equipment	(28,919)	-	-	(9,100)	275	(272)	322	(37,694)
Computer hardware	(26,135)	(3)	-	(6,656)	1,871	238	877	(29,808)
Vehicles	(4,462)	(1)	-	(703)	754	79	87	(4,246)
Structures and buildings	(45,449)	-	-	(8,325)	891	1,419	2,863	(48,601)
Work done to rented premises	(51,635)	(2)	-	(14,141)	263	(1,349)	483	(66,381)
Plant and machinery	(33,630)	-	-	(6,118)	42	69	1,546	(38,091)
Total	(326,096)	(6)	-	(87,062)	29,945	-	6,495	(376,724)

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<i>Impairment provisions</i>	(15,650)	-	-	(166)	554	-	(54)	(15,316)
<hr/>								
Net carrying amount	411,197	8,903	63,618	38,129	(22,871)	-	(19,352)	479,624

The column "Changes in the scope of consolidation" corresponds to the additions and accumulated depreciation resulting from the full consolidation of the Uruguayan company Carrasco Nobile, S.A.

Additions under "Business combinations" are stated at fair value and correspond principally to the Joint Opcos.

Additions under "Gaming machines" correspond principally to the renewal of gaming machine stocks in Spain and to the acquisition of new machines in Argentina and Panama. Decreases under this heading correspond principally to machines retired in Mexico and Spain.

Additions under "Prepayments and PPE under construction" correspond mainly to investments in the construction of the Carrasco casino in Uruguay and investment by the Group companies in the refurbishment of bingo halls in Argentina which were transferred on completion to the heading "Work done on leased premises".

Additions under "Work done on leased premises" correspond principally to investments by the Joint Opcos in the refurbishment of bingo halls. Decreases under this heading correspond principally to the Mexican entity Operadora Cantábrica, S.A. de C.V. and to operations in Colombia.

The "Transfers" column corresponds principally to the transfer of investments in refurbishment work and technical facilities in bingo halls in Argentina.

At 31 December 2012 and 2011, the Group had no material commitment to acquire or sell property, plant and equipment.

At 31 December 2012 and 2011 the value of assets acquired under finance leases was as follows (in thousands of euros):

	Thousands of euros					
	2012			2011		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Gaming machines	77,533	(29,248)	48,285	52,535	(19,788)	32,747
Plant and machinery	11,461	(405)	11,056	6,526	(4,155)	2,371
Computer hardware	994	(190)	804	183	(18)	165
Vehicles	471	(263)	208	602	(435)	167
Total	90,459	(30,106)	60,353	59,846	(24,396)	35,450

The minimum payments under the finance leases and the calculation of the present value of the future minimum payments are detailed in note 19.a.4).

The Group leases certain assets under operating leases. These leases correspond mainly to premises rented or operated under concessions in each of the Group's operating markets, including head offices, the premises where it operates gaming activities, car parks, etc. In most cases, the cost of these leases increases in line with inflation. These lease arrangements do not

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impose any restrictions on the Group. The lease expenditure charged to the income statement during 2012 and 2011 corresponding to operating leases totals €127.53 million and €89.07 million, respectively (note 23). The lease terms are between 3 and 10 years.

The future aggregate minimum lease payments under non-cancellable operating leases on business premises, administration offices and vehicles at year-end 2012:

	Thousands of euros		
	Within 1 year	Between 1 and 5 years	More than 5 years
	Total future payments		
Total non-cancellable obligations	22,312	45,193	7,153

In 2012 the Group capitalised borrowing costs of €1.36 million (€575k in 2011) under PPE under construction in connection with construction of the Carrasco casino hotel.

9. Investments in joint ventures

The Group's investments in joint ventures are listed in Appendix I.

The Group's interest in the current and non-current assets and liabilities, income and expenses of its jointly controlled companies, stated at its percentage shareholding in each, are as follows:

	Thousands of euros	
	2012	2011
Assets:		
Non-current assets	28,153	247,431
Current assets	7,158	49,091
Liabilities:		
Non-current liabilities	13,805	70,474
Current liabilities	6,701	60,655
Net assets	14,805	165,393
Total revenue	26,823	153,280
Total expenses	23,700	(134,555)
Profit/(loss) before income tax	(504)	18,725

The reduction reflects the change in the method of consolidating the ICELA Group companies from proportionate to full consolidation as a result of the acquisition of an additional 35.8% interest in this subgroup.

The average number of employees of the companies consolidated using the proportionate method in 2012 was 496, stated at the Group's percentage shareholdings (2011: 3,581).

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10. Goodwill

	Thousands of euros	
	2012	2011
Goodwill on consolidation	196,885	261,310
Merger goodwill	68,212	42,693
	265,097	304,003

The breakdown of goodwill by cash-generating unit (CGU) at year-end 2012 and 2011 and the movements on this account during the years then ended:

	Thousands of euros					
2012	Balance at 31/12/2011	Additions	Retirements	Impairment (note 13)	Translation differences	Balance at 31/12/2012
Spain	99,862	-	(1,137)	(75,212)	-	23,513
Argentina	43,309	-	-	-	(6,112)	37,197
Italy	63,661	2,902	-	-	-	66,563
Panama	27,154	-	-	-	(524)	26,630
Mexico	70,017	63,746	(28,227)	-	5,658	111,194
	304,003	66,648	(29,364)	(75,212)	(978)	265,097

Additions in 2012 correspond to the business combinations described in note 6.

The retirements relate mainly to the goodwill allocated to the ICELA Group prior to the business combination in respect of its former 49% interest and the sale of Automáticos Mendoza S.L.

	Thousands of euros					
2011	Balance at 31/12/2010	Additions	Retirements	Impairment	Translation differences	Balance at 31/12/2011
Spain	106,631	-	(2,654)	(4,115)	-	99,862
Argentina	45,886	-	-	-	(2,577)	43,309
Italy	63,386	275	-	-	-	63,661
Panama	26,470	-	-	-	684	27,154
Mexico	42,577	32,814	-	-	(5,374)	70,017
	284,950	33,089	(2,654)	(4,115)	(7,267)	304,003

Additions in 2011 correspond to the business combinations described in note 6.

The retirements correspond principally to the sale of Recreativos Cósmicos, S.L. for €2.17 million.

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On the basis of the impairment tests described in note 13, the Group recognised an impairment loss on the Spanish cash-generating unit amounting to €75.21 million in 2012 (2011: €4.12 million).

Goodwill at cost and the accumulated impairment losses thereon at 31 December 2012 and 2011 break down by CGU as follows:

Thousands of euros					
	Cost	Impairment losses			Net carrying amount
		2010 and prior years	2011	2012	
2012					
Spain	102,840	-	(4,115)	(75,212)	23,513
Argentina	37,197	-	-	-	37,197
Italy	111,756	(45,193)	-	-	66,563
Panama	26,630	-	-	-	26,630
Mexico	111,194	-	-	-	111,194
	389,617	(45,193)	(4,115)	(75,212)	265,097

Thousands of euros					
	Cost	Impairment losses			Net carrying amount
		2009 and prior years	2010	2011	
2011					
Spain	103,977	-	-	(4,115)	99,862
Argentina	43,309	-	-	-	43,309
Italy	108,854	(45,193)	-	-	63,661
Panama	27,154	-	-	-	27,154
Mexico	70,017	-	-	-	70,017
	353,311	(45,193)	-	(4,115)	304,003

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11. Non-current financial assets

The balances under this heading at 31 December 2012 and 2011 and the movements in the years then ended break down as follows:

2012							Thousands of euros
Item	Balance at 31/12/2011	Business combinations	Additions	Decreases	Impairment provisions	Translation differences	Balance at 31/12/2012
Loans and receivables	49,974	-	6,801	(8,724)	(29,675)	294	18,670
Investments held to maturity	4,497	-	2,541	(742)	-	(203)	6,093
Other financial assets	13,103	11,100	1,973	(2,064)	(11,840)	167	12,439
	67,574	11,100	11,315	(11,530)	(41,515)	258	37,202

2011							Thousand euros
Item	Balance at 31/12/2010	Business combinations	Additions	Decreases	Transfers	Translation differences	Balance at 31/12/2011
Loans and receivables	209,584	(149,085)	8,848	(21,170)	-	1,797	49,974
Investments held to maturity	7,304	-	368	(3,175)	-	-	4,497
Other financial assets	703	7,616	5,971	(703)	-	(484)	13,103
	217,591	(141,469)	15,187	(25,048)	-	1,313	67,574

The "Business combinations" column at 31 December 2012 primarily includes the option for the acquisition of CIE Group's 15.2% shareholding in ICELA Group (note 6.a.1.1.).

At year-end 2012, the "Impairment provisions" column mainly includes the impairment of the outstanding loans granted by the Joint Opcos to the Caliente Group and on the put option under which the Group can sell its 7.3% shareholding in the Joint Opcos - Mio Games, S.A. de C.V. and Promojuegos, S.A. de C.V. - to the Caliente Group.

Business combinations at 31 December 2011 corresponded principally to the following items:

- As a result of the first-time consolidation of the Caliente subsidiaries (Jomaharho, S.A. de C.V., Grupo Caliente, S.A. de C.V. and the Joint Opcos) by the Group, the loans recognised prior to the approval of the agreement to restructure the contractual relationship with said group, which were granted by Codere Mexico, S.A. de C.V. to the Joint Opcos as a result of the agreement signed with the Caliente Group, totalling €175.48 million, were considered for the most part to be intra-group transactions from 31 March 2011 and were therefore eliminated. Nevertheless, a proportion of these balances, in the amount of €61.47 million, forms part of the consideration paid by Codere for the acquisition of these companies.
- The remaining debt of the Caliente subsidiaries with the Caliente Group totalling €29.68 million, the balance of which is fully provisioned at 31 December 2012.

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- The option to sell to the Caliente Group the Group's 7.3% holding in the Joint Opcos, Mio Games, S.A. de C.V. and Promojuegos, S.A. de C.V., for €11.51 million, which is been fully provisioned at 31 December 2012.

At 31 December 2011, additions under the heading "Loans and receivables" included a purchase option agreement for approximately €2 million under which the Group was entitled to acquire, subject to certain conditions, an additional 35.8% of the shares of ICELA from Corporación Interamericana de Entretenimiento, SA de CV ("CIE") (note 6).

The present value of the cash flows embodied by the Group's non-current financial assets at 31 December 2012 and 2011 discounted at market interest rates is considered to approximate their carrying amounts. The difference between their carrying amounts and fair values is therefore not significant.

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

Currency	Thousands of euros	
	2012	2011
Euro	16,750	19,061
US dollar	8,186	34,124
Argentine peso	2,277	396
Mexican peso	9,713	13,878
Uruguayan peso	271	108
Colombian peso	5	7
	37,202	67,574

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a) Loans and receivables

Type	Company holding the receivable right	Thousands of euros	
		2012	2011
Long-term loans	Hípica de Panamá, S.A.	1,332	2,040
Long-term loans	Alta Cordillera, S.A.	419	1,983
Long-term loans	Grupo Operbingo Italia, S.p.A.	3,890	4,375
Long-term loans	Codere Madrid, S.A.	556	799
Long-term loans	Operibérica, S.A.	651	789
Long-term loans	Codere S.A.	2,400	3,000
Long-term loans	Codere México, S.A.	1,602	17
Long-term loans	Joint Opcos	-	29,149
Other minor loans to third parties		7,820	7,822
Total		18,670	49,974

The loans to the Joint Opcos are related party loans. Although the Group has guarranties on these loans in the form of shares pledged by non-controlling shareholders and the dividends due to the non-controlling shareholders in these Joint Opcos, at year-end 2012 Codere's management judged that most realistic scenario was to write these receivables down to zero. The Group views the full impairment of these loans as reasonable as, at 31 December 2012, the present value of the dividends which the Joint Opcos are expected to distribute is significantly lower than the amount owed to the Group by them; these dividends are, moreover, due first to Codere México, S.A. de C.V. under the terms of service, loan and credit line agreements. In addition, execution of the pledge requires a length of time that significantly erodes the present value of the cash flows expected to derive from such action.

The balance due to Codere S.A. corresponds to a long-term receivable due from Mr. Ballesteros in the amount of €1.34 million (year-end 2011: €3 millon) as a result of a Supreme Court ruling of 23 November 2011 (note 25b).

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The amortised cost of the main loans broken down by maturity date is as follows:

Year	Thousands of euros	
	2012	2011
2013	-	3,855
2014	3,549	2,752
2015	1,819	1,017
2016	473	196
2017	74	-
Subsequent years	12,755	42,154
Total	18,670	49,974

b) Investments held to maturity

Type of investment	Thousands of euros	
	2012	2011
Machine hoopers	2,841	2,807
Long-term fixed-rate investments	2,154	300
Deposit agreements	14	36
Other	1,084	1,354
	6,093	4,497

c) Other financial assets

In 2012 this heading includes the fair value of the option for the acquisition of CIE Group's 15.2% shareholding in ICELA Group.

In 2011 this heading included Grupo Codere's option to sell to Grupo Caliente its 7.3% shareholding in the Joint Opcos, Mio Games, S.A. de C.V. and Promojuegos, S.A. de C.V.

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12. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows (figures in thousands euros):

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
Start-up expenses	8,554	-	7,848	-
Intangible assets	3,280	(122,945)	1,036	(82,281)
Property, plant and equipment	9,108	(3,122)	8,876	(3,485)
Financial investments	947	(719)	857	(782)
Exchange differences	-	(163)	-	(163)
Tax credits	21,569	-	27,179	-
Other	6,303	(7,765)	2,739	(1,562)
	49,761	(134,714)	48,535	(88,273)
Deferred tax assets/(liabilities) to be recovered after more than 12 months	30,761	(103,856)	43,472	(79,674)
Deferred tax assets/(liabilities) to be recovered within 12 months	19,000	(30,858)	5,063	(8,599)
	49,761	(134,714)	48,535	(88,273)

The breakdown of the deferred tax assets and liabilities recognised by the Group and the movement in these headings during the year:

	Thousands of euros				
	Balance at 31/12/2011	Charged to profit or loss	Business combinations	Translation differences	Balance at 31/12/2012
2012					
Assets					
Tax credits	27,179	(5,659)	9	40	21,569
Start-up expenses	7,848	(2,357)	2,937	126	8,554
Financial investments	857	-	-	90	947
Intangible assets	1,036	(3,369)	5,392	220	3,279
Property, plant and equipment	8,876	122	-	110	9,108
Other	2,739	2,644	708	213	6,304
	48,535	(8,619)	9,046	799	49,761
Liabilities					
Revaluation of property, plant and equipment	(3,485)	386	-	(23)	(3,122)
Financial investments	(782)	63	-	-	(719)
Exchange differences	(163)	-	-	-	(163)
Intangible assets	(82,281)	3,833	(44,499)	2	(122,945)
Other	(1,562)	(5,963)	(199)	(41)	(7,765)
	(88,273)	(1,681)	(44,698)	(62)	(134,714)

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**Net deferred tax assets
(liabilities)**

(39,738)

(84,953)

The "Business Combinations" column includes the tax effects of the recognition at fair value of the assets consolidated for the first time following business combinations (specifically the acquisitions ICELA Group and DP Services, S.r.l.) (note 6).

The decrease in tax credits corresponds primarily to the use of tax credits in Italy that had been recognised mainly in 2009 and 2010.

	Thousands of euros				
	Balance at 31/12/2010	Charged to profit or loss	Business combinations	Translation differences	Balance at 31/12/2011
2011					
<u>Assets</u>					
Tax credits	22,924	243	4,312	(300)	27,179
Start-up expenses	5,868	(1,435)	4,056	(641)	7,848
Financial investments	585	(245)	681	(164)	857
Intangible assets	788	(204)	-	452	1,036
Property, plant and equipment	3,588	4,167	64	1,057	8,876
Other	3,441	(517)	-	(185)	2,739
	37,194	2,009	9,113	219	48,535
<u>Liabilities</u>					
Revaluation of property, plant and equipment	(4,264)	774	-	5	(3,485)
Financial investments	(861)	55	-	24	(782)
Exchange differences	(163)	-	-	-	(163)
Intangible assets	(43,710)	3,393	(47,407)	5,443	(82,281)
Other	(1,340)	(238)	-	16	(1,562)
	(50,338)	3,984	(47,407)	5,488	(88,273)
Net deferred tax assets (liabilities)	(13,144)				(39,738)

The "Business Combinations" column includes the tax effects of the recognition at fair value of the assets consolidated for the first time as a result of business combinations, specifically the acquisitions of the Joint Opcos and Gap Games, S.r.l.

The movement in deferred tax assets in respect of property, plant and equipment mainly reflects deductible temporary differences due to investments made in Uruguay.

Deferred tax assets in respect of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the losses can be utilised.

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13. Impairment of non-financial assets

The non-current assets recognised under the headings "Intangible assets", "Property, plant and equipment" and "Goodwill" are subject to impairment testing.

Following impairment tests carried out at year-end 2012, the Group has recognised an impairment loss on its assets in Spain. The impairment loss recognised amounts to €75.21 million. This impairment is principally due to the sustained reduction observed in takings from Type B gaming machines, reduced sales of bingo cards in the context of the severe macroeconomic crisis affecting Spain in recent years and successive setbacks in the introduction of sports betting regulations in certain regions of Spain. The impairment is also the result of the adverse impact of the increase in the rates used to discount projects cash flows due to the increase in the Spain's country risk premium and the credit spread applicable to comparable issuers, in turn due to the eurozone sovereign debt crisis and the deterioration in the creditworthiness of the Codere Group's corporate debt.

Method used to determine the recoverable amounts of cash-generating units and key assumptions:

The Group bases its calculations of the recoverable amount of its cash-generating units on their value in use. Value in use is equivalent to the net present value of the cash flows that the operating assets of each identified CGU are projected to generate.

Cash flow projections

The Group estimates the future cash flows for each cash-generating unit using forecasting models based on the operating, financial and macroeconomic indicators applicable in each case. The projections cover a five-year period. Beyond the five-year period, a terminal value is estimated based on a constant rate of growth in perpetuity. The cash flows in year one of the projection period are based on detailed budgets approved by each unit for 2013, adjusted as necessary for the estimated impact of significant changes in the regulatory environment, the competitive landscape, the business model or the performance of each unit. The projections for the remaining years are based on the performance that can reasonably be expected in accordance with the strategies and plans defined by the Group for each of the markets in which it operates in accordance with their specific characteristics and competitive landscapes. With respect to capital investments, the forecasts include those necessary to maintain the businesses in their current condition (maintenance capex). The only growth investments factored in are those that have been specifically approved in the 2013 budgets or those required to enable the natural development of businesses that are still in the ramp-up phase.

The rate used to discount the cash flows is the weighted average cost of capital in the local currency of each unit. The weighted average cost of capital takes into account the Group's own cost of capital as well as that of third parties, weighted in accordance with a defined target capital structure. The internal cost of capital varies for each unit in accordance with the market risk premium applicable and the specific country risk for the country where it operates, including exchange rate risk. As a practical expedient, after-tax discount rates are used. The cash flows discounted are similarly after-tax projections. The growth rate used to calculate each unit's terminal value is the long-term consumer price index forecast for each country taken from macroeconomic forecasts; i.e. the terminal value does not factor in any growth in real terms. For those cash-generating units whose functional currency is not the euro, cash flows are projected in local

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currency and the net present value of these cash flows is then translated into euro at the exchange rate prevailing at 31 December 2012.

Key assumptions

The key assumptions in respect of gaming operations relate, in general, to installed gaming capacity (number of gaming halls, casinos, race tracks, betting agencies, installed gaming machines, bingo hall seating capacity, gaming tables, etc.) and the average daily takings from each machine, seat, table or gaming hall attendee. Revenue during the projection period varies in accordance with the forecast trend in these variables. Profitability and operational gearing levels, as reflected in EBITDA margins, are also significant. The carrying amounts of the net operating assets of each cash-generating unit at 31 December 2012 are detailed below, together with the key assumptions used to calculate their value in use and any impairment losses recognised. Key assumptions include the after-tax discount rate, the growth rate used to estimate terminal value, the compound average annual growth rate for revenue in local currency for the projection period, and the estimated percentage point change in the EBITDA margin between the 12 months ended 31 December 2012 and the final 12 months of the projection period.

Thousands of euros			
Cash-generating unit	Carrying amount of net operating assets⁽¹⁾ at 31/12/2012	Impairments of assets at 31/12/2012	After-tax discount rate
Argentina	223,825	-	22.9%
Mexico ⁽³⁾	793,557	-	10.7%
Spain ⁽⁴⁾	202,681	(75,212)	10.2%
Italy ⁽⁵⁾	148,892	-	9.9%
Panama	81,775	-	10.1%
Colombia	27,497	-	10.5%
Uruguay	19,691	-	14.1%
Parent companies and other	67,929	-	-
Total	1,565,847	(75,212)	

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Cash-generating unit	Organic growth rate for calculating terminal value	CAGR of revenue in local currency⁽²⁾	Change in EBITDA margin (percentage points)⁽²⁾
Argentina	5.0%	12.4%	(5.4)pp
Mexico ⁽³⁾	3.0%	5.5%	2.9pp
Spain ⁽⁴⁾	1.4%	4.7%	2.5pp
Italy ⁽⁵⁾	1.4%	2.7%	(0.8)pp
Panama	4.0%	5.1%	(0.5)pp
Colombia	3.0%	7.8%	4.4pp
Uruguay	5.0%	7.1%	0.6pp

(1) Includes the carrying amount of goodwill, intangible assets and property, plant and equipment before impairment losses in the year.

(2) Obtained by comparing the figures for the last year of the projection period with those of the 12 months to 31 December 2012 (as reported quarterly and translated into local currency at average exchange rates).

(3) Includes the changes to the business structure resulting from the full consolidation of ICELA from February 2012. In 2012 this subgroup recognised non-recurring charges of €6.6 million (of which €2.6 million were restructuring charges, €2.6 million were for tax contingencies and €1.4 million for other items).

(4) Includes all business lines in Spain which were unified for organisational structure purposes from 2011 (AWP machines, sports betting and traditional bingo). The projections factor in the deployment of sports betting operations in Madrid, the Basque region, Navarre, Valencia, Aragon, Murcia and Galicia. Excludes pre-operational expenses associated with online initiatives as these are still in the early stages of development.

(5) Encompasses all business lines in Italy (indirect operations with AWP machines, traditional bingo, video lotteries and connection network). Includes the impact of the first-time consolidation of the companies acquired during the year: New Joker S.r.l. and DP Service S.r.l. from April 2012 and June 2012, respectively. Excludes pre-operational expenses associated with online initiatives as these are still in the early stages of development.

(6) The EBITDA margin in Colombia in 2012 was affected by non-recurring pre-operational expenses in the amount of €1.6 million. Stripping out this item, the 2012 EBITDA margin would have been 4.5pp higher.

Sensitivity to key assumptions

The table below shows, for each cash-generating unit for which no impairment loss was recognised in 2012, the after-tax discount rate and, separately, the organic growth rate used to calculate the terminal value which, had they been applied, would equate the value in use to the carrying amount of the CGUs' net operating assets:

Cash-generating unit	Variable required to equate value in use to carrying amount	
	After-tax discount rate	Organic growth rate for calculating terminal value
Argentina	40.4%	Negative
Mexico	11.5%	2.0%
Spain	N/A	N/A
Italy	11.9%	Negative
Panama	11.0%	2.8%
Colombia	12.2%	0.4%
Uruguay	24.6%	Negative

According to this sensitivity analysis, the Mexican, Panamanian and, to a lesser extent, Colombian cash-generating units are the ones with the least headroom to accommodate a potential impairment to its assets. This is largely due to the fact that some or all of the assets at these cash-

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generating units were acquired recently at market value either as a result of significant acquisitions (e.g. the acquisition of Mexico Caliente in March 2011, Mexico ICELA in February 2012 and Panama Thunderbird in August 2010) or due to the outcome of impairment testing in prior years (e.g. Colombia in 2009).

14. Inventories

	Thousands of euros	
	Year-end 2012	Year-end 2011
Slot and gaming machines	329	2,092
Spare parts for machines	5,737	4,501
Food and drink	2,742	1,564
Bingo cards	1,711	1,692
Other items	2,021	1,679
	12,540	11,528

The cost of inventories recognised as an expense in 2012 amounted to €42.14 million (€42.61 million in 2011).

15. Receivables

a) Trade receivables:

At 31 December 2012, "Trade and other receivables" included €4.02 million for catering and management services supplied to food and drink establishments in Spain (€4.30 million at 31 December 2011). In addition, this heading includes the customer portfolio associated with Centro Banamex in Mexico deriving from the acquisition of 35.8% of the ICELA Group.

There are no provisions for impairment of receivables.

b) Sundry receivables:

	Thousands of euros	
	2012	2011
Sundry receivables	81,775	72,990
Receivable from employees	1,476	1,476
Provision for impairment	(36,371)	(37,338)
	46,880	37,128

At 31 December 2012, "Sundry receivables" includes approximately €26.80 million of advances paid to the owners of food and drink establishments against their share of the takings from the gaming machines located in their premises (€28.22 million at 31 December 2011). These advances will be recovered against the takings collected.

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“Sundry receivables” also includes at year-end 2012 €11.46 million due from CIE Group companies, mainly Make Pro, S.A. de C.V., for advertising and sponsorship services (€6.9 million at year-end 2011).

This heading also includes €13.86 million receivable by Codere Network S.p.A. from gaming machine operators in Italy (€13.95 million at 31 December 2011). The remaining amount comprises a significant number of receivables of lower value.

The amounts recognised under "Provision for impairment" at 31 December 2012 correspond principally to amounts set aside to cover advances against takings in Spain and to cover receivables from gaming machine operators in Italy.

The movements on the provision are as follows:

	Thousands of euros
Balance at 31/12/2011	<u>(37,338)</u>
Provision for receivables impairment	(3,320)
Unused amounts reversed	1,546
Amounts derecognised	2,756
Translation differences	<u>(15)</u>
Balance at 31/12/2012	<u>(36,371)</u>

	Thousands of euros
Balance at 31/12/2010	<u>(38,496)</u>
Provision for receivables impairment	(8,370)
Unused amounts reversed	5,390
Amounts derecognised	4,251
Translation differences	<u>(113)</u>
Balance at 31/12/2011	<u>(37,338)</u>

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

c) Tax receivables accrued

At 31 December 2012, “Tax receivables accrued” amount to €106.04 million (€61.42 million at year-end 2011). This balance includes €86.34 million of VAT receivable from the Mexican tax authorities. In Mexico this class of indirect tax is recovered when the cash flows associated with the transactions giving rise to the VAT occur. The increase in this balance in 2012 corresponds to the business combination described in note 6.a.

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The remaining €19.70 million corresponds to taxes due from the tax authorities in the Group's other operating markets.

The carrying amounts of the receivables heading are denominated in the following currencies:

Currency	Thousands of euros	
	2012	2011
Euro	36,810	34,099
US dollar	16,401	10,167
Argentine peso	2,809	7,679
Mexican peso	124,688	68,650
Uruguayan peso	4,153	4,542
Colombian peso	1,459	2,050
Brazilian real	330	236
	186,650	127,423

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

16. Other current financial assets

The movements on "Other current financial assets" in 2012 and 2011 are as follows (figures in thousand euros):

2012	Balance at 31/12/2011	Additions	Decreases	Transfers	Translation differences	Balance at 31/12/2012
Short-term investment securities	1,275	1,473	(4)	-	(169)	2,575
Other loans and investments	20,746	35,658	(2,135)	-	(501)	53,768
	22,021	37,131	(2,139)	-	(670)	56,343

2011	Balance at 31/12/2010	Additions	Decreases	Transfers	Translation differences	Balance at 31/12/2011
Short-term investment securities	1,531	27	(12)	-	(271)	1,275
Other loans and investments	23,432	6,394	(8,444)	(126)	(510)	20,746
	24,963	6,421	(8,456)	(126)	(781)	22,021

The fair values of current financial assets at 31 December 2012 and 2011 do not differ materially from their carrying amounts.

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The items recognised under "Other loans and investments" break down as follows:

Item	Thousands of euros	
	2012	2011
Short-term loans	14,237	13,016
Deposits and guarantees	38,526	6,490
Short-term security deposits	1,005	1,240
	53,768	20,746

"Security deposits" relate mainly to a USD30 million deposit set up by Codere S.A. to secure the bank borrowings arranged to finance the renewal of the Group's gaming licences in Argentina (note 19). This heading also recognises deposits in the amount of €9.25 million set up by Codere Network, S.p.A. under the concession agreement under which this Group company operates.

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

Currency	Thousands of euros	
	2012	2011
Euro	25,041	18,812
US dollar	23,879	78
Argentine peso	5,850	584
Mexican peso	1,365	2,482
Uruguayan peso	148	-
Colombian peso	60	65
	56,343	22,021

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17. Equity

a) Share capital

At 31 December 2012 and 2011 the share capital of Codere S.A. totalled €11,007,924 and consisted of 55,036,470 fully subscribed and paid in bearer shares with a par value of €0.20 each. The Parent's shares have been listed on the Madrid Stock Exchange since 19 October 2007.

At 31 December 2012 and 2011 the Parent Company's shareholder structure was as follows:

Shareholder	Shareholding	
	% 2012	% 2011
Masampe Holding, B.V.	51.35%	51.35%
Mr. José A. Martínez Sampedro	12.42%	12.42%
Noonday Asset Management, LLP	5.33%	5.33%
Other shareholders	30.90%	30.90%
	100%	100%

This table individually lists significant shareholders who, in accordance with securities market legislation, have acquired shares giving them voting rights in a listed company and who must, therefore, notify the Spanish securities market regulator (the CNMV for its acronym in Spanish) and Codere S.A. when their interests in the Parent's voting rights rises above or falls below 3%.

At 31 December 2012, 55,036,470 shares were admitted to trading, of which 69.13% (69.13% at year-end 2011) were directly or indirectly held by members of the Board of Directors.

No Company shares were sold by senior management on the market in either year. Nor did senior management purchase any shares in 2012 or 2011.

b) Share premium

The share premium derives from equity issues approved at the Annual General Meetings held on 20 December 1999 (€52.61 million), 27 January 2006 (€38.9 million) and 18 October 2007 (€139.77 million). This reserve is freely distributable.

c) Treasury shares

At the Annual General Meeting of 10 May 2012, the shareholders authorised Codere S.A. to acquire at any time and on as many occasions as it deems necessary, directly or through any of its subsidiaries, fully paid up own shares, for cash or for any valuable consideration. The minimum price or consideration will be the par value of the treasury shares acquired and the maximum the quoted price plus 20% at the acquisition date. This authorisation was conceded for a period of 18 months. The shareholder resolution expressly provides that the shares acquired, together with those already held by Codere S.A. and its subsidiaries, may not exceed at any time the limit laid down in prevailing law. The Board of Directors is empowered to execute this power.

Liquidity contract

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On 28 January 2009, Codere, S.A. signed a liquidity agreement with Crédit Agricole Cheuvreux, S.A. designed to improve its liquidity position and stabilise its share price. This agreement came into force on 18 February 2009. The key features of the contract, in line with current regulations, are:

- Financial intermediary: Crédit Agricole Cheuvreux, S.A.
- Securities covered by the agreement: Ordinary shares of Codere S.A. traded on the official stock market.
- Agreement term: 12 months, automatically extended unless otherwise notified by either party.
- Funds transferred to the cash account: €500k, with a further €250k available if the parties consider it necessary pursuant to Rule 2, Point 5 of CNMV Circular 3/2007. At 31 December 2012, the amount paid in totalled €750k.
- The voting and dividend rights attached to the shares deposited in the securities account are suspended.
- Prior acquisition of the shares deposited in the securities account.

At 31 December 2012, the Company held 149,611 treasury shares (177,522 at year-end 2011) of which 90,611 (90,522 at year-end 2011) had been acquired by Credit Agricole, representing less than 10% of the total shares of Codere S.A. (the legal limit) with a carrying amount in equity of €551k (€868k at 31 December 2011). The average acquisition price was €3.70 per share. These shares are fully paid up.

d) Legal reserve

In accordance with the Spanish Corporate Enterprise Act, 10% of profit for the year must be allocated to the legal reserve until the balance of the reserve reaches at least 20% of capital. At both 31 December 2012 and 2011 the legal reserve totalled €2.20 million.

Until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

e) Other information

As the parent guarantor on the bonds issued by Codere Finance (Luxembourg), S.A., there are limits on Codere S.A.'s ability to approve and pay dividends until the bonds are repaid, in 2019.

There are no restrictions on any Group company operating in Latin American or European countries distributing dividends to shareholders in Spain.

In Argentina, the Group may only distribute dividends once all unused tax losses have been offset.

In addition to any legal requirements or bylaw stipulations and the aforementioned restrictions, dividends may only be distributed from profit for the year or from unrestricted reserves, provided equity is not or would not be as a consequence of the distribution less than share capital. If prior-year losses reduce the Company's equity to below share capital, profits must be allocated to offset the losses. Gains recognised directly in equity may not be directly or indirectly distributed to this end.

f) Information by company

Appendix II provides an itemised breakdown of the equity of the Group companies at 31 December 2012.

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18. Provisions

18.1. Non-current provisions

	Thousands of euros					
2012	Balance at 31/12/2011	Business combinations	Additions	Decreases	Translation differences	Balance at 31/12/2012
Provision for taxes	15,900	-	6,037	(8,102)	503	14,338
Retirement bonuses	5,438	2,157	2,395	(2,820)	179	7,349
Other provisions	22,881	364	13,662	(13,159)	(581)	23,167
	44,219	2,521	22,094	(24,081)	101	44,854

	Thousands of euros					
2011	Balance at 31/12/2010	Business combinations	Additions	Decreases	Translation differences	Balance at 31/12/2011
Provision for taxes	3,704	14,957	1,245	(2,131)	(1,875)	15,900
Retirement bonuses	4,800	-	1,660	(842)	(180)	5,438
Other provisions	21,149	781	5,953	(4,710)	(292)	22,881
	29,653	15,738	8,858	(7,683)	(2,347)	44,219

a) Provision for taxes

Provisions for taxes include balances associated with the fiscal and labour-related risks of the Group's companies in Mexico at 31 December 2012 and 2011 of approximately €12.97 million and €13.30 million, respectively. The amounts recognised under "Decreases" correspond principally to the reversal of provisions recognised by the Mexican Group companies once the statute on certain tax contingencies lapsed.

In 2011 the "Business combinations" column includes provisions recognised by the companies acquired in Mexico on 31 March 2011.

b) Retirement bonuses

This heading includes amounts payable by various Group companies to its employees under collective bargaining agreements.

c) Other provisions

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This heading includes provisions recognised by Codere Network, S.p.A to cover possible liabilities arising as a result of legal proceedings in Italy totalling €12.16 million and €12.0 million at 31 December 2012 and 2011, respectively.

At 31 December 2012, this heading also includes €1.03 million corresponding to a provision made in connection with an inspection by the Argentine Central Bank ("BCRA") of certain foreign currency transactions concluded between 2002 and 2004 (€1.04 million at year-end 2011).

It also includes €475k corresponding to a contingent payment recognised in 2010 following the acquisition of Codere Apuestas España, S.L.U. by Codere, S.A.

Decreases in 2012 and 2011 correspond principally to legal proceedings settled during the year and contingencies in Argentina and Italy the statute on which have lapsed. The additions in 2012 and 2011 correspond mainly to provisions for future lawsuits in Italy.

This heading also includes Group commitments to staff under the employment laws in force in each country, and provisions made in each year for labour-related contingencies.

18.2. Current provisions

	Thousands of euros	
	2012	2011
Provision for put option granted to executives	4,102	2,865
Other	736	66
Total	4,838	2,931

This heading includes a provision for the market value of the share sale option offered to a number of senior management of Codere S.A. One million ordinary shares, formerly held as treasury shares, were sold to senior management at a price of €7.88 per share, the price at which a number of transactions with third parties had been concluded. These share purchases were financed by Codere S.A. via loans to this senior management totalling €7.88 million, which accrued interest at an annual rate of 2.5% in 2012 and 2011. In turn, the Company granted these executives the right, on maturity of the loan, to settle the outstanding balance of the loan (principal plus interest) by delivering the shares acquired using Company funding. This clause is treated as a put option granted to senior management and was valued as such. Changes in the value of this option are recognised directly in equity.

Under this option, the senior management were entitled to repay the loan to Codere S.A. after 18 months from the acquisition date. This term was since extended to December 2012. Codere holds rights to pre-emptively acquire the shares from each executive, exercisable in the event that the executive declares his or her intention to sell the shares to a non-shareholding third party.

	Thousands of euros			
	Balance at 31/12/2011	Additions	Decreases	Balance at 31/12/2012
Provision for put option granted to executives	2,865	3,200	(1,963)	4,102

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2011

	Thousands of euros		
	Balance at 31/12/2010	Additions	Decreases
Provision for put option granted to executives	1,469	2,218	(822)
	2,865		

The movements in this provision in 2012 and 2011 correspond to the effects of discounting the market value of the option to year-end and to the acquisition of treasury shares by the Codere Group at €7.88 per share (note 17.c).

At 31 December 2012 and 2011, the market value of the option corresponded exclusively to the loans which had not yet been repaid. The value of the option was calculated using market prices taking into account the volatility of the security, the redemption value of the loans and other factors.

The inputs used in the valuation model are:

	2012	2011
Strike price	10.597	10.597
Expected volatility	44.386%	30.778%
Annual rate	0.321%	1.397%
Implicit rate	3.8323%	6.1858%
Total price	6.78	4.49

19. Financial liabilities

a) Non-current payables

	Thousands of euros	
	2012	2011
Bonds issued by Codere Finance (Luxembourg), S.A. and by HRU, S.A.	985,642	758,090
Bank borrowings	100,591	59,658
Other payables	58,797	38,952
Finance lease liabilities	22,328	15,838
	1,167,358	872,538

a.1) *Bonds issued*

On 24 June 2005, Codere Finance (Luxembourg), S.A. issued €335 million of 8.25% bonds due 15 June 2015. On 19 April 2006 this same Group company issued an additional €165 million of bonds and on 7 November 2006 another €160 million. The bonds issued in April 2006, at a premium of 106.25%, and the bonds issued in November 2006, at a premium of 107.25%, were fungible and were accordingly grouped into a single issue along with the bonds issued in 2005.

On 22 July 2010, Codere Finance (Luxembourg), S.A. issued an additional €100 million of bonds at an issue price of 94%. This issue, with a coupon of 8.25%, is guaranteed by Codere S.A. and

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several of its subsidiaries. The new bonds were issued under the same terms as the earlier issues and mature in 2015.

On 8 February 2012, Codere Finance (Luxembourg), S.A. issued USD300 million of 9.25% bonds due 2019.

The breakdown of the Group's total bond issues is as follows:

	Face value	Bond currency	Effective interest rate	Maturity	Thousands of euros	
					2012	2011
Bonds issued by Codere Finance (Luxembourg), S.A.	335,000	Euro	8.76%	15/06/15	330,882	329,235
Bonds issued by Codere Finance (Luxembourg), S.A.	165,000	Euro	8.23%	15/06/15	165,080	165,113
Bonds issued by Codere Finance (Luxembourg), S.A.	160,000	Euro	7.96%	15/06/15	161,074	161,513
Bonds issued by Codere Finance (Luxembourg), S.A.	100,000	Euro	10.71%	15/06/15	94,208	91,950
Bonds issued by Codere Finance (Luxembourg), S.A.	226,005	US dollar	10.20%	15/02/19	220,637	-
Marketable debentures issued by HRU, S.A.	3,013(*)	US dollar	4.02%	28/11/22	1,431	-
Marketable debentures issued by HRU, S.A.	6,027 (*)	US dollar	5.02%	28/11/18	2,460	-
Marketable debentures issued by HRU, S.A.	15,067(*)	US dollar	4.90%	28/11/21	7,437	7,189
Marketable debentures issued by HRU, S.A.	7,534(*)	US dollar	6.40%	28/11/17	2,433	3,090
					985,642	758,090

(*) The face value corresponds to the entire amount of the marketable debentures issued by HRU, S.A. The Codere Group consolidates 50% of this balance in its balance sheet, in keeping with its ownership interest in the issuer (proportionate method). The bonds outstanding at 31 December 2010 were cancelled on 7 February 2011. On 30 November 2011, HRU completed new issues of marketable debentures in amounts of USD20 million and USD 10 million. On 30 November 2012, HRU completed new issues of marketable debentures in amounts of USD8 million and USD4 million.

The fair value of the bonds based on their quoted prices is:

	Thousands of euros	
	2012	2011
Bonds issued by Codere Finance (Luxembourg), S.A.	811,576	713,400
Marketable debentures issued by HRU, S.A.	16,045	11,631
	827,621	725,031

The bonds issued by Codere Finance (Luxembourg), S.A. are guaranteed by the parent guarantor (Codere, S.A.) and the subsidiary guarantors listed below.

Codere Finance (Luxembourg), S.A. and the guarantors are party to the indenture together with Deutsche Trustee Company Limited as trustee and Deutsche Bank AG (London branch) as principal paying agent. Among other things, this indenture limits the ability of the issuer or the guarantors to:

- Make certain restricted payments and investments.
- Incur additional debt and issue preferred shares.

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- Provide guarantees to third parties not belonging to the restricted Group.
- Create restrictions on the guarantors' ability to pay dividends or transfer or sell assets.

The parties to the indenture also have the power to:

- Request compliance with certain financial ratios.
- Incur additional debt subject to certain ratios.

The issuer pays the interest on the bonds issued in 2005, 2006 and 2010 semi-annually on 15 June and 15 December. Codere Finance (Luxembourg), S.A. may also redeem all or part of the bonds issued in 2005, 2006 and 2010 at a repurchase price of 100% of par plus the applicable premium (between 0% and 2.75%).

The interest on the USD300 million bond is also payable semi-annually on 15 February and 15 August to maturity in 2019; the bonds cannot be repurchased before year three after issuance, at which point they may be bought back at 100% of par plus a premium which depends on the year of repurchase (0% - 9.250%).

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The guarantors at 31 December 2012 are:

Alta Cordillera, S.A.	Codere Uruguay, S.A.
Bingo Oasis, S.r.l. (*)	Codere Italia, S.p.A.
Bingo Re, S.r.l. (*)	Codere Valencia, S.A.
Bingos Codere, S.A.	Colonder, S.A.U.
Bingos del Oeste, S.A.	Gestioni Marconi, S.r.l.
Bingos Platenses, S.A.	Giomax, S.r.l.
Bintegral, S.p.A.	Hípica de Panamá, S.A.
Codere, S.A.	Iberargen, S.A.
Codere América, S.A.U.	Interbas, S.A.
Codere Argentina, S.A.	Interjuegos, S.A.
Codere Apuestas Aragón, S.L.U. (***)	Intermar Bingos, S.A.
Codere Apuestas España, S.L.U. (***)	Intersare, S.A.
Codere Apuestas Navarra, S.A.U.	Itapoan, S.A.
Codere Apuestas, S.A.U.	Misuri, S.A.U.
Codere Apuestas Valencia, S.A.U.	Operbingo Italia, S.p.A.
Codere Barcelona, S.A.U.	Operibérica, S.A.
Codere Colombia, S.A.	Promociones Recreativas Mexicanas, S.A. de C.V.
Codere España, S.L.U. (***)	Promojuegos de México, S.A. (**)
Codere Internacional, S.L.U. (***)	Recreativos Mae, S.L.U. (***)
Codere Internacional Dos, S.A.U.	Vegas, S.r.l.
Codere Madrid, S.A.U.	
Codere México, S.A. de C.V.	
Codere Network, S.p.A.	

(*) These companies merged in January 2013.

(**) This company is only guarantor on the bonds issued in June 2005, April 2006, November 2006 and July 2010.

(***) These companies only guarantee the senior debt.

The bonds denominated in euro are guaranteed by the parent guarantor under an intercreditor agreement between Codere Finance (Luxembourg), S.A. and Codere, S.A. (bearing interest at the same rate as the bonds) and subsidiarily by a pledge over shares in Codere España, S.L.U. and Codere Internacional, S.L.U.

The bonds denominated in US dollars are guaranteed by the parent guarantor under an intercreditor agreement between Codere Finance (Luxembourg), S.A. and Codere Internacional Dos, S.A.U. (bearing interest at the same rate as the bonds) and subsidiarily by a pledge over shares in Codere Internacional, S.L.U., Codere España, S.L.U., Codere América, S.A.U., Colonder, S.A.U. and Nididem, S.L.

The general terms of the bond issues also subordinate all other debt of the Codere Group companies to the payment obligations in respect of the bonds, with the exception of those debts secured by specific assets.

At 31 December 2012, the interest accrued and not yet paid amounted to €10.44 million (€2.61 million at year-end 2011).

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a.2) Non-current bank borrowings

	Average effective interest rate	Maturity	Thousands of euros	
			2012	2011
Group in Spain	3.07%	2014 - 2025	1,560	1,478
Group in Italy	3.72%	2014 - 2015	2,788	5,828
Group in Mexico	TIE + 2.27%-3.5%	2014-2015	64,051	38,085
Group in Panama	3M Libor + 3.50% (Floor 6.75%)	2016	11,921	14,267
Group in Colombia	DTF TA + 5.05%	2017	2,574	-
Uruguay (C Nobile)	8.35%	2016	17,697	-
			100,591	59,658

The items recognised under this heading correspond principally to debt contracted locally to finance expansion of the Group's activities in these countries. These bank borrowings bear interest at market rates. The most significant is the debt held by ICELA to finance investments in Centro Banamex, the racetrack and the Sala Royal.

The increase in bank borrowings in Mexico reflects the change in the method of consolidating ICELA from proportionate to full consolidation as a result of the acquisition of an additional 35.8% interest in this subgroup.

The increase in bank borrowings in Uruguay relates to investment in the construction of the Casino Hotel Carrasco.

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

The carrying amounts of bank borrowings do not differ materially from their fair values at 31 December 2012 or 2011.

a.3) Other non-current payables

The amounts recognised under "Other payables" within "Other non-current payables" at 31 December 2012 and 2011, totalling €58.8 million and €38.95 million, respectively, correspond principally to long-term payables recognised by Spanish companies for acquisitions and to payments outstanding on exclusivity rights in amounts of approximately €10.45 million and €11.22 million at year-end 2012 and 2011, respectively.

It also includes €25.61 million and €3.46 million at 31 December 2012 and 2011, respectively, corresponding to long-term debt in respect of deferred gaming taxes as approved for a certain number of gaming machines in the Spanish autonomous communities of Madrid, Cantabria, Valencia and Catalonia. The current balances are recorded under the heading "Other non-trade payables". These debts bear interest at the legal rate in Spain.

Lastly, this heading also includes borrowings from third parties for the acquisition of licenses by Codere Network, S.p.A. to fund the installation and operation of a new type of gaming machine in Italy (VLTs) for a total of €12.47 million (€15.01 million at year-end 2011).

a.4) Finance lease liabilities

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The breakdown of the minimum payments due on finance leases at 31 December 2012 and 2011 is as follows:

	Gross liabilities		Thousands of euros	
			Present value	
	2012	2011	2012	2011
No later than 1 year	23,048	16,276	19,719	14,705
Later than 1 year and no later than 5 years	25,273	17,615	22,328	15,838
	48,321	33,891	42,047	30,543
Less:				
Future finance charges on finance lease liabilities	(6,273)	(3,348)		
Recognised as:				
Non-current finance lease liabilities			22,328	15,838
Current finance lease liabilities			19,719	14,705

Finance leases relate principally to leased gaming machines. The current liabilities are recorded under "Other non-trade payables".

The carrying amounts of "Other non-current payables" do not differ materially from their fair values at 31 December 2012 and 2011.

The carrying amounts of "Non-current payables" are denominated in the following currencies:

Currency	Thousands of euros	
	2012	2011
Euro	807,276	788,948
US dollar	272,503	33,567
Argentine peso	288	412
Mexican peso	83,821	45,982
Uruguayan peso	-	3,066
Colombian peso	3,470	563
	1,167,358	872,538

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The breakdown of non-current payables by type and maturity is as follows:

Year	2012			2011		
	Bank borrowings	Other non-current payables	Total	Bank borrowings	Other non-current payables	Total
2013				14,125	19,558	33,683
2014	14,970	25,929	40,899	9,854	9,263	19,117
2015	72,237	792,574	864,811	30,493	755,605	786,098
2016	11,967	5,172	17,139	2,961	17,115	20,076
2017	8	4,326	4,334			
Beyond	1,409	238,766	240,175	2,225	11,339	13,564
	100,591	1,066,767	1,167,358	59,658	812,880	872,538

b) Current liabilities

b.1) Bank borrowings

	Thousands of euros	
	2012	2011
Short-term loans	57,347	19,650
Trade discount lines and credit facilities	17,079	25,788
Interest accrued	1,507	129
	75,933	45,567
Total undrawn	42,452	42,911
Total limit	118,385	88,478

Short-term loans

At 31 December 2012, these loans primarily include the short term bank borrowings held by several Group companies in Argentina (€30.3 million), Codere México, S.A. de C.V. (€5.31 million), the ICELA Group (€11.67 million), and by the Group companies in Italy (€3.07 million), Panama (€4.3 million) and Uruguay (€2.33 million).

The credit facilities in Argentina were applied for to fund the renewal of gaming licenses negotiated in 2012 and include an ARP200 million line of credit of which ARP100 million is secured by a standby letter of credit issued in Spain (note 16); ARP30 million is secured by public securities, leaving ARP70 million unsecured.

Trade discount lines and credit facilities

The items recognised under this heading at 31 December 2012 include principally short-term bank borrowings held by Codere México, S.A. de C.V. (€4.69 million), the ICELA Group (€5.42 million), the Group in Italy (€7.82 million) and the Group in Panama (€1.12 million).

This heading also includes a credit line drawn down by €18 million at 31 December 2012 (€28 million at year-end 2011). In October 2007, the Company obtained a senior credit line of €100

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million for a maximum of three years. The facility was granted by Barclays Bank plc as agent. The facility comprised a revolving credit line of €60 million bearing nominal annual interest at Euribor +1.75% and €40 million in debt guarantees.. The issuer stipulated compliance with covenants on an annual basis, which the Company reviews regularly. These principally limit the Company's indebtedness level and require it to meet certain coverage ratios. The Company complied with these covenants in both periods. As detailed in note 3.c.3), as of the date of authorising the accompanying consolidated annual accounts for issue, the Group was negotiating the renewal of this senior credit line and the related debt guarantees.

The senior credit line was last renewed on 15 June 2010. The new Senior Financing Agreement (multi-currency and multi-lender) increased the drawable amount to €120 million, extendable to €180 million, at an interest rate of Euribor/Libor +4.5% over three years. As detailed in note 3.c.3), as of the date of authorising the accompanying consolidated annual accounts for issue, the Group was negotiating the renewal of this senior credit line and the related in debt guarantees.

The balances drawn (in thousand euros), their maturities and the interest rates applicable at 31 December 2012 and 2011 are as follows:

2012	Interest rate	Maturity date
10,000	4.612%	14/01/2013
3,000	4.613%	31/01/2013
<u>4,548</u>	4.714%	31/01/2013
17,548		
2011	Interest rate	Maturity date
5,000	5.712%	03/01/2012
20,000	5.671%	13/01/2012
<u>3,000</u>	5.657%	16/01/2012
28,000		

An Intercreditor Agreement links the guarantees on both categories of debt - bonds and senior debt - subordinating the former to the latter. For further information see the details of the bond and senior debt guarantee agreements at the beginning of this note.

b.2) Other non-trade payables and current tax liabilities

	Thousands of euros	
	2012	2011
Payable to tax authorities	135,735	110,930
Gaming taxes deferred	24,896	44,335
Payable to employees	23,538	20,205
Other payables	<u>79,533</u>	<u>46,064</u>
	<u>263,702</u>	<u>221,534</u>

b.2.1) Payable to tax authorities

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This heading includes amounts payable in respect of VAT, personal income tax, corporate income tax and other taxes.

b.2.2) Gaming taxes deferred

This heading includes amounts payable in respect of gaming taxes on a certain number of gaming machines in Spain in the autonomous communities of Madrid, Cantabria, Valencia, the Balearic Islands and Catalonia. This heading includes the amounts for which deferral has been requested and/or been granted, which fall due within less than 12 months from the reporting date.

b.2.3) Other payables

This heading includes:

- Current finance lease obligations on gaming machines in the amount of €19.72 million at 31 December 2012 (€14.71 million at 31 December 2011).
- Payables for exclusivity rights and to suppliers of fixed assets to Spanish gaming machine companies in the amount of €4.09 million at 31 December 2012 (€4.6 million at 31 December 2011).
- Bills payable in the short term by Spanish companies totalling €1.32 million at 31 December 2012 (€4 million at 31 December 2011).
- Payables related to the renewal of licences in Argentina: €12.97 million.
- Payments outstanding on the acquisition of companies in Italy in the amount of €4.17 million.
- Payables on the acquisition of betting terminals in Spain in the amount of €5.16 million.

At 31 December 2012 the foreign exchange hedging agreements arranged by the Codere Group during the year had all been settled. The potential loss on outstanding currency hedges at 31 December 2011 totalled €59 thousand (note 20).

b.3) Disclosure on deferral of payments to suppliers. Additional Provision Three of Law 15/2010 of 5 July "Duty of disclosure"

Spanish Law 15/2010 of 5 July 2010 establishes a deadline of 60 days for payment to suppliers. To this end, the legislation provides for a transition schedule that finishes on 1 January 2013. Specifically, transitional provision two of this piece of legislation stipulated a ceiling on supplier payment terms of 85 days from effectiveness of the new legislation until 31 December 2011, of 75 days between 1 January 2012 and 31 December 2012 and 60 days from 1 January 2013 on.

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The table below is presented in compliance with the Group's disclosure requirements under Law 15/2010:

2012

	Thousands of euros	% of total
Paid within the legally-mandated maximum term	62,453	84.05%
Other	11,849	15.95%
Total payments in the year	74,302	
Weighted average days past due (*)	50.67	
Trade payables past due by more than the legally-mandated maximum term at the reporting date	1,956	

(*) The average payment term in excess of the legal limit

2011

	Thousands of euros	% of total
Paid within the legally-mandated maximum term	58,172	84.47%
Other	10,695	15.53%
Total payments in the year	68,867	
Weighted average days past due (*)	37.48	
Trade payables past due by more than the legally-mandated maximum term at the reporting date	3,594	

(*) The average payment term in excess of the legal limit

The carrying amounts of current liabilities do not differ materially from their fair values at 31 December 2012 and 2011.

c) Loans secured by the Group

In addition to the shares of various Group companies pledged at 31 December 2012 and 2011 as described in paragraph a.1) above, debt totalling €75.78 million was secured by fixed assets belonging to several Group companies (debt of €50.95 million at year-end 2011) (note 22).

d) Current liabilities by currency

	Thousands of euros	
Currency	2012	2011
Euro	124,959	139,894
US dollar	92,102	92,915
Argentine peso	106,294	44,961
Mexican peso	140,875	101,188
Uruguayan peso	13,008	3,564
Colombian peso	8,106	8,494
Sterling	-	11
Chilean peso	106	100
Brazilian real	2,299	2,124

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487,749 **393,251**

20. Derivative financial instruments

In 2012 the Group continued to arrange derivative financial instruments to mitigate the impact of exchange rate fluctuations in respect of an identified amount of the revenue of its Argentine companies.

Changes in the fair value of the derivatives maturing in the course of the year and those outstanding at the balance sheet date are recognised in profit or loss. The impact on the 2012 income statement was a net loss of €3.8 million (compared to a gain of €897k in 2011). The balancing fair value entry at 31 December 2011 was €59k; it is recorded as a current liability under "Other non-trade payables" (note 19).

Fair value is determined on the basis of quoted prices in active markets or using valuation techniques that are generally accepted in the financial markets and variables derived from observable market inputs.

The amounts in Argentine pesos, Mexican pesos, US dollars and Euros, their maturity dates and the exchange rates locked in under these hedging transactions, together with the impact on profit or loss in 2012 and 2011, are as follows:

2012

a) Expired

Monetary units in thousands				
				Euro
Argentine pesos	US dollar	Exchange rate locked in	Maturity	Gain/(loss) in 2012
128,464	28,000	4.588	29/03/2012	(1,034)
140,475	30,000	4.683	29/06/2012	(828)
151,125	30,000	5.038	28/09/2012	(1,697)
148,950	30,000	4.965	28/12/2012	(241)
569,014	118,000		Total	(3,800)

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2011

a) Expired

Monetary units in thousands				
				Euro
Argentine pesos	US dollar	Exchange rate locked in	Maturity	Gain/(loss) in 2011
111,550	25,000	4.462	31/03/2011	(3)
116,900	25,000	4.676	30/06/2011	(84)
112,294	26,000	4.319	30/09/2011	(291)
122,836	28,000	4.387	30/12/2011	(476)
463,580	104,000			(854)

Monetary units in thousands				
				Euro
Mexican pesos	US dollar	Exchange rate locked in	Maturity	Gain/(loss) in 2011
259,700	20,000	12.985	31/03/2011	(517)
188,085	15,000	12.539	30/06/2011	(658)
189,750	15,000	12.650	30/09/2011	844
637,535	50,000			(331)

Monetary units in thousands				
				Euro
US dollar	Euro	Exchange rate locked in	Maturity	Gain/(loss) in 2011
25,000	18,916	1.322	31/03/2011	932
25,000	18,924	1.321	30/06/2011	1,404
26,000	19,690	1.321	30/09/2011	256
28,000	21,213	1.320	30/12/2011	(451)
104,000	78,743			2,141

Total **956**

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b) Outstanding

Monetary units in thousands				
Argentine pesos	US dollar	Exchange rate locked in	Maturity	Euro
				Gain/(loss) in 2011
128,464	28,000	4.588	29/03/2012	(334)
140,476	30,000	4.683	29/06/2012	278
151,125	30,000	5.038	28/09/2012	(3)
420,065	88,000			(59)

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet. No assets were recognised in this respect at either year-end.

There are no outstanding derivatives in the balance sheet at year-end 2012.

21. Tax matters

Codere S.A. is subject to payment of Corporate Income Tax in Spain. Since 1 January 2000 it has filed under the special tax rules established in Chapter VIII of Title VII of Royal Decree 4/2004 of 5 March 2004, enacting the consolidated text of Spain's Corporate Income Tax Act.

The companies forming the Spanish consolidated tax group in 2012 were:

- Codere, S.A., as Tax Group Parent and beneficiary.
- And the following subsidiaries:

Spanish Tax Group 2012:

Cartaya, S.A.U.	Codere Logroño, S.L.
CF-8, S.L.	Codere Madrid, S.A.U.
Codere América, S.A.U.	Codere Online, S.A.
Codere Asesoría, S.A.U.	Codere Valencia, S.A.
Codere Apuestas España, S.L.U.	Codere España, S.L.U.
Codere Apuestas, S.A.U.	Colonder, S.A.U.
Codere Apuestas Aragón, S.L.U.	Desarrollo on line juegos regulados, S.A.U.
Codere Apuestas Galicia, S.L.U. (*)	J.M. Quero Asociados, S.A.U.
Codere Apuestas Murcia, S.L.U. (*)	JPVmatic 2005, S.L.U.
Codere Apuestas Navarra S.A.U.	Misuri, S.A.U.
Codere Apuestas Valencia, S.A.U.	Nididem, S.L.U.
Codere Barcelona, S.A.U.	Operiberica, S.A.U.
Codere Distribuciones, S.L.U.	Red Aeam S.A.U.
Codere Interactiva, S.L.	Recreativos Populares, S.L.
Codere Internacional, S.L.U.	Recreativos Mae, S.L.U.
Codere Internacional Dos, S.A.U.	Sigirec, S.L.

(*) These companies were added to the scope of consolidation in 2012.

Super pik S.L. exited the tax consolidation scope in 2012 following its merger into Codere Madrid, S.A.

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The companies forming the Spanish consolidated tax group in 2011 were:

- Codere, S.A., as Tax Group Parent and beneficiary.
- And the following subsidiaries:

Spanish Tax Group 2011:

Cartaya, S.A.	Codere Online, S.A.
CF-8, S.L.	Codere Valencia, S.A.
Codere América, S.A.U.	Codere España, S.L.U.
Codere Asesoría, S.A.U.	Colonder, S.A.U.
Codere Apuestas España, S.L.U.	Desarrollo on line juegos regulados, S.A.
Codere Apuestas, S.A.U.	J.M. Quero Asociados, S.A.U.
Codere Apuestas Aragón, S.L.U.	JPVmatic 2005, S.L.U.
Codere Apuestas Navarra S.A.U.	Misuri, S.A.U.
Codere Apuestas Valencia, S.A.U.	Nididem, S.L.U.
Codere Barcelona, S.A.U.	Operibérica, S.A.U.
Codere Distribuciones, S.L.U.	Red Aeam S.A.U.
Codere Interactiva, S.L.	Recreativos Populares, S.L.
Codere Internacional, S.L.U.	Recreativos Mae, S.L.U.
Codere Logroño, S.L.	Sigirec, S.L.
Codere Madrid, S.A.U.	Super pik, S.L.

The Group's Italian companies file under consolidated tax group rules applicable in Italy. The companies included in the tax group headed by Codere Italia S.p.A have filed under these rules since 1 January 2005 and the companies in the tax group headed by Operbingo Italia, S.p.A. since 1 January 2006. The Operbingo Italia, S.p.A. tax group was included under the Codere Italia, S.p.A. tax group in 2012.

The subsidiaries included in the Italian tax groups:

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Italian tax group in 2012

Codere Italia S.p.A.	Operbingo Italia S.p.A.
Cristaltec Service S.r.l.	Bingo Re S.r.l.
Seven Cora Service S.r.l.	Bintegral S.p.A.
Vasa e Azzena Service S.r.l.	Bingo Oasis S.r.l.
Opergiochi Italia S.r.l.	Immobilgest S.r.l.
Codestrada S.r.l.	Gestioni Marconi S.r.l.
Gaming New S.r.l.	Giomax S.r.l.
Codere Network S.p.A.	Opergames S.r.l.
Codematica S.r.l.	Winner Bet S.r.l.
Codere Gaming Italia S.r.l.	Palace Bingo S.r.l.
FG Slot Service S.r.l.	Parisiennne S.r.l.
Gap Games, S.r.l.	Maxibingo S.r.l.
Gaming Re, S.r.l.	Vegas S.r.l.
Gaming Service, S.r.l.	King Slot S.r.l.
Operinvestments, S.r.l.	King Bingo S.r.l.
Operslots Italia, S.r.l.	Codere Interattiva S.r.l.

Tax groups in Italy 2011

Codere Italia Tax Group

Codere Italia S.p.A.
Cristaltec Service S.r.l.
Seven Cora Service S.r.l.
Vasa e Azzena Service S.r.l.
Opergiochi Italia S.r.l.
Codestrada S.r.l.
Gaming New S.r.l.
Codere Network S.p.A.
Codematica S.r.l.
Codere Gaming Italia S.r.l.
FG Slots Service S.r.l.

Operbingo Italia Tax Group

Operbingo Italia S.p.A.
Bingo Re S.r.l.
Bintegral S.p.A.
Bingo Oasis S.r.l.
Immobilgest S.r.l.
Gestioni Marconi S.r.l.
Giomax S.r.l.
Opergames S.r.l.
Winner Bet S.r.l.
Palace Bingo S.r.l.
Parisiennne S.r.l.
Maxibingo S.r.l.
Vegas S.r.l.
King Bingo S.r.l.
Operinvestments, S.r.l.
Operslots, S.r.l.
Codere Interattiva S.r.l.

The other companies file individual corporate income tax returns.

Companies domiciled in Spain are subject to a statutory income tax rate of 30% in 2012. Nevertheless, certain deductions may be applied to the amount payable. Companies domiciled outside Spain are subject to the tax legislation and rates of the countries in which they are located, which vary between 25% and 35%, except in Chile, where the tax rate is 20%.

Under current legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the applicable statute of limitations has lapsed.

At 31 December 2012, the Codere Group had recognised a MXN75.6 million provision (equivalent to €4.5 million) in its consolidated income statement as a result of assessments handed down to Codere Mexico and certain of its subsidiaries and in connection with a court ruling issued in connection with claims for state taxes from Promojuegos de México, S.A. de C.V. The Group has appealed the assessments and ruling before the corresponding authorities and courts. On the

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basis of reports by its legal counsel, the Group's Directors consider that the amount provisioned at 31 December is sufficient (note 18).

The Directors of Codere S.A. consider that the companies forming the Codere Group have properly settled all applicable taxes and therefore do not expect significant additional liabilities to arise in the event of an inspection.

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate:

	Thousands of euros	
	2012	2011
Consolidated profit/(loss) before tax	(48,548)	94,171
Tax at statutory rate of 30%	(14,564)	28,251
Tax effects of rates applicable in other countries	6,590	6,452
Tax effect of tax losses for which deferred tax assets were not recognised and permanent differences	82,892	25,381
Tax losses carryforwards capitalised	(2,011)	(1,704)
Tax charge as per the consolidated income statement	72,907	58,380

The amount recorded under "Tax effects of rates applicable in other countries" corresponds to the difference arising from applying the statutory rate of 30% in Spain in 2012 and 2011 to consolidated profit/(loss) before tax and applying the rates prevailing in each country. The amounts of €6.59 million and €6.45 million in 2012 and 2011, respectively, correspond principally to the difference arising from the rate in Spain and that implied in Argentina, where the statutory rate is 35%.

The heading "Tax effect of tax losses and permanent differences for which deferred tax assets were not recognised" includes the following items:

- The tax effect of tax losses for which no deferred income tax asset was recognised: specifically the tax effects of tax losses not recognised at 31 December 2012 and 2011, principally in Spain and Brazil, in the amount of €56 million.
- The tax effect of the tax charge estimated in Mexico, principally due to the so-called flat corporate rate (Impuesto Empresarial a Tasa Única: IETU). This tax is calculated on the basis of cash flows at a rate of 17.5%, despite the fact that the Mexican operations generated a loss in 2012 (tax effect of approximately €24 million).
- Permanent differences: differences arising from the application by Group companies of the statutory tax rate in the corresponding country.

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- This heading also includes the income tax expense recognised by Spanish companies in respect of foreign taxes collected by each country on revenue from the provision of services and interest received by Codere S.A.

The heading "Tax losses carryforwards capitalised" principally corresponds to the capitalisation in 2012 and 2011 of part of the unused tax losses of Carrasco Nobile, S.A. and Garaipen Victoria Apustuak, S.L., respectively.

Tax expense for 2012 was calculated as follows:

	Thousands of euros	
	2012	2011
Consolidated profit/(loss) before tax	(48,548)	94,171
Permanent differences	193,596	20,681
Temporary differences	(34,452)	17,553
Use of previously unrecognised tax losses	(22,200)	(13,987)
Taxable income	88,396	118,418

Temporary differences correspond mainly to differences in the useful lives of intangible assets and property, plant and equipment for tax and accounting purposes.

Permanent differences correspond mainly to expenses which are not tax deductible and adjustments on consolidation.

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The main components of the income tax expense are as follows:

Consolidated income statement	Thousands of euros	
	2012	2011
Current tax		
- Current income tax expense	21,861	40,663
- Foreign taxes and other adjustments to current tax	40,746	23,710
Deferred tax		
- Origination and reversal of temporary differences (note 12)	12,311	(4,289)
Other adjustments to income tax expense		
- Tax losses capitalised in the year (note 12)	(2,011)	(1,704)
Income tax expense	72,907	58,380

The tax effect of tax losses for which no tax assets are recognised is reflected in adjustments to current tax. This heading also includes amounts paid for taxes equivalent to corporate income tax in Mexico (IETU) and Italy.

The breakdown of the tax losses carryforward pending to offset by the Codere Group at 31 December 2012 and 2011 after settlement of the tax expense for both periods is as follows:

Company	Thousands of euros	
	2012	2011
Codere, S.A. (Tax Group)	344,774	335,393
Rest of Spain	20,604	33,721
Italy	29,486	49,751
Mexico	58,394	61,643
Argentina	2,548	641
Panama	8,094	8,254
Uruguay	9,163	3,246
Brazil	33,114	23,969
Colombia	20,699	20,093
Total	526,876	536,711

Unrecognised deferred tax assets amount to €136.59 million at 31 December 2012 (€148.08 million at year-end 2011).

The tax credit which may be generated by tax loss carryforwards in respect of income tax in the years to come is not recognised in the Group's consolidated balance sheet, except for capitalised

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tax credits totalling €21.57 million corresponding mainly to Codere S.A. (€8.45 million), certain Italian companies (€5.11 million) and certain Mexican companies (€3.39 million).

The deadlines for utilisation of these tax losses as of year-end are as follows:

Year	Thousands of euros			
	Year-end 2012		Year-end 2011	
	Spain	Other countries	Spain	Other countries
2011			-	8,453
2012	-	1,979	30	3,861
2013	-	3,127	54	5,626
2014	-	3,228	1,064	2,620
2015	30	3,868	1,576	2,939
2016	54	7,941	5,374	3,825
2017	1,064	9,465	3,917	2,210
2018	1,576	2,983	14,279	14,237
2019	5,374	731	38,858	4,514
2020	3,917	14,942	39,223	16,491
2021	14,279	10,966	84,239	20,366
2022	38,858	21,758	64,021	-
2023	39,223	-	16,756	-
2024	84,239	-	46,098	-
Beyond	176,764	-	52,343	1,420
Indefinite	-	79,203	1,282	81,034
Total	365,378	160,191	369,114	167,596

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The amount of unused tax credits of the Codere Group at year-end and their expiry dates are as follows:

Expiry date	2012	2011
2012	-	878
2013	840	846
2014	936	946
2015	807	814
2016	1,513	867
2017	1,799	1,093
2018	4,107	3,284
2019	6,601	7,256
2020	1,882	2,612
2021	8,339	6,417
2022	30	-
2023	24	-
2024	13	-
2025	1	-
2026	-	-
2027	13,570	-
Total	40,462	25,013

These tax credits have not been capitalised.

22. Guarantees extended to third parties and other contingent liabilities

One of the Group's main activities is the operation of amusement and gambling machines, which in Spain are subject to the guarantee requirements stipulated by Royal Decree 593/1990 of 27 April. These guarantees have been deposited with the competent authorities.

Although Codere S.A. is not a direct operator of gaming activities, the Company provides guarantees akin to those of an operating company to Group companies when banks require guarantees from the Parent Company.

The breakdown of endorsements and bank guarantees at 31 December 2012 and 2011 is as follows:

Endorsements and guarantees	Thousands of euros	
	2012	2011
Endorsements and guarantees for gaming	103,211	80,277
Other guarantees	17,061	11,776
	120,272	92,053

Endorsements and guarantees for gaming

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The most significant endorsements and guarantees for gaming operations at 31 December 2012 correspond to guarantees extended by Codere, S.A. in respect of obligations derived from the administrative concession granted by L'Amministrazione Autonoma dei Monopoli dello Stato (AAMS) to Codere Network, S.p.A. for the installation and operation of a gaming management network in Italy in the amount of €19.86 million (€16 million at year-end 2011). This guarantee has been partially provisioned, as described in notes 4.e and 18.

Codere S.A. also uses surety policies to guarantee its obligations to the Spanish National Gaming Commission in respect of general and individual gaming licenses totalling €9 million at both year-ends.

Codere S.A. has also extended guarantees to the Madrid tax authorities in respect of the organisation and marketing of sports betting operations totalling €12 million at both year-ends.

These figures include €56.48 million corresponding to the debt guarantee lines which the Group can draw down under its senior loan agreement. As detailed in note 3.c.3), as of the date of authorising the accompanying consolidated annual accounts for issue, the Group was negotiating the renewal of the senior credit line and the related debt guarantee lines.

Other guarantees

Codere S.A. has also provided other non-bank guarantees including guarantees issued by Generali in Italy to secure the lease of premises and bingo concessions held by the Operbingo Group totalling €7.1 million, which are counter-guaranteed by Codere, S.A.

Codere S.A. is the parent guarantor on the bonds issued by Codere Finance (Luxembourg), S.A. under an intercreditor agreement between the two companies bearing interest at the same rate as the bonds. These bonds are subsidiarily secured by pledges of shares in Codere España, S.L.U. and Codere Internacional, S.L.U. In management's opinion, these guarantees will not give rise to significant liabilities beyond the amounts provided for.

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The companies listed in the table below own land, buildings and machines which have been pledged as collateral to secure bank loans and tax deferral applications (in the case of Spanish companies), the values of which are as follows:

	Thousands of euros		
	2012		
	Land and buildings (*)	Machines (*)	Total
Codere Madrid, S.A.U.	-	47,340	47,340
Operibérica, S.A.U.	2,583	213	2,796
Codere Asesoría, S.A.U.	4,287	-	4,287
Codere Barcelona, S.A.U.	5,346	-	5,346
Codere Gandía, S.A.	141	-	141
Recreativos Mae, S.L.U.	1,343	-	1,343
Codere Navarra, S.L.	191	-	191
Gistra, S.L.U.	160	-	160
J.M.Quero S.A.U.	1,132	-	1,132
J.P.V.Matic 2005, S.L.U.	885	-	885
Codere Valencia, S.A.	130	6,087	6,217
Primer Continente, S.L.U.	460	-	460
Codere Girona, S.L.	5,481	-	5,481
	22,139	53,640	75,779

(*) The amounts included under "Machines" in the table above correspond to the value ascribed in the collateral agreements while the amounts recognised under "Land and buildings" are stated at their carrying amounts.

23. Income and expenses

a) Other income

This heading corresponds principally to revenue received under an exclusivity agreement with a machine supplier in Mexico derived from the installation of machines by said supplier in gaming premises not operated by the Codere Group.

b) Consumables used and other external expense

This heading corresponds to food and drink consumables, principally in Mexico, Argentina, Spain and Panama. Until 31 March 2011 it also included machine rental expenses which were subsequently invoiced on to the Joint Opcos.

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c) Other operating expenses

	Thousands of euros	
	2012	2011
Gaming taxes	444,058	397,306
Other levies	76,517	32,555
Independent professional services	50,975	50,574
Machine lease expense	54,035	44,275
Other leases	73,496	44,791
Utilities	61,814	32,775
Travel expenses	7,467	6,418
Advertising and public relations	37,776	26,718
Repairs and maintenance	43,820	31,402
Insurance premiums	4,177	3,055
Other services	113,800	83,048
Other operating expenses	8,495	6,595
	976,430	759,512

The increases in these headings are mainly attributable to the change in how the investment in the ICELA Group is consolidated, specifically from the proportionate to the full consolidation method, from February 2012.

d) Employee costs

The breakdown of consolidated employee benefit expense in 2012 and 2011 is as follows:

	Thousands of euros	
	2012	2011
Wages, salaries and similar expenses	256,565	203,468
Social security costs	67,547	55,005
Other welfare expenses	3,746	3,346
Total	327,858	261,819

"Wages, salaries and similar expenses" includes termination benefits in the amount of €7.58 million in 2012 (€3.15 million in 2011).

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e) Headcount

The approximate breakdown of the Codere Group's headcount in 2012 and 2011 is as follows:

	2012		2011	
	Number of employees		Number of employees	
	Male	Female	Male	Female
Senior management	148	35	151	30
Middle management	668	216	624	170
Specialists	444	189	236	110
Administrative staff	1,187	938	823	710
Clerical assistants	819	530	412	292
Sales staff	2,625	2,067	2,156	1,681
Collectors	829	444	735	225
Mechanics	560	46	528	39
Other staff	5,387	3,302	5,144	2,996
Other	470	278	11	21
Total	13,137	8,045	10,820	6,274

The increase in the average headcount in 2012 is the result of the full consolidation of the ICELA Group. The 2011 balance states the headcount of the ICELA Group at the Codere Group's percentage ownership interest (49%).

f) Earnings per share

Basic earnings per share

2012			2011		
Profit/(loss) for the year (€ k)	Weighted average number of shares	Loss per share	Profit for the year (€ k)	Weighted average number of shares	Earnings per share
(121,455)	54,923,256	(2.21)	35,791	54,964,495	0.65

Basic earnings per share attributable to owners of the parent

2012			2011		
Loss			Profit	Weighted average number of shares	Earnings per share
(€ k)	Weighted average number of shares	Loss per share	(€ k)		
(104,659)	54,923,256	(1.91)	52,152	54,964,495	0.95

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

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	2012			2011		
	Loss	Weighted average number of shares	per share	Profit	Weighted average number of shares	Profit
(€ k)				(€ k)		
	(104,659)	54,923,256	(1.91)	52,152	54,964,495	0.95

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For this purpose conversion is treated as having taken place at the start of the period or at the moment the potential ordinary shares were issued, if this took place during the period concerned. At 31 December 2012 and 2011 the Group had no dilutive potential ordinary shares, as no convertible debt had been issued and the share-based payment systems (note 16) will not entail any equity issuance by the Group which could have a dilutive effect in the future.

Including treasury shares, basic earnings per share is calculated on the basis of an average number of shares of 54,964,495 in 2012 (54,964,495 in 2011).

g) Finance income and costs

	Thousands of euros	
	2012	2011
Finance costs		
Contractual interest expense	(115,040)	(85,701)
Provisions and other liabilities: unwinding of discount	(51,368)	(784)
Other finance costs	(14)	(1)
Total	(166,422)	(86,486)
Finance income		
Interest income	5,001	11,654
Income from securities, loans and other assets	1,516	769
Other finance income	1,040	4,467
Total	7,557	16,890
Net foreign exchange gains/(losses)	416	3,145
Net finance costs	(158,449)	(66,451)

Contractual interest expense

This heading includes interest expense on third-party debt. The year-on-year increase in 2012 is due mainly to the interest generated on the debt taken on by the Argentine companies to finance the renewal of their licences and the USD300 million of bonds issued by Codere Finance (Luxembourg), S.A. (note 19).

Change in provision for financial investments

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In 2012 this €51.37 million heading comprises the following items:

- An impairment loss on the put option for the sale of 7.3% of the investment in the Joint Opcos to the Caliente Group in the amount of €11.51 million.
- An impairment loss on the outstanding loans extended by the Joint Opcos to the Caliente Group in the amount of €29.68 million.
- Losses on the sale-purchase of Argentine government bonds in the amount of €10.19 million.

Net foreign exchange gains/(losses)

In 2012 this heading is the net result of €81.48 million of exchange gains and €81.07 million of exchange losses. In 2011 this heading was the net result of €79.0 million of exchange gains and €75.86 million of exchange losses.

24. Additional information on the consolidated cash flow statement

Breakdown of cash and cash equivalents

	Thousands of euros	
	2012	2011
Cash equivalents	2,890	7,936
Cash at bank and in hand	81,957	127,756
	84,847	135,692

	Thousands of euros	
Currency	2012	2011
Euro	30,019	52,069
US dollar	12,387	14,190
Argentine peso	20,497	39,719
Mexican peso	11,947	25,675
Uruguayan peso	7,357	932
Colombian peso	2,372	1,911
Sterling	4	4
Chilean peso	86	105
Brazilian real	178	1,087
	84,847	135,692

Additional information on cash flows from investing activities

In the year ended 31 December 2012, cash flows used in investing activities included payments for the acquisition of fixed assets totalling €235.82 million and proceeds from the sale of fixed assets of €8.26 million. The Group also received net proceeds from non-current borrowings of €55k: a net decrease of €896k in the balance of loans to the owners of food and drink establishments in Spain (loan payments of €2.86 million net of proceeds of €3.75 million) and net proceeds of €841k from non-current loans granted to the owners of premises in Italy (loans paid of €22.79 million net of

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proceeds of €21.95 million). Cash paid in respect of acquisitions of companies (net of the cash acquired) totalling €157.92 million includes mainly the payment for the additional 35.8% acquired in ICELA Group for €156.87 million, a deferred payment of €5.58 million on the acquisition of non-controlling interests in Argentina, €5.14 million for the acquisition of machine and bingo operators in Italy, a €150k payment for the acquisition of operators in Spain and €10.99 million of cash consolidated upon the full consolidation of the ICELA Group.

In the year ended 31 December 2011, cash flows used in investing activities included payments for the acquisition of fixed assets totalling €105.67 million and proceeds from the sale of fixed assets of €1.33 million. The Group also received net proceeds from non-current borrowings of €1.22 million: a net decrease of €989k in the balance of loans to the owners of food and drink establishments in Spain (loan payments of €4.97 million net of proceeds of €5.96 million) and net proceeds of €231k from non-current loans granted to the owners of premises in Italy (loans paid of €12.94 million net of proceeds of €13.17 million). Cash paid in respect of acquisitions (net of the cash acquired) totalling €13.68 million included deferred payments totalling €5.44 million for the acquisition of non-controlling interests in Argentina, €2.15 million for the acquisition of operators in Spain, €8.47 million for the acquisition of machine and bingo operators in Italy, the opening cash balances of the entities acquired and the payment for the ICELA purchase option.

25. Related party disclosures

Transactions with related parties not belonging to the Group at 31 December 2012 and 2011 and year-end balances resulting from related party transactions were as follows:

2012	Nature of relationship	Thousands of euros	
		Loans	Services rendered
Encarnación Martínez Sampedro	Executive/Director	493	-
Luis Javier Martínez Sampedro	Executive/Director	986	-
Robert Gray	Adviser to the Board	2,144	31
Ricardo Moreno	Executive	494	-
Fernando Ors	Executive	148	-
Jaime Estalella	Executive	99	-
José Ramón Romero	Director	493	504
Pedro Vidal	Executive	148	-
Adolfo Carpena	Executive	99	-
		5,104	535

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Thousands of euros			
2011	Nature of relationship	Loans	Services rendered
Encarnación Martínez Sampedro	Executive/Director	483	-
Luis Javier Martínez Sampedro	Executive/Director	967	-
Rafael Catalá	Executive	97	-
Robert Gray	Adviser to the Board	2,104	36
Ricardo Moreno	Executive	484	-
Fernando Ors	Executive	145	-
Jaime Estalella	Executive	97	-
José Ramón Romero	Director	483	488
José Ramón Ortúzar	Executive	145	-
Pedro Vidal	Executive	145	-
David Elízaga	Executive	97	-
Adolfo Carpena	Executive	97	-
		5,344	524

The interest expense accrued on loans to related parties amounted to €110k at year-end 2012 (€127k at year-end 2011). No balances were pending payment to related parties at either year-end.

The transactions carried out with related parties were at arm's length. No provisions are held against receivables from related parties at either year-end.

The principal transactions with related parties were the following:

a) 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 for the acquisition of 50% of the shares in Ballesteros Group for a total price of €15.5 million. The Ballesteros Group is a Spanish bingo operator with twelve bingo halls in the Spanish autonomous community of Castilla-León, one in Venezuela and other bingo licenses in Venezuela. The Codere Group was involved in a legal dispute with the Ballesteros Group until 2009. The claims initially presented by both parties (the Ballesteros Group initially sued Codere for €24 million) were rejected in a court of first instance, after the Codere Group presented a written appeal in June 2007, which was not appealed by the Ballesteros Group. On 23 September 2009 the Provincial Court of Madrid ruled against Mr. José Ballesteros and his spouse, ordering them to repay approximately €12 million to the Codere Group. The Codere Group filed an additional appeal against this sentence seeking payment of the interest accrued on this amount since the original claim was filed.

In early 2010 this amount was repaid to the Codere Group. The Group therefore reversed a provision of approximately €12 million, recognising the reversal in its consolidated income statement for 2009.

On 23 November 2011, the Supreme Court ruled against Mr. José Ballesteros and his spouse, ordering them to pay the Codere Group the interest accrued from the date of the original claim. After year-end 2011, the Group reached an agreement with Mr. José Ballesteros, pending legal formalisation, stipulating the repayment of a total of €5 million of which €2 million was paid on the formalisation of the agreement; the remaining €3 million is payable in monthly instalments over the three years from 20 March 2012, accruing interest at a fixed rate of 3%. This payment of €5 million

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was recognised under finance income in the income statement for 2011. At 31 December 2012, a sum of €2.13 million was pending collection.

b) Lease of other offices

The Codere Group's Madrid-based technical, service and collection staff is based in premises located in Getafe and Coslada leased from Francomar Investments, S.A. (a company related to the main shareholders of Codere, S.A.).

c) Director and senior management remuneration

The salaries, per diems and other remuneration paid to the members of the Board of Directors of Codere S.A. are broken down below:

	Thousands of euros	
	2012	2011
Director remuneration in their capacity as directors	734	585
Services rendered (*)	504	488
Fixed and variable remuneration	<u>1,746</u>	<u>1,746</u>
	<u>2,984</u>	<u>2,819</u>

(*) This balance includes fees of €504k and €488k paid in 2012 and 2011, respectively, to the legal firm of director Mr. José Ramón Romero in respect of legal counsel services provided to the Codere Group.

The fixed remuneration received by the Company's executive directors in 2012 was as follows:

Gross amounts paid (thousands of euros)				
Director	Fixed remuneration	Fixed remuneration as director	Remuneration for attending Board meetings	Total
Mr. José Antonio Martínez Sampedro	903	31	21	955
Mr. Luis Javier Martínez Sampedro	641	31	19	691
Ms. Encarnación Martínez Sampedro	<u>202</u>	<u>31</u>	<u>21</u>	<u>254</u>
Total	<u>1,746</u>	<u>93</u>	<u>61</u>	<u>1,900</u>

The fixed remuneration paid to the Company's non-executive directors in 2012 for their membership of the Board of Directors and its various committees (the Audit Committee, Compliance Committee and Corporate Governance Committee) was as follows:

Gross amounts paid (thousands of euros)						
Director	Fixed remuneration as director	Remuneration for attending Board meetings	Remuneration paid for vice-presidency	Remuneration for attending Audit Committee meetings	Remuneration for attending Compliance Committee meetings	Remuneration for attending Corporate Governance Committee meetings
						Total

CODERE, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

Masampe S.L. (1)	31	21	41	-	9	9	1
Mr. José Ignacio Cases Méndez	31	21	-	-	9	9	-
Mr. Joseph Zappala	31	21	-	9	3	-	0
Mr. José Ramón Romero Rodríguez	31	21	-	9	9	-	-
Mr. Eugenio Vela Sastre	31	21	-	10	-	9	-
Mr. Juan José Zornoza Pérez	31	21	-	10	-	9	-
Mr. Juan Junquera Temprano	21	17	75	-	5	4	1
Total	207	143	116	38	35	40	5

(1) Represented by Mr. Fernando Lorente Hurtado.

The remuneration paid to senior management in 2012 was €3.46 million (€5.29 million in 2011). Termination benefits amounting to €101k were paid to senior executives in 2012. The employment contracts of several of the Spanish members of Codere's management team contain clauses specifying special payments in the event of dismissal in addition to those required by current legislation. The overall amount of the redundancy payments under these contracts stood at €1.5 million at 31 December 2012 (€1.4 million at 31 December 2011).

No advances had been extended to members of the Board of Directors at either year-end. Nor had the Parent assumed pension plan obligations on behalf of former or serving members of the Board. The loans extended to Directors and senior management are detailed at the beginning of this note.

In accordance with article 229.1 of the Spanish Corporate Enterprise Act, enacted by Legislative-Royal Decree 1/2010 of 2 July, Directors are obliged to inform the Board of Directors or, if not possible, the other Directors, of any direct or indirect conflict vis-à-vis the interests of the Company.

A conflicted director must abstain from deliberating on resolutions or decisions relating to any transaction giving rise to a conflict. The Directors have declared they are not conflicted with Codere, S.A. The Company's Directors have also declared that they do not hold investments or posts in companies whose corporate purpose is identical, similar or complementary to that of Codere, S.A. other than those listed in Appendix III.

Directors are also obliged to report any direct or indirect shareholdings held by them or their related parties in companies whose corporate purpose is identical, similar or complementary to that of the Company, additionally reporting any positions or duties discharged at these companies.

Against this backdrop, they have declared that they have neither performed nor are currently performing any activities, as independent professionals or as employees, at companies whose corporate purpose is identical, similar or complementary to that of the Company, other than those instances itemised in Appendix III.

CODERE, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

Neither the directors nor persons acting on their behalf have carried out transactions with the Company during the year that were outside the ordinary course of its business or that were not at arm's length.

d) Balances with the Caliente Group

Certain Mexican companies are due loans from the Caliente Group companies (non-controlling shareholder in Mexico) that were not acquired in the amount of €29.68 million. These loans were fully provided for at 31 December 2012 (note 11).

e) Balances with the CIE Group

The Codere Group subsidiary Administradora Mexicana del Hipódromo, S.A. de C.V. recognises a receivable of €11.46 million from Make Pro, S.A. de C.V., a subsidiary of the CIE Group (a non-controlling shareholder in Mexico) in respect of advertising and sponsorship.

26. Auditor remuneration

The fees paid to the Group's auditors are as follows:

	PricewaterhouseCoopers Auditores, S.L.	Other PwC group companies	Thousands of euros	
			Other auditors	Total
<u>2012</u>				
Audit services	309	1,575	-	1,884
Other assurance services	40	51	-	91
Tax advisory services	-	20	-	20
Other services	70	71	-	141
	419	1,717	-	2,136
<u>2011</u>				
Audit services	339	1,328	31	1,698
Other assurance services	124	636	-	760
Tax advisory services	-	56	-	56
Other services	-	93	-	93
	463	2,113	31	2,607

27. Environmental issues

Environmental activity is any transaction the main purpose of which is to minimise environmental impact and to protect and improve an entity's environmental record.

The Group did not make any material investments of an environmental nature in either 2012 or 2011.

No provision is recognised in the consolidated balance sheet for environmental liabilities, as the Group had no material future obligations at year-end in respect of measures to mitigate or repair damage caused to the environment.

CODERE, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

28. Events after the balance sheet date

No events have taken place since year-end that would have a significant impact on the Consolidated Annual Accounts for the year ended 31 December 2012.

APPENDIX I
Consolidated Group at 31 December 2012 and 2011

Name	Business	Consolidation method	2012	2011		
			%	%		
			Shareholding	Holding company	Shareholding	Holding company
SPAIN:						
AUTOMÁTICOS MENDOZA, S.L. C/ Real, 10 Lepe (Huelva)	Gaming machine operation	Full consol.	-	-	50.00%	OPERIBERICA, S.A.U.
CARTAYA, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo hall operation	Full consol.	100.00%	CODERE ESPAÑA, S.L.U.	100.00%	CODERE ESPAÑA, S.L.U.
C-F8, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full consol.	75.00%	CODERE MADRID, S.A.U.	75.00%	CODERE MADRID, S.A.U.
CODERE APUESTAS, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports betting	Full consol.	100.00%	CODERE APUESTAS ESPAÑA, S.L.U.	100.00%	CODERE APUESTAS ESPAÑA, S.L.U.
CODERE APUESTAS ARAGÓN, S.L.U. José Pellicer, 33 (Zaragoza)	Sports betting	Full consol.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS ESPAÑA, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports betting	Full consol.	100.00%	CODERE, S.A.	100.00%	CODERE, S.A.
CODERE APUESTAS GALICIA, S.L.U. Edificio "Palacio de la Opera" Glorieta de América s/n local E, 15004 La Coruña 15004 A Coruña	Sports betting	Full consol.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.	-	-
CODERE APUESTAS MURCIA, S.L.U. Avda. Alicante nº 170, 30007 Murcia	Sports betting	Full consol.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.		
CODERE APUESTAS NAVARRA S.A. Polígono Plazaola, Manzana D, Nave 10, Aizoain	Sports betting	Full consol.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.
-31195 Barrioplano (Navarra) CODERE APUESTAS VALENCIA S.A.U. Avda. Alquería de Moret, 19-21	Sports betting	Full consol.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.
Picanya (Valencia) CODERE AMÉRICA, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Management and administration of the capital of entities not resident in Spain	Full consol.	100.00%	CODERE INTERNACIONAL DOS S.A.U.	100.00%	CODERE INTERNACIONAL, S.L.U.
CODERE ASESORÍA, S.A.U. Avda. Alquería de Moret, 19-21	Gaming machine operation		94.72%	CODERE VALENCIA, S.A.	94.72%	CODERE VALENCIA, S.A.

Name	Business	Consolidation method	2012		2011	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Picanya (Valencia) CODERE BARCELONA, S.A.U. Mercaders, 1. Pol. Ind. Riera de Caldes Palau de Plegamans (Barcelona)	Gaming machine operation	Full consol.	100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.
CODERE DISTRIBUCIONES, S.L.U. Mercaders, 1. Pol. Ind. Riera de Caldes Palau de Plegamans (Barcelona)	Gaming machine operation, distribution and marketing	Full consol.	100%	CODERE BARCELONA, S.A.U.	100%	CODERE BARCELONA, S.A.U.
CODERE ESPAÑA, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company; gaming machine and bingo hall operation	Full consol.	100%	CODERE, S.A.	100%	CODERE, S.A.
CODERE GANDIA, S.A. P.I. Alqueria de Moret, AV. Alqueria de Moret, 19 Y 21	Gaming machine operation	Full consol.	50%	CODERE ESPAÑA, S.L.U.	50%	CODERE ESPAÑA, S.L.U.
CODERE GIRONA, S.A. C/ Benet del Riu, 10 Girona (Barcelona)	Gaming machine operation	Full consol.	66.67%	CODERE ESPAÑA, S.L.U.	66.67%	CODERE ESPAÑA, S.L.U.
CODERE GUADALAJARA, S.A. Avda. de Bruselas, 26 Alcobendas (Madrid)	Gaming machine operation	Full consol.	50%	CODERE MADRID, S.A.U.	50%	CODERE MADRID, S.A.U.
CODERE HUESCA, S.L. C/ Cavia, 8 portal 6, local B (Huesca)	Gaming machine operation	Full consol.	51.02%	CODERE BARCELONA, S.A.U.	51.02%	CODERE BARCELONA, S.A.U.
CODERE INTERNACIONAL, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	Full consol.	100%	CODERE, S.A.	100%	CODERE, S.A.
CODERE INTERNACIONAL DOS S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	Full consol.	100%	CODERE INTERNACIONAL S.L.U.	-	-
CODERE INTERACTIVA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Television, internet and telephony gaming	Full consol.	90%	CODERE, S.A.	90%	CODERE, S.A.
CODERE LOGROÑO, S.L. Piqueras 133.3 Arrubal (La Rioja)	Gaming machine operation	Full consol.	75.03%	CODERE BARCELONA, S.A.U.	75.03%	CODERE BARCELONA, S.A.U.
CODERE MADRID, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full consol.	100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.
CODERE NAVARRA, S.L. P.I. Talluntxe II, C/ C Nave Noain (Navarra)	Gaming machine operation	Full consol.	50%	CODERE BARCELONA, S.A.U.	50%	CODERE BARCELONA, S.A.U.
CODERE ONLINE S.A.U. Avda. de Bruselas, 26	Gaming organisation, marketing and operation	Full consol.		CODERE ESPAÑA, S.L.U.		CODERE ESPAÑA, S.L.U.

Name	Business	Consolidation method	2012		2011	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
28108 Alcobendas (Madrid) CODERE VALENCIA, S.A. Avda. Alquería de Moret, 19-21			100%		100%	
Picanya (Valencia) CODERE, S.A. Avda. de Bruselas, 26	Gaming machine operation	Full consol.	94.72%	CODERE ESPAÑA, S.L.U.	94.72%	CODERE ESPAÑA, S.L.U.
28108 Alcobendas (Madrid) COLONDER, S.A.U. Avda. de Bruselas, 26	Financial services	Full consol.	100%	-	100%	-
28108 Alcobendas (Madrid) COMERCIAL YONTXA, S.A. C/Nicolás Alcorta, 1	Holding company	Full consol.	100%	CODERE INTERNACIONAL DOS S.A.U.	100%	CODERE AMÉRICA, S.L.U.
48003 Bilbao DESARROLLO ONLINE JUEGOS REGULADOS, S.A.U. C/ Manises nº 33	Gaming machine operation	Full consol.	51%	OPERIBERICA, S.A.U.	51%	OPERIBERICA, S.A.U.
28224 Pozuelo de Alarcón (Madrid) EL PORTALÓN, S.L. Avda. de Bruselas, 26	Online gaming activities	Full consol.	100%	CODERE, S.A.	100%	CODERE, S.A.
28108 Alcobendas (Madrid) GARAIPEN VICTORIA APUSTUAK, S.L. C/ Nicolás Alkorta, 1	Gaming machine operation	Full consol.	50%	CODERE MADRID, S.A.U.	50%	CODERE MADRID, S.A.U.
48003 Bilbao GISTRA, S.L.U. C/ Velázquez, 18	Sports betting	Full consol.	73.70%	CODERE APUESTAS ESPAÑA, S.L.U. and COMERCIAL YONTXA S.A.	73.70%	CODERE APUESTAS ESPAÑA, S.L.U. and COMERCIAL YONTXA S.A.
46018 Valencia J.M. QUERO Y ASOCIADOS, S.A.U. Avda. de Bruselas, 26	Premise leasing	Full consol.	47.36%	RECREATIVOS RUAN, S.A.	47.36%	RECREATIVOS RUAN, S.A.
28108 Alcobendas (Madrid) JPVMATIC 2005, S.L.U. Avda. de Bruselas, 26	Gaming machine operation	Full consol.	100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.
28108 Alcobendas (Madrid) JUEGO DE BINGOS, S.A.U. Avda. de Bruselas, 26	Gaming machine operation	Full consol.	100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.
28108 Alcobendas (Madrid) MISURI, S.A.U. Avda. de Bruselas, 26	Bingo gaming and food and drink	Full consol.	-	-	100%	MISURI, S.A.
28108 Alcobendas (Madrid) NIDIDEM, S.L.U. Avda. de Bruselas, 26	Bingo gaming	Full consol.	100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.
28108 Alcobendas (Madrid) OPERIBÉRICA, S.A.U. Avda. de Bruselas, 26	Management of controlled investees	Full consol.	100%	CODERE INTERNACIONAL DOS S.A.U.	100%	CODERE AMÉRICA, S.L.U.
28108 Alcobendas (Madrid)	Gaming machine operation	Full consol.	100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.

Name	Business	Consolidation method	2012		2011	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
OPEROESTE, S.A. C/Hernán Cortés, 188 Villanueva de la Serena (Badajoz)	Gaming machine operation	Full consol.	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
OPERSHERKA, S.L.U. C/ Padre Melchor Prieto, 31 (Burgos)	Gaming machine operation	Full consol.	51%	COMERCIAL YONTXA, S.A.	51%	COMERCIAL YONTXA, S.A.
PRIMER CONTINENTE, S.L.U. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Hospitality (food and drink operations)	Full consol.	50%	CODERE GANDÍA, S.A.	50%	CODERE GANDÍA, S.A.
RECREATIVOS ACR, S.L. Polígono Espíritu Santo, Parcela 11-12 33010 Oviedo (Asturias)	Gaming machine operation	Full consol.	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
RECREATIVOS MAE, S.L.U. C/ta. Palma – Alcudia, km. 19400 Consell (Mallorca)	Gaming machine operation	Full consol.	100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.
RECREATIVOS OBELISCO, S.L. Huerca de Almería. C/ San Rafael-73. Polígono Industrial San Rafael	Gaming machine operation	Full consol.	60.61%	OPERIBÉRICA, S.A.U.	60.61%	OPERIBÉRICA, S.A.U.
RECREATIVOS POPULARES, S.L. C/ Puente de la Reina, 26- Bajo Valladolid	Gaming machine operation	Full consol.	75%	OPERIBÉRICA, S.A.U.	75%	OPERIBÉRICA, S.A.U.
RECREATIVOS RUAN, S.A. C/Velázquez, 18 Valencia	Gaming machine operation	Full consol.	47.36%	CODERE VALENCIA, S.A.	47.36%	CODERE VALENCIA, S.A.
RED AEAM, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo gaming	Full consol.	100%	MISURI, S.A.U.	100%	MISURI, S.A.U.
RESTI Y CIA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full consol.	50%	CODERE MADRID, S.A.U.	50%	CODERE MADRID, S.A.U.
RESUR CÁDIZ, S.L. P.I. El Porvenir Nave 1-2, Jerez de la Frontera (Cádiz)	Gaming machine operation	Full consol.	50%	CODERE ESPAÑA, S.L.U.	50%	CODERE ESPAÑA, S.L.U.
ROSPAY, S.L. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Gaming machine operation	Full consol.	50%	CODERE GANDIA, S.A.	50%	CODERE GANDIA, S.A.
SIGIREC, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full consol.	75.05%	OPERIBÉRICA, S.A.U.	75.05%	OPERIBÉRICA, S.A.U.
SUPER PIK, S.L. Avda. de Bruselas, 26	Gaming machine operation		-	-	100.00%	CODERE MADRID, S.A.U.

Name	Business	Consolidation method	2012		2011	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
28108 Alcobendas (Madrid)		Full consol.				
ARGENTINA						
BINGOS DEL OESTE, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Lotteries and bingo halls	Full consol.	100%	CODERE ARGENTINA, S.A. and BINGOS PLATENSES, S.A	100%	CODERE ARGENTINA, S.A. and BINGOS PLATENSES, S.A
BINGOS PLATENSES, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo hall operation	Full consol.	100%	CODERE ARGENTINA, S.A. and CODERE AMERICA S.A.U.	100%	CODERE ARGENTINA, S.A. and CODERE AMERICA S.L.U.
CODERE ARGENTINA, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Holding company	Full consol.	100%	CODERE AMÉRICA, S.A.U., NIDIDEM S.L.U. and IBERARGEN, S.A.	100%	CODERE AMÉRICA, S.L.U., NIDIDEM S.L.U. and IBERARGEN, S.A.
IBERARGEN, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo, lotteries and food and drink	Full consol.	100%	COLONDER S.A.U. and NIDIDEM, S.L.U.	100%	COLONDER S.A.U. and NIDIDEM, S.L.U.
INTERBAS, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Lottery and bingo hall operation	Full consol.	100%	COLONDER S.A.U. and IBERARGEN S.A.	100%	COLONDER S.A.U. and IBERARGEN S.A.
INTERJUEGOS, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Lotteries and bingo	Full consol.	100%	CODERE ARGENTINA, S.A. and CODERE AMÉRICA, S.A.U.	100%	CODERE ARGENTINA, S.A. and CODERE AMÉRICA, S.L.U.
INTERMAR BINGOS, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo hall operation	Full consol.	80%	CODERE ARGENTINA, S.A. and CODERE AMÉRICA, S.A.U.	80%	CODERE AMÉRICA, S.L.U. and CODERE ARGENTINA, S.A.
ITAPOAN, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo hall operation	Full consol.	81.76%	IBERARGEN, S.A. and INTERBAS, S.A.	81.76%	IBERARGEN, S.A. and INTERBAS, S.A.
SAN JAIME, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Real estate	Full consol.	100%	CODERE ARGENTINA, S.A. and BINGOS DEL OESTE, S.A.	100%	CODERE ARGENTINA, S.A. and BINGOS DEL OESTE, S.A.
BRAZIL:						
CODERE DO BRASIL Ltda. Rua Helena, 260 – conjuntos 82 e 84,Vila Olímpia Ciudad de Sao Paulo (Estado de Sao Paulo)	Gaming machine operation and racetrack management	Full consol.	100%	CODERE AMÉRICA, S.A.U. and NIDIDEM, S.L.U.	100%	CODERE AMÉRICA, S.L.U. and NIDIDEM, S.L.U.
CHILE:						
CODERE CHILE, Ltda. Gerónimo de Alderete 790, depto. 107, La Florida, Santiago de Chile (Chile)	Investment, lease, disposal, sale-purchase and exchange of all manner of assets	Full consol.	100%	CODERE AMÉRICA, S.A.U. and NIDIDEM, S.L.U.	100%	CODERE AMÉRICA, S.L.U. and NIDIDEM, S.L.U.
COLOMBIA:						
BINGOS CODERE, S.A. Calle 72 No.7 – 64, Edif. Acciones y Valores,	Bingo hall operation		99.99%	NIDIDEM, S.L.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER,	99.99%	NIDIDEM, S.L.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER,

Name	Business	Consolidation method	2012		2011	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
T. A – Pisos 6 y 10 Bogotá (Colombia)		Full consol.		S.A. and CODERE AMÉRICA S.A.U.		S.A. and CODERE AMÉRICA S.L.U.
CODERE COLOMBIA, S.A.						
Calle 72 No.7 – 64, Edif. Acciones y Valores, T. A – Pisos 6 y 10 Bogotá (Colombia)	Operation of electronic games and games of chance	Full consol.	99.99%	COLONDER, S.A.U., NIDIDEM S.L.U., CODERE AMÉRICA, S.A.U. and CODERE INTERNACIONAL S.L.U.	99.99%	COLONDER, S.A.U., NIDIDEM, CODERE AMÉRICA, S.L.U. and CODERE INTERNACIONAL S.L.U.
INTERSARE, S.A.						
Transversal 95 Bis A No. 25 D – 41 Bogotá (Colombia)	Business operation of electronic gaming machines directly and via third parties	Full consol.	59.89%	CODERE COLOMBIA, S.A. and NIDIDEM, S.L.U.	59.89%	CODERE COLOMBIA, S.A. and NIDIDEM, S.L.U.
ITALIA:						
BINGOS OASIS, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
BINGO RE, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
BINTEGRAL, S.P.A. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
CODERE GAMING ITALIA, S.R.L. Via Cornellia, 498 Rome	Holding company	Full consol.	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
CODERE ITALIA, S.P.A. Via Cornellia, 498 Rome	Provision of advisory services	Full consol.	100%	CODERE INTERNACIONAL, S.L.U.	100%	CODERE INTERNACIONAL, S.L.U.
CODEMATICA, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full consol.	100%	CODERE GAMING ITALIA, S.R.L.	100%	CODERE GAMING ITALIA, S.R.L.
CODERE INTERATTIVA ITALIA S.R.L. Via Cornellia, 498 Rome	Television, online and telephony gaming	Full consol.	95.10%	CODERE INTERACTIVA S.L., OPERBINGO ITALIA S.P.A. and CODERE INTERACTIVA S.L.	95.10%	CODERE INTERACTIVA S.L., OPERBINGO ITALIA S.P.A. and CODERE INTERACTIVA S.L.
CODERE NETWORK, S.P.A. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	CODEMATICA, S.R.L.	100%	CODEMATICA, S.R.L.
CODESTRADA, S.R.L.	Gaming machine operation			CODERE ITALIA, S.P.A.		

Name	Business	Consolidation method	2012		2011	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Via Cornellia, 498 Rome CRISTALTEC SERVICE, S.R.L.		Full consol.	100%		100%	CODERE ITALIA, S.P.A.
Via Cornellia, 498 Rome DP SERVICE S.R.L.	Gaming machine operation	Full consol.	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
Via Cornelia 498 Rome FG SLOT SERVICE S.R.L.	Gaming machine operation	Full consol.	60%	CODERE ITALIA, S.P.A.		
Via Cornellia, 498 Rome GAMING NEW, S.R.L.	Gaming machine operation	Full consol.	55%	CODERE ITALIA, S.P.A.	55%	CODERE ITALIA, S.P.A.
Via Cornellia, 498 Rome GAMING RE S.R.L.	Gaming machine operation	Full consol.	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
Via Cornellia, 498 Rome GAMING SERVICE S.R.L.	Gaming machine operation	Full consol.	75%	GAMING SERVICE S.R.L.	75%	CODERE ITALIA, S.P.A.
Via Cornellia, 498 Rome GAP GAMES S.R.L.	Gaming machine operation	Full consol.	75%	CODERE ITALIA, S.P.A.	75%	CODERE ITALIA, S.P.A.
Via Cornellia, 498 Rome GESTIONI MARCONI, S.R.L.	Gaming machine operation	Full consol.	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
Via Cornellia, 498 Rome GIOMAX, S.R.L.	Bingo hall operation	Full consol.	100%	BINGO RE, S.R.L.	100%	BINGO RE, S.R.L.
Via Cornellia, 498 Rome IMMOBILGEST, S.R.L.	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
Via Cornellia, 498 Rome KING SLOT S.R.L.	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
Via Strada Statale Sannitica, 265. km.25,800 Maddaloni (Ce), Italy KING BINGO, S.R.L.	Bingo hall operation	Full consol.	75%	OPERBINGO ITALIA, S.P.A.	67%	OPERBINGO ITALIA, S.P.A.
Via Strada Statale Sannitica, 265. km.25,800 Maddaloni (Ce), Italy MAXIBINGO, S.R.L.	Bingo hall operation	Full consol.	75%	OPERBINGO ITALIA, S.P.A.	67%	OPERBINGO ITALIA, S.P.A.
Via Cornellia, 498 Rome NEW JOKER S.R.L.	Bingo hall operation Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.

Name	Business	Consolidation method	2012		2011	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Via della Magliana, 279a Rome OPERBINGO ITALIA, S.P.A.		Prop. consol.	30%	OPERBINGO ITALIA, S.P.A.	-	-
Via Cornellia, 498 Rome OPERGAMES, S.R.L.	Bingo hall operation	Full consol.	100%	CODERE ITALIA, S.P.A.	100%	CODERE INTERNACIONAL, S.L.U.
Via Cornellia, 498 Rome OPERGIOCHI ITALIA, S.R.L.	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
Via Cornellia, 498 Rome	Gaming machine operation	Full consol.	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
OPERINVESTMENTS, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
OPERSLOTS ITALIA, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
PALACE BINGO, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	WINNER BET S.R.L.	100%	WINNER BET S.R.L.
SEVEN CORA SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full consol.	60%	CODERE ITALIA, S.P.A.	60%	CODERE ITALIA, S.P.A.
VASA & AZZENA SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full consol.	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
VEGAS, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	BINGO RE, S.R.L.	100%	BINGO RE, S.R.L.
WINNER BET, S.R.L. Via Cornelia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
PARISIENNE, S.R.L. Via Cornelia, 498 Rome	Bingo hall operation	Full consol.	100%	WINNER BET, S.R.L.	100%	WINNER BET, S.R.L.
LUXEMBOURG: CODERE FINANCE, S.A. 6C, rue Gabriel Lippmann, L-5365 Munsbach- Luxembourg Munsbach	Holding company	Full consol.	100%	CODERE, S.A. and CODERE ESPAÑA, S.L.U.	100%	CODERE, S.A. and CODERE ESPAÑA, S.L.U.
MEXICO:						

Name	Business	Consolidation method	2012	2011		
			%	Shareholding	Holding company	%
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V. Av. Industria Militar s/n Acceso 2, colonia Residencial Militar, Mexico, D.F.	Operation, administration and development of racetracks and sports events	Full consol.	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. and SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.	49%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. and SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. (I) A en P ASOCIACIÓN EN PARTICIPACIÓN Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Operation, administration and development of racetracks and sports events	Full consol.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. (II) A en P Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Operation, administration and development of racetracks and sports events	Full consol.	43.66%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., JUEGAMAX DE LAS AMÉRICAS S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	24.90%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., JUEGAMAX DE LAS AMÉRICAS S.A. DE CV and ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V. (III) A en P Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Operation, administration and development of racetracks and sports events	Full consol.	43.65%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	46.55%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIÓDROMO, S.A. de C.V. (IV) A en P Av. Industria Militar s/n Acceso 2, colonia Residencial Militar, México, D.F. CALLE DEL ENTRETENIMIENTO, S.A. de C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Operation of the online business in Mexico Development, construction, organisation, operation, acquisition of and equity investing in companies	Full consol.	51.0%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V.	-	-
CODERE MÉXICO, S.A. DE C.V. Pº de la Reforma 905 Col Lomas de Chapultepec CP 11000 Mexico D.F.	Holding company	Full consol.	100%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL S.A DE C.V. CODERE AMÉRICA, S.A.U. and CODERE S.A. Y NIDIDEM, S.L.U.	49% 100%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL S.A DE C.V. CODERE AMÉRICA, S.L.U. and NIDIDEM, S.L.U.

Name	Business	Consolidation method	2012		2011	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
CENTRO DE CONVENCIONES LAS AMÉRICAS S.A. DE C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Administration, operation and development of exhibitions and conventions	Full consol.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL S.A. DE C.V.	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL S.A. DE C.V.
ENTRENIMIENTO RECREATIVO, S.A. DE C.V. Pº de las Palmas, 1005				IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. and ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.		IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.
DET. 512 Mexico ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-101 Lomas de Sotelo	Operation of legally-permitted games	Full consol.	84.8%		49%	
	Development, construction, organisation, operation, acquisition of and equity investing in companies	Full consol.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and CENTRO DE CONVENCIONES LAS AMÉRICAS S.A. DE C.V.	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and CENTRO DE CONVENCIONES LAS AMÉRICAS S.A. DE C.V.
GRUPO CALIENTE S.A.P.I. DE C.V. Blub. Manuel Ávila Camacho, 40 Lomas de Chapultepec	Operation of gaming machines and games of chance	Full consol.	67.30%	CODERE MÉXICO, S.A.	67%	CODERE MÉXICO, S.A.
GRUPO INVERJUEGO, S.A.P.I. DE C.V. Blub. Manuel Ávila Camacho, 40 Lomas de Chapultepec	Gaming	Full consol.	67.30%	CODERE MÉXICO, S.A.	67%	CODERE MÉXICO, S.A.
HOTEL ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Construction and management of tourism and sports complexes	Full consol.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V.
IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Gaming room management	Full consol.	43.25%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	46.55%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.
IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. de C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Payroll services	Full consol.	84.8%	CODERE MÉXICO, S.A. DE C.V.	49%	CODERE MÉXICO, S.A.
JUEGAMAX DE LAS AMÉRICAS S.A. DE CV Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Gaming room operation	Full consol.	43.25%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	24.9%	ADMINISTRADORA MEXICANA HIPODROMO, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.
JOMAHARHO S.A.P.I. DE C.V.	Organisation of all manner of games,					

Name	Business	Consolidation method	2012		2011	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Blvd. Agua Caliente 12027 Col. Hipódromo, Tijuana, B.C. MIO GAMES, S.A. DE C.V.	bets and draws	Full consol.	67.30%	CODERE MÉXICO, S.A.	67%	CODERE MÉXICO, S.A.
Club. Manuel Ávila Camacho, nº 460 –D int. Colonia San Andrés Atoto 53300 Naucalpan Estado de México	Gaming	Full consol.	67.30%	PROMOJUEGOS DE MÉXICO, S.A. DE C.V. and GRUPO INVERJUEGO, S.A.P.I. DE C.V.	67.30%	CODERE MÉXICO, S.A. and GRUPO INVERJUEGO, S.A. DE C.V.
LIBROS FORANEOS S.A. DE C.V. Blvd. Agua Caliente 12027 Col. Hipódromo, Tijuana, B.C.	Organisation of all manner of games, bets and draws	Full consol.	67.30%	GRUPO CALIENTE S.A.P.I. DE C.V. and JOMAHARHO S.A.P.I. DE C.V.	67.30%	GRUPO CALIENTE S.A.P.I. DE C.V. and JOMAHARHO S.A.P.I. DE C.V.
OPERADORA CANTABRICA S.A. DE C.V. Blvd. Agua Caliente 12027	Organisation of all manner of games, bets and draws	Full consol.	67.28%	GRUPO CALIENTE S.A.P.I. DE C.V., JOMAHARHO S.A.P.I. DE C.V., OPERADORA DE ESPECTÁCULOS DEPORTIVOS S.A. DE C.V. and LIBROS FORÁNEOS S.A. DE C.V.	67.30%	GRUPO CALIENTE S.A.P.I. DE C.V., JOMAHARHO S.A.P.I. DE C.V. and LIBROS FORÁNEOS S.A. DE C.V.
Col. Hipódromo Tijuana, B.C. OPERADORA DE ESPECTÁCULOS DEPORTIVOS S.A. DE C.V. Blvd. Agua Caliente 12027 Col. Hipódromo			67.30%	GRUPO CALIENTE S.A.P.I. DE C.V. and JOMAHARHO S.A.P.I. DE C.V.	67.30%	GRUPO CALIENTE S.A.P.I. DE C.V. and JOMAHARHO S.A.P.I. DE C.V.
Tijuana, B.C. PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	Advisory services, operation, administration and other activities related to number games transmitted digitally to specific locations	Full consol.	100%	CODERE MÉXICO, S.A. DE C.V. and NIDIDEM S.L.U.	100%	CODERE MÉXICO, S.A. and NIDIDEM S.L.U.
Reforma 905, Col Lomas de Chapultepec 110000 Mexico D.F PROMOJUEGOS DE MÉXICO, S.A. DE C.V. Blub. Manuel Ávila Camacho, 40 Lomas de Chapultepec	Gaming	Full consol.	67.30%	GRUPO INVERJUEGO, S.A.P.I. DE C.V. and MIO GAMES, S.A. DE C.V.	67.30%	CODERE MÉXICO, S.A.
RECREATIVOS CODERE, S.A. DE C.V. Club Manuel Ávila Camacho, 40 Lomas de Chapultepec	Gaming	Full consol.	100%	CODERE MÉXICO, S.A. and NIDIDEM S.L.U.	100%	CODERE MÉXICO, S.A. and NIDIDEM S.L.U.
RECREATIVOS MARINA, S.A. DE C.V. Blub. Manuel Ávila Camacho, 40 Lomas de Chapultepec	Gaming	Full consol.	100%	CODERE MÉXICO, S.A. and PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	52%	CODERE MÉXICO, S.A.
SECOFACH, S.A. DE C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-101	Provision of staff administration, hiring, advisory and assistance services, including payroll services	Full consol.	84.8%	SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. and ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V.	49%	SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. and ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V.
Lomas de Sotelo SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-101	Provision of staff administration, hiring, advisory and assistance services, including payroll services		84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and CENTRO DE CONVENCIONES LAS AMÉRICAS S.A. DE C.V.	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and CENTRO DE CONVENCIONES LAS AMÉRICAS S.A DE C.V

Name	Business	Consolidation method	2012		2011	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Lomas de Sotelo		Full consol.				
COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-110 Lomas de Sotelo	Other business support services	Full consol.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL S.A. DE C.V.	49%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL S.A. DE C.V.
PANAMA: ALTA CORDILLERA, S.A. Urbanización El Cangrejo Edificio 27 Ciudad de Panamá CODERE PANAMÁ, S.A. C/ 53 Urbanización Obarrio torre Swiss Bank, 16 Panama HÍPICA DE PANAMÁ, S.A. Vía José Agustín Arango, Corregimiento de Juan Díaz, Apdo 1, Zona 9ª Panama INTERNATIONAL THUNDERBIRD GAMING PANAMÁ (Corporation) Calle 53 y Eusebio A. Morales, El Cangrejo, Panama City	Full casino operation Holding company Racetracks and slot machines Administration of casinos and gaming rooms and related activities such as the manufacture, sale and marketing of gaming terminals	Full consol. Full consol.	75% 75%	CODERE CHILE, LTDA. CODERE AMÉRICA, S.A.U. ALTA CORDILLERA, S.A.	100% 100% 63.63%	CODERE CHILE, LTDA. CODERE AMÉRICA, S.L.U. CODERE AMÉRICA, S.L.U. ALTA CORDILLERA S.A.
PUERTO RICO: CODERE PUERTO RICO, Inc. Puerto Rico	Holding company	Full consol.	99.99%	CODERE AMÉRICA S.A.U.	99.99%	CODERE AMÉRICA S.L.U.
URUGUAY: CODERE URUGUAY, S.A. C/ Juncal 1327 Apto. 2201 Montevideo (Uruguay) HRU, S.A. José María Guerra 3540 – Montevideo – Uruguay CARRASCO NOBILE, S.A. Costa Rica 1571 – Montevideo	Installation, administration and operation of bingo halls and complementary services Racetracks and slot machines Operation, administration and management of hotels, casinos, gaming rooms, slot machines and related activities	Full consol. IP Full consol.	100% 50% 51%	COLONDER, S.A.U. and CODERE AMÉRICA, S.A.U. CODERE URUGUAY, S.A. CODERE MÉXICO, S.A. DE C.V.	100% 50% 51%	COLONDER, S.A.U. and CODERE AMÉRICA, S.L.U. CODERE URUGUAY, S.A. CODERE MÉXICO, S.A. DE C.V.

APPENDIX II
Reserves and retained earnings by company
at 31 December 2012

The breakdown of the reserve and retained earnings accounts by company at 31 December 2012 (in thousands of euros) is as follows:

Company	Share capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
ALTA CORDILLERA, S.A.	22,662	-	19,392	(4,548)	-	37,506
RED AEAM S.A.	60	-	(1)	2	-	60
ADMINIST. MEXICANA DEL HIPÓDROMO (I) S.A. DE C.V.	14,846	-	10,845	1,841	-	27,532
CODERE APUESTAS GALICIA S.L.	2,000	-	-	(1)	-	1,999
ADMINIST.MEXICANA HIPODROMO II S.A. C.V.	1,604	-	260	466	-	2,330
ADMINIST.MEXICANA HIPODROMO III S.A. C.V.	1,658	-	(253)	(416)	-	990
ADMINIST.MEXICANA HIPODROMO IV S.A. C.V.	-	-	-	(90)	-	(90)
ADMINIST.MEXICANA HIPODROMO S.A. C.V.	122,661	9,382	60,996	31,198	-	224,238
CODERE APUESTAS MURCIA S.L.	1,000	-	-	5	-	1,005
CODERE ARGENTINA S.A.	289	1,585	12,084	3,157	-	17,116
BINGOS CODERE S.A.	3,138	-	840	(1,202)	-	2,776
BINGOS DEL OESTE S.A.	87	-	3,179	1,066	-	4,332
BINGOS PLATENSES S.A.	0	-	7,487	6,774	-	14,261
BINTEGRAL S.P.A.	300	-	13,733	73	-	14,105
PALACE BINGO , SRL	60	280	143	422	-	905
BINGO RE S.R.L.	100	-	6,663	3,583	-	10,345
BINGO OASIS S.R.L.	10	-	1,454	589	-	2,053
CODERE APUESTAS ARAGÓN, S.L.	1,000	-	(21)	(85)	-	894
CODERE APUESTAS ESPAÑA, S.L.	662	32,286	(24,513)	(1,477)	-	6,958
CODERE AMÉRICA S.A.U.	83,154	-	19,385	87,722	-	190,261
CODERE APUESTAS NAVARRA, S.A.	2,000	-	(816)	(635)	-	549
CARRASCO NOBILE, S.A.	32,620	-	7,798	(5,702)	-	34,717
OPERADORA CANTABRIA, S.A. C.V.	27,912	-	(48,575)	(17,957)	-	(38,619)
CARTAYA S.A.	120	-	(2,764)	-	-	(2,644)
CODERE APUESTAS, S.A.	60	-	(31,364)	(5,770)	-	(37,074)
CODERE ASESORÍA S.A.	60	-	3,543	31	-	3,635
CODERE APUESTAS VALENCIA, S.A.	2,000	-	(111)	(1,645)	-	244

Company	Share capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
CODERE BARCELONA S.A.	1,382	-	58,757	935	-	61,074
CODERE BRASIL LTDA.	6,676	(4,073)	(29,929)	(7,769)	-	(35,094)
CODERE COLOMBIA S.A.	14,942	23,459	(7,649)	1,876	-	32,628
CENT.CONVENC.AMERICAS, S.A. DE C.V.	3	-	-	-	-	3
CODERE DISTRIBUCIONES S.L.	3	-	(3,479)	(108)	-	(3,585)
CODERE ONLINE,S.A.	100	-	(84)	(25)	-	(9)
CALLE DEL ENTRETENIMIENTO, S.A. DE C.V.	67	-	(18,032)	230	-	(17,735)
CODERE ESPAÑA S.L.	2,613	5,185	(121,380)	(9,841)	-	(123,423)
CODERE FILIAL 8 S.L.	60	-	117	31	-	208
CODERE FINANCE (LUXEMBURG), S.A.	35	-	2,021	388	-	2,444
CODERE GAMING ITALIA SRL.	10	-	(391)	(4)	-	(385)
CODERE GANDIA S.A.	60	-	1,588	17	-	1,666
CODERE GIRONA S.A.	126	-	11,049	704	-	11,879
CODERE GUADALAJARA S.A.	120	-	37	33	-	190
CODERE CHILE LTDA.	16,630	-	8,223	(34)	-	24,819
CODERE HUESCA S.L.	5	-	959	118	-	1,082
CODERE INTERATIVA ITALIA SRL.	10	-	-	(8)	-	2
CODERE INTERNACIONAL DOS, S.A.U	436	-	-	51,108	-	51,544
CODERE INTERNACIONAL S.L.U.	84,397	-	(110,886)	192,904	-	166,416
CODERE ITALIA SPA.	16,173	-	64,863	(6,103)	-	74,932
CODERE INTERACTIVE, INC.	8	-	(13)	(240)	-	(246)
CODERE INTERACTIVA, S.L.	30	-	(502)	(177)	-	(649)
CODERE LOGROÑO	6	-	266	(59)	-	212
CODERE MADRID S.A.	90	-	49,801	(3,143)	-	46,749
CODEMÁTICA SRL.	10	-	84	(143)	-	(48)
CODERE MÉXICO S.A.	188,715	30	188,956	47,768	-	425,470
CODERE NAVARRA, S.L.	301	901	591	171	-	1,965
CODERE S.A.	11,007	231,280	134,038	(99,039)	-	277,286

Company	Share capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
CODESTRADA SRL.	10	-	(2)	(2)	-	5
COLONDER S.A.	9,761	-	433,953	994	-	444,708
COMERCIAL YONTXA S.A.	481	-	7,004	474	-	7,959
CODERE PUERTO RICO INC.	758	-	(758)	-	-	-
CRISTALTEC SERVICE SRL	10	-	640	507	-	1,157
CODERE URUGUAY S.A.	15,393	-	(6,730)	2,860	-	11,522
CODERE VALENCIA S.A.	130	-	3,642	402	-	4,173
DESARROLLO ONLINE JUEGOS REGULADOS, S.A.	1,753	-	(3,025)	(3,578)	-	(4,851)
DP SERVICE S.R.L.	90	315	2,363	71	-	2,838
ENTRETENIMIENTO RECREATIVO S.A.	55,700	-	17,128	2,374	-	75,202
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	26,478	-	46,576	14,105	-	87,159
FG SLOT SERVICES S.R.L.	116	-	(286)	506	-	336
GAMING NEW SRL.	10	-	(2)	(2)	-	5
GAP GAMES, S.R.L.	21	-	148	1,980	-	2,148
GAMING RE, S.R.L	10	-	(108)	25	-	(73)
GARAIPEN VICTORIA APUSTAK, S.L.	7,065	-	(8,384)	(4,621)	-	(5,939)
GRUPO CALIENTE. S.A. C.V.	14	-	20,003	327	-	20,343
GRUPO INVERJUEGO, S.A.	2,592	-	(1,126)	891	-	2,357
GIOMAX S.R.L.	69	-	26,890	(1,569)	-	25,390
GISTRA S.L.	270	-	(42)	(20)	-	208
GESTION MARCONI S.R.L.	11	-	3,794	120	-	3,925
GAMING SERVICE, S.R.L	10	-	1,071	(32)	-	1,049
HOTEL ENTRET.AMH S.A. C.V.	3	-	(2)	(2)	-	-
HÍPICA DE PANAMA, S.A.	0	-	(9,061)	1,772	-	(7,289)
HÍPICA RIOPLATENSE URUGUAY S.A.	14,864	-	2,845	6,205	-	23,913
IBERARGEN S.A.	7,630	-	42,047	21,793	-	71,471
IMPULSORA CENTR.ENTR.AMERICAS, S.A.C.V.	190,325	6,607	39,089	22,347	-	258,369
IMMOBILGEST S.R.L.	30	-	1,994	(236)	-	1,787

Company	Share capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
INTERSARE S.A.	583	-	1,519	158	-	2,259
IMPULSORA RECREATIVA AMH, S.A. C.V.	5	1,658	(11)	(278)	-	1,375
ITAPOAN S.A.	748	-	986	479	-	2,213
JUEGAMAX DE LAS AMERICAS, S.A.DE C.V.	5	1,604	(13)	(308)	-	1,288
JOMAHARHO. S.A. C.V.	8,950	-	(109)	254	-	9,096
J.M.QUERO S.A.	97	-	(2,775)	(302)	-	(2,980)
JPVMATIC 2005 S.L.	3	-	2,694	763	-	3,461
KING BINGO S.R.L.	10	-	(38)	(679)	-	(707)
KING SLOT S.R.L.	100	452	493	950	-	1,995
LIBROS FORANEOS, S.A. C.V.	12,794	-	(43,366)	(25,613)	-	(56,186)
MAXI BINGO S.R.L.	35	3	252	266	-	556
MIO GAMES S.A. DE C.V.	929	-	(4,191)	(1,186)	-	(4,448)
MISURI S.A.	2,542	-	(4,396)	(2,305)	-	(4,159)
NEW JOKER, S.R.L.	110	-	2,374	(1,521)	-	963
NIDIDEM S.L.	380	-	3,530	(1,101)	-	2,809
OPERBINGO ITALIA S.P.A.	10,180	-	(52,134)	(4,632)	-	(46,587)
OPERAD.ESPECTACULOS DEPORTIV. S.A. C.V.	2,665	-	(22,278)	1,727	-	(17,885)
OPEROESTE S.A.	204	-	662	101	-	968
OPERGAMES S.R.L.	10	-	378	(135)	-	253
OPERINVESTMENTS S.R.L.	10	-	5	(4)	-	11
OPERGIOCHI ITALIA SRL.	10	-	-	5	-	15
OPERIBÉRICA S.A.	2,104	-	18,109	(444)	-	19,769
OPER SHERKA S.L.	1,049	-	1,672	137	-	2,857
OPERSLOTS S.R.L.	10	-	142	(6)	-	146
PARISIENNE, SRL	10	-	69	2,018	-	2,097
PROMOJUEGOS DE MEXICO, S.A.	338	-	(5,203)	(10,064)	-	(14,928)
EL PORTALÓN S.L.	3	-	294	(54)	-	243
PROM. REC. MEXICANAS S.A.	1,971	-	(4,881)	(496)	0	(3,405)

Company	Share capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
PRIMER CONTINENTE, S.L.	3	-	(25)	(11)	-	(33)
RECREATIVOS ACR, S.L.	24	-	-	181	-	205
RECREATIV.CODERE S.A. DE C.V.	3	-	(4)	(6)	-	(7)
RESTI Y Cía. S.L.	3	-	277	31	-	311
RESUR CÁDIZ S.L.	30	-	76	(90)	-	15
RETE FRANCO ITALIA S.P.A.	2,000	-	5,860	10,634	-	18,494
RECREATIVOS MAE, S.L.	294	-	4,636	331	-	5,261
RECREATIVOS MARINA, S.A.	3	-	(7)	130	-	126
RECREATIVOS OBELISCO S.L.	37	703	(58)	(132)	-	549
ROSPAY, S.L.	60	-	109	1	-	170
RECREATIVOS POPULARES S.L.	24	-	409	47	-	480
RECREATIVOS RUAN S.A.	72	-	2,135	58	-	2,266
SERVICIOS ADMINIST.HIPODROMO, S.A. DE C.V.	3	-	(2,157)	755	-	(1,400)
SECOFACH, S.A. DE C.V.	3	-	(1,330)	222	-	(1,105)
SEVEN CORA, SRL.	20	-	1,817	378	-	2,216
SIGIREC S.L.	96	-	316	54	-	466
SAN JAIME S.A.	190	-	177	-	-	367
SORTIJUEGOS, S.A. DE C.V.	32	-	6,074	979	-	7,086
INTERBAS S.A.	571	-	25,318	19,065	-	44,954
INTERJUEGOS S.A. (ARG)	2	3,030	6,849	5,856	-	15,737
INTERMAR BINGOS S.A.	15	-	1,172	3,590	-	4,777
VASA E AZZENA SERVICE S.R.L.	10	-	868	511	-	1,389
VEGAS S.R.L.	10	-	3,703	(83)	-	3,629
WINNER BET, SRL	30	-	811	1,912	-	2,753

APPENDIX III
DIRECTOR DECLARATIONS REGARDING CONFLICTS OF INTEREST

Shareholdings and posts held by members of the Board of Directors in companies whose corporate purpose is analogous to that of the Parent Company

In accordance with article 229.1 of the Spanish Corporate Enterprise Act, enacted by Legislative-Royal Decree 1/2010 of 2 July, directors are obliged to inform the Board of Directors or, if not possible, the other Directors, of any direct or indirect conflicts vis-à-vis the interests of the Company. A conflicted director must abstain from deliberating on resolutions or decisions relating to the transaction giving rise to the conflict.

Directors are also obliged to report any direct or indirect shareholdings held by them or their related parties in companies whose corporate purpose is identical, similar or complementary to that of the Company, additionally reporting any positions or duties discharged at such companies as independent professionals or employees.

Against this backdrop, the table below presents the information provided to the Company by its directors with respect to their directorships at 31 December 2012:

Director/Related party	Entity	Post/Duty	Direct shareholding, %	Indirect shareholding, %
José Antonio Martínez Sampedro	Codere, S.A.*	Chairman and CEO	12.425	51.346
José Antonio Martínez Sampedro	Centros de Ocio Familiar S.L.			25.74
José Antonio Martínez Sampedro	Francomar Investments S.A.	Chairman CEO (acting joint and severally)	52	
José Antonio Martínez Sampedro	Magic Recreativos S.L.U.			36.04
José Antonio Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.	Director (acting joint and severally)		26
José Antonio Martínez Sampedro	Planet Bowling España S.A. (in liquidation)			51.48
José Antonio Martínez Sampedro	Promobowling S.A.	Chairman CEO (acting joint and severally)	0.124	51.35
José Antonio Martínez Sampedro	Promobowling Levante S.A.U.			51.48
José Antonio Martínez Sampedro	Sunset Bowlings S.L.U.			51.48
José Antonio Martínez Sampedro	Tui Play S.L. (in liquidation)			12.20
José Antonio Martínez Sampedro	Zarabowling S.A.			36.04
José Antonio Martínez Sampedro	Itapoan S.A.			9.46
José Antonio Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.			26.52
José Antonio Martínez Sampedro	Codere Colombia S.A.		0.00005	
José Antonio Martínez Sampedro	Intersare S.A.		0.004	
José Antonio Martínez Sampedro	C-F8 S.L.*	Director (acting joint and severally)		
José Antonio Martínez Sampedro	Codere América S.A.U.*	Chairman and CEO		
José Antonio Martínez Sampedro	Codere Distribuciones S.L.*	Director (acting joint and severally)		
José Antonio Martínez Sampedro	Codere España S.L.U.*	Director (acting joint and severally)		
José Antonio Martínez Sampedro	Codere Interactiva S.L.*	Chairman of the Board		
José Antonio Martínez Sampedro	Codere Internacional Dos S.A.U.*	Chairman and CEO		
José Antonio Martínez Sampedro	Codere Internacional S.L.U.*	Director (acting joint and severally)		
José Antonio Martínez Sampedro	Colonder S.A.U.*	Chairman and CEO		
José Antonio Martínez Sampedro	Nididem S.L.U.*	Chairman and CEO		
Luis Javier Martínez Sampedro	Codere, S.A.*	Director	2.355	0.182
Luis Javier Martínez Sampedro	Centros de Ocio Familiar S.L.			5.99
Luis Javier Martínez Sampedro	Francomar Investments S.A.	CEO (acting joint and	12	

Director/Related party	Entity	Post/Duty	Direct shareholding, %	Indirect shareholding, %
		severally)		
Luis Javier Martínez Sampedro	Magic Recreativos S.L.U.			8.38
Luis Javier Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.			6
Luis Javier Martínez Sampedro	Planet Bowling España S.A. en liquidación			11.97
Luis Javier Martínez Sampedro	Promobowling S.A.		0.124	11.85
Luis Javier Martínez Sampedro	Promobowling Levante S.A.U.			11.97
Luis Javier Martínez Sampedro	Sunset Bowlings S.L.U.			11.97
Luis Javier Martínez Sampedro	Tui Play S.L. (in liquidation)			2.81
Luis Javier Martínez Sampedro	Zarabowling S.A.			8.38
Luis Javier Martínez Sampedro	Itapoan S.A.	Chairman		2.18
Luis Javier Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.			6.12
Luis Javier Martínez Sampedro	Intersare S.A.		0.1	
Luis Javier Martínez Sampedro	Recreativos Metropolitano S.L.	Director (acting joint and severally)	100	
Luis Javier Martínez Sampedro	Alta Cordillera S.A.*	Chairman		
Luis Javier Martínez Sampedro	Bingos del Oeste S.A.*	Chairman		
Luis Javier Martínez Sampedro	Bingos Platenses S.A.*	Chairman		
Luis Javier Martínez Sampedro	Codere América S.A.U.*	CEO		
Luis Javier Martínez Sampedro	Codere Argentina S.A.*	Chairman		
Luis Javier Martínez Sampedro	Codere Internacional Dos S.A.U.*	CEO		
Luis Javier Martínez Sampedro	Codere Internacional S.L.U.*	Director (acting joint and severally)		
Luis Javier Martínez Sampedro	Codere México S.A. de C.V	Treasurer		
Luis Javier Martínez Sampedro	Colonder S.A.U.*	CEO		
Luis Javier Martínez Sampedro	Compañía de Recreativos de Panamá S.A.*	Chairman of the Management Board		
Luis Javier Martínez Sampedro	Desarrollo Online Juegos Regulados S.A.*	Chairman and CEO		
Luis Javier Martínez Sampedro	Hípica de Panamá S.A.	Chairman of the Management Board		
Luis Javier Martínez Sampedro	Iberargen S.A.*	Chairman		
Luis Javier Martínez Sampedro	Interbas S.A.*	Chairman		
Luis Javier Martínez Sampedro	Interjuegos S.A.*	Chairman		
Luis Javier Martínez Sampedro	Intermar Bingos S.A.*	Chairman		
Luis Javier Martínez Sampedro	Nididem S.L.U.*	CEO		
Luis Javier Martínez Sampedro	San Jaime S.A.	Chairman		
M ^a Carmen Martínez Sampedro	Codere, S.A.*		1.817	
M ^a Carmen Martínez Sampedro	Centros de Ocio Familiar S.L.			5.99
M ^a Carmen Martínez Sampedro	Francomar Investments S.A.	CEO (acting joint and severally)	12	
M ^a Carmen Martínez Sampedro	Magic Recreativos S.L.U.	Sole director		8.38
M ^a Carmen Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.			6
M ^a Carmen Martínez Sampedro	Planet Bowling España S.A. (in liquidation)			12.60
M ^a Carmen Martínez Sampedro	Promobowling S.A.	CEO (acting joint and severally)		11.85
M ^a Carmen Martínez Sampedro	Promobowling Levante S.A.U.	Director (acting joint and severally)		12.60

Director/Related party	Entity	Post/Duty	Direct shareholding, %	Indirect shareholding, %
Mª Carmen Martínez Sampedro	Sunset Bowlins S.L.U.	Sole director		12.60
Mª Carmen Martínez Sampedro	Tui Play S.L. (in liquidation)			2.81
Mª Carmen Martínez Sampedro	Zarabowling S.A.	Secretary and CEO		8.38
Mª Carmen Martínez Sampedro	Itapoan S.A.			2.18
Mª Carmen Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.			6.12
Ángel Martínez Sampedro	Centros de Ocio Familiar S.L.			1
Ángel Martínez Sampedro	Francomar Investments S.A.		2	
Ángel Martínez Sampedro	Magic Recreativos S.L.U.			1.4
Ángel Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.			1
Ángel Martínez Sampedro	Planet Bowling España S.A. (in liquidation)			2.1
Ángel Martínez Sampedro	Promobowling S.A.		0.126	1.98
Ángel Martínez Sampedro	Promobowling Levante S.A.U.			2.1
Ángel Martínez Sampedro	Sunset Bowlins S.L.U.			2.1
Ángel Martínez Sampedro	Tui Play S.L. (in liquidation)			0.47
Ángel Martínez Sampedro	Zarabowling S.A.			1.4
Ángel Martínez Sampedro	Itapoan S.A.			0.36
Ángel Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.			1.02
Mónica Martínez Soria	Codere, S.A.*		0.002	
Cristina Martínez Soria	Codere, S.A.*		0.002	
Mª Carmen Soria Puerta	Codere, S.A.*		0.004	
Ana Mª Fornieles Cañadas	Recreativos Metropolitano S.L.	Director (acting joint and severally)		
Encarnación Martínez Sampedro	Codere, S.A.*	Director	2.184	
Encarnación Martínez Sampedro	Centros de Ocio Familiar S.L.			5.99
Encarnación Martínez Sampedro	Francomar Investments S.A.	Secretary and CEO (acting joint and severally)	12	
Encarnación Martínez Sampedro	Magic Recreativos S.L.U.			8.38
Encarnación Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.			6
Encarnación Martínez Sampedro	Planet Bowling España S.A. (in liquidation)			11.97
Encarnación Martínez Sampedro	Promobowling S.A.	Secretary and CEO (acting joint and severally)	0.124	11.85
Encarnación Martínez Sampedro	Promobowling Levante S.A.U.	Director (acting joint and severally)		11.97
Encarnación Martínez Sampedro	Sunset Bowlins S.L.U.			11.97
Encarnación Martínez Sampedro	Tui Play S.L. (in liquidation)			2.81
Encarnación Martínez Sampedro	Zarabowling S.A.	Chairwoman of the Board		8.38
Encarnación Martínez Sampedro	Itapoan S.A.			2.18
Encarnación Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.			6.12
Encarnación Martínez Sampedro	Bingo Oasis S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Bingo re S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Bintegral S.p.A.	Sole director		
Encarnación Martínez Sampedro	C-F8 S.L.*	Sole director		
Encarnación Martínez Sampedro	Cartaya S.A.*	Sole director		
Encarnación Martínez Sampedro	Codemática S.r.l.	Sole director		

Director/Related party	Entity	Post/Duty	Direct shareholding, %	Indirect shareholding, %
Encarnación Martínez Sampedro	Codere América S.A.U.*	CEO		
Encarnación Martínez Sampedro	Codere Apuestas Aragón S.L.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Apuestas España S.L.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Apuestas Galicia S.L.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Apuestas Murcia S.L.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Apuestas Navarra S.A.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Apuestas S.A.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Apuestas Valencia S.A.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Asesoría S.A.*	Director (acting joint and severally)		
Encarnación Martínez Sampedro	Codere Barcelona S.A.*	Sole director		
Encarnación Martínez Sampedro	Codere Distribuciones S.L.*	Director (acting joint and severally)		
Encarnación Martínez Sampedro	Codere España S.L.U.*	Director (acting joint and severally)		
Encarnación Martínez Sampedro	Codere Gaming Italia S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Codere Gandía S.A.	Director (acting jointly)		
Encarnación Martínez Sampedro	Codere Girona S.A.	Director (acting joint and severally)		
Encarnación Martínez Sampedro	Codere Guadalajara S.A.*	Secretary and CEO		
Encarnación Martínez Sampedro	Codere Interattiva Italia S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Codere Internacional Dos S.A.U.*	CEO		
Encarnación Martínez Sampedro	Codere Internacional S.L.U.*	Director (acting joint and severally)		
Encarnación Martínez Sampedro	Codere Italia S.p.A.*	Sole director		
Encarnación Martínez Sampedro	Codere Logroño S.L.*	Sole director		
Encarnación Martínez Sampedro	Codere Madrid S.A.*	Sole director		
Encarnación Martínez Sampedro	CodereNetwork S.p.A.*	Chairman of the Board		
Encarnación Martínez Sampedro	Codere Online S.A.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Valencia S.A.*	Director (acting joint and severally)		
Encarnación Martínez Sampedro	Codestrada S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Colonder S.A.U.*	CEO		
Encarnación Martínez Sampedro	El Portalón S.L.*	Director (acting jointly)		
Encarnación Martínez Sampedro	Gaming New S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Gestioni Marconi S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Giomax S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Immobilgest S.r.l.*	Sole director		
Encarnación Martínez Sampedro	JPVMatic 2005 S.L.U.*	Sole director		
Encarnación Martínez Sampedro	Maxibingo S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Misuri S.A.U.*	Sole director		
Encarnación Martínez Sampedro	Nididem S.L.U.*	CEO		
Encarnación Martínez Sampedro	Operbingo Italia S.p.A.*	Chairman of the Board		
Encarnación Martínez Sampedro	Opergames S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Opergiochi Italia S.r.l.*	Sole director		

Director/Related party	Entity	Post/Duty	Direct shareholding, %	Indirect shareholding, %
Encarnación Martínez Sampedro	Operibérica S.A.U.*	Sole director		
Encarnación Martínez Sampedro	Operinvestments S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Operslots Italia S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Palace Bingos S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Parisiennne S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Recreativos Mae S.L.*	Sole director		
Encarnación Martínez Sampedro	Recreativos Obelisco S.L.*	Chairman and CEO		
Encarnación Martínez Sampedro	Recreativos Populares S.L.*	Director (acting jointly)		
Encarnación Martínez Sampedro	Red Aeam S.A.U.*	Director (acting joint and severally)		
Encarnación Martínez Sampedro	Resti y Cía S.L.*	Director (acting jointly)		
Encarnación Martínez Sampedro	Sigirec S.L.*	Chairman of the Board		
Encarnación Martínez Sampedro	Vegas S.r.l.*	Sole director		
Encarnación Martínez Sampedro	Winner Bet S.r.l.*	Sole director		
José Ramón Romero Rodríguez	Codere S.A.*	Director	0.091	
José Ramón Romero Rodríguez	Codere Interactiva S.L.*	Director		
Carmen Ferrer Palasí	Codere S.A.*		0.038	
Joseph Zappala	Tucson Greyhound Park	Chairman	80	
Joseph Zappala	Codere S.A.*	Director	0.506	

* The indirect shareholdings held in Codere Group companies can be derived from the information included in the consolidated annual accounts (Appendix I) with respect to the companies comprising the Codere Group.

CONSOLIDATED DIRECTORS' REPORT FOR 2012

CODERE S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2012

The Codere Group's business performance

EBITDA continued to grow in Mexico in 2012; this earnings performance was partially offset by a slight drop in profits in Argentina and weak earnings in Italy, Spain and Panama. In constant currency terms, EBITDA amounted to €307 million in 2012, year-on-year growth of 4.8%.

Investments amounted to €428.8 million last year, compared to €118.7 million in 2011, of which €188.7 million correspond to maintenance capex (€109.8 million of which associated with the renewal of licences in Argentina) and €240.1 million to growth capex, including the €157 million invested to acquire an additional 35.8% of ICELA.

The earnings highlights include:

- Acquisition of ICELA

On 8 February 2012, the Group completed the acquisition from CIE of 35.8% of ICELA for MXN2.69 billion (equivalent to €157 million at the acquisition close date). The 35.8% stake acquired is in addition to Codere México's existing 49% holding in ICELA.

- Fair value gain on the restatement of the existing 49% interest in ICELA Group

Following the acquisition of a majority shareholding in ICELA, the 49% interest held in ICELA prior to the business combination was restated to fair value, giving rise to a total gain of €39 million which is recognised in *Gain/(loss) on retirement or disposals of assets* in the consolidated income statement. The €39 million gain is the result of the €65 million difference between the carrying amount and fair value of this investment at the acquisition date less €26 million of exchange losses associated with these assets to 8 February 2012.

- Impairment provision on assets in Mexico

Under the agreements signed as part of the restructuring of the Group's relationship with Caliente, the Group recognised a €29.7 million receivable due from the Caliente Group to be repaid from the dividends due to Caliente on its residual 32.7% interest in the business. This receivable was provided for in full in the second quarter of 2012. In parallel, the Group recognised a €11.5 million impairment provision on the put option on the sale of 7.3% of the shares of the Joint Opcos.

- Tax provision in Mexico

In 2012 the Group recorded tax provisions totalling MXN75.6 million (€4.5 million) in its consolidated income statement in connection with five tax assessments handed down in Mexico. Of this sum, €2.6 million was recognised under "Other operating expenses" and €1.9 million as an increase in income tax expense.

- Impairment testing of assets in Spain

The Group recognised an impairment loss of €75.2 million on the goodwill allocated to the Spanish cash-generating unit following the related impairment tests. This loss was triggered by the prevailing economic situation as well as specific circumstances affecting the gaming market in Spain. The goodwill impairment loss does not imply a cash movement: even though it is charged against EBIT, it does not affect the Group's liquidity, operating cash flow or debt service capacity.

Group's earnings performance

Revenue

CODERE S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2012

Operating income rose by €289.6 million (21.1%) to €1.66 billion, due principally to revenue growth in Mexico (€145.8 million), largely driven by the full consolidation of ICELA and the Caliente Group (since February 2012 and March 2011, respectively), Argentina (€100.6 million) and Italy (€36.8 million). This growth was offset by lower revenue in Spain (-€11.5 million).

Operating expenses

Operating expenses increased by €378.3 million (31%) to €1.59 billion. This was due principally to higher expenses in Mexico (€134.5 million), Argentina (€100.4 million), Spain (€56.4 million), Italy (€55 million) and Panama (€6.1 million).

Gain/(loss) on retirement or disposal of assets

The Group recognised a gain of €36.5 million on asset retirements/disposal in 2012 compared to a loss of €1.4 million in 2011, due mainly to the fair value gain of €38.8 million on the restatement of the Group's original 49% interest in ICELA, partially offset by losses on asset sales in Spain.

Operating profit

Operating profit (EBIT) declined by €50.7 million (-31.6%) to €109.9 million in 2012. The EBIT margin narrowed from 11.7% in 2011 to 6.6% in 2012.

EBITDA

EBITDA rose by €15.5 million (5.4%) to €305.2 million due mainly to growth in EBITDA in Mexico (€41.7 million), partially offset by the declines in EBITDA in Italy (€9.6 million), Argentina (€4.6 million), Uruguay (€4.3 million) and Spain (€3.7 million). The EBITDA margin narrowed from 21.1% in 2011 to 18.3% in 2012.

Finance income

Finance income declined by €9.3 million in 2012 (-55.0%) to €7.6 million, compared to €16.9 in 2011 due mainly to: (i) the recognition of interest income in 2011 as a result of the favourable ruling handed down by Spain's Supreme Court with respect to the Group's claim for payment of interest in the Ballesteros case ruled on in 2009; (ii) the restatement to fair value of the put on 7% of the Joint Opcos (neither of which implied cash flows); and (iii) lower cash balances for investment in short term investments, primarily in Spain.

Interest expense

Interest expense increased by €29.3 million (34.2%) to €115.0 million in 2012 from €85.7 million in 2011, due mainly to the interest accrued on the USD300 million bond issued in February 2012, the financing raised in Argentina to pay for gaming licences and the full consolidation of the investment in ICELA.

Change in impairment losses on financial assets

The net change in impairment provisions on financial assets gave rise to a loss of €51.4 million driven by: (i) a loss of €29.7 million resulting from the impairment loss recognised on the loans to the Caliente Group; (ii) a loss of €11.5 million on the put option covering the sale of 7.3% of the

CODERE S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2012

Joint Opcos to the Caliente Group; and (iii) a loss of €10.2 million on trading in Argentine government bonds.

Income tax expense

Income tax expense increased by €14.5 million (24.9%) to €72.9 million due in part to the increase in withholdings on intragroup transactions, the full consolidation of ICELA and the lack of tax assets (compared to an asset of €3.5 million in 2011 in connection with tax breaks and inflation in Uruguay). This increase was partially offset by the decline in accounting profit in Argentina.

Profit/(loss) attributable to non-controlling interests

The loss attributable to non-controlling interests amounted to €16.8 million in 2012 compared to one of €16.4 million in 2011; the difference relates to non-recurring losses generated by the Joint Opcos in the second quarter of 2012 as a result of the impairment provision recognised on the loan receivable from the Caliente Group, which was partially offset by profits attributable to non-controlling interests in ICELA.

Profit /(loss) attributable to owners of the parent

As a result of the foregoing, the Group recognised a loss of €104.7 million in 2012 compared to a profit of €52.2 million the year earlier.

Outlook

For 2013, the Group is implementing financial measures designed to boost free cash flow generation.

The Group's key risk factors

The Group's main risk factors include those related to the gaming sector in which it operates (regulatory risk, the gaming being a highly regulated sector, risks associated with public perceptions of the gaming sector and the risk of increased competition) and risk factors that are specific to the Group. The latter include political, economic and monetary risks associated with international operations, litigation risks, risks deriving from the company's indebtedness, risks associated with relying on third parties where the Group does not hold the gaming licences which it operates, risks deriving from its growth strategy, concentration risk in the supply of gaming machines in Spain, the risk of being unable to offer secure gaming products or ensure the integrity and security of business lines, and the risks associated with operating joint ventures with third parties.

See the corresponding notes to the Consolidated Annual Accounts for a more detailed description of the key risk factors.

ANNUAL CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE ANNUAL REPORT

PUBLIC LISTED COMPANIES

ISSUER ID

YEAR ENDING AT: 31/12/2012

TAX ID: A-82110453

Corporate Name: CODERE, S.A.

CORPORATE GOVERNANCE ANNUAL REPORT FORM FOR PUBLIC LISTED COMPANIES

In order to better understand this form and subsequently fill in the required information, it is essential to read the instructions found at the end of the present report.

A - OWNERSHIP STRUCTURE

A.1 Complete the following table regarding company share capital:

Date of most recent change	Share Capital (euros)	Number of shares	Number of voting rights
19/10/2007	11,007,294.00	55,036,470	55,036,470

Indicate whether or not there are different types of shares with different associated rights:

NO

A.2 List the direct and indirect holders of significant shareholdings in your company at year-end, excluding directors.

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
NOONDAY ASSET MANAGEMENT LLP	0	2,931,415	5,326

Name of indirect shareholder	Through: Name of direct shareholder	Number of direct voting rights	% of total voting rights
NOONDAY ASSET MANAGEMENT LLP	FARALLON CAPITAL OFFSHORE INVESTORS II L.P	1,1422,286	2,076

Indicate the most significant movements in shareholder structure which have taken place during the year:

A.3 Complete the following tables regarding members of the Board of Directors of the company holding share voting rights in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	6,838, 261	28,259,088	63.771
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	1,202,000	0	2.184
MR. EUGENIO VELA SASTRE	0	20,718	0.038
MR. JOSEPH ZAPPALA	278,738	0	0.506
MR. JOSÉ RAMÓN ROMERO RODRÍGUEZ	50,000	0	0.091
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	1,296,035	100,000	2.537

Name of indirect shareholder	Through: Name of direct shareholder	Number of direct voting rights	% of total voting rights
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	MASAMPE HOLDING, B.V.	28,259,088	51.346
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	SOLGIM INVERSONES SICAV, S.A.	100,000	0.182
MR. EUGENIO VELA SASTRE	DOÑA CARMEN FERRER PALASÍ	20,718	0.038

Total % of voting rights held by the Board of Directors	69.127
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Complete the following tables regarding members of the Board of Directors holding company share rights:

A.4 Indicate, if applicable, any relation, whether familial, 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:

Type of relation:

Corporate

Brief description:

José Antonio Martínez Sampedro is the majority shareholder of Masampe Holding BV.

Name of relation
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
MASAMPE HOLDING, B.V.

A.5 Indicate, if applicable, any commercial, contractual or corporate relations existing between the significant shareholders and the company and/or its group, unless said relations are insignificant or are the result of ordinary business activity:

Type of relation:

Corporate

Brief description:

MASAMPE HOLDING, B.V. is the maximum shareholder of the company.

Name of relation
MASAMPE HOLDING, B.V.

A.6 Indicate whether or not the company has been informed of any quasi-corporate agreement affecting it, pursuant to article 112 of the Spanish Securities Act. If so, briefly describe such pacts and list the shareholders related through the agreement:

NO

Indicate whether or not the company is aware of the existence of concerted action among its shareholders. If so, briefly describe such action:

NO

In the case whereby any change or break in said agreements or concerted action has taken place during the year, expressly indicate said circumstance:

A.7 Indicate whether any natural or legal person exercises or is able to exercise control over the company pursuant to article 4 of the Spanish Securities Act. If so, identify said person:

YES

Name
MR. 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
149,611	0	0.270

(*) Through:

Total	0
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List any significant changes made during the year, pursuant to the provisions of Spanish Royal Decree 1362/2007:

Gain /(Loss) on treasury stock disposed of during the period (thousands of euros)	-275,537
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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 treasury stock.

The General Meeting of Shareholders held on 10 May 2012 approved point nine of the agenda, as follows:

1. Rendering null and void, in the part thereof which has not been used, the authorization for the acquisition of treasury stock granted under point six of the agenda of the General Meeting of Shareholders held on 9 June 2011, to authorize, in accordance with applicable law, the derivative acquisition, at any time and as often as Codere, S.A. deems advisable, either directly or through any of the subsidiaries of which it is the parent, of treasury stock, fully paid up, by means of purchase-sale or by any other legal title for valuable consideration.

The minimum acquisition price or consideration shall be the par value of the acquired treasury stock and the maximum price shall be the result of increasing by 20% the trading value at their acquisition date.

This authorization is granted for the term of eighteen months as from the date of this General Meeting, and is expressly subject to the limitation that at no time shall the par value of the treasury stock acquired under this authorization, added to that already

owned by Codere, S.A. and any of its subsidiaries, exceed the maximum permitted by Law at any given time.

It is expressly stated that this authorization may be used totally or partially for the acquisition of treasury stock to be delivered or transferred to Consultants, Senior Management, Management and workers of the Company or of companies belonging to its group, either directly or as a consequence of the exercise by the former of their option rights, all of the foregoing in the context of remuneration systems indexed to the trading value of the shares of Codere, S.A. (ART. 146.1a) of the Revised Text of the Capital Companies Act).

2. Empower the Board of Directors, in the broadest terms possible, to exercise the authorization under this resolution, and to carry out the rest of the provisions contained herein, said powers being able to be delegated by the Board of Directors to any Director, the Secretary or the Deputy-Secretary of the Board of Directors, or to any other person expressly granted power of attorney by the Board of Directors in said regard.

A.10 Indicate, if applicable, any legal or statutory restrictions in regard to the exercise of voting rights, as well as any legal restrictions on the acquisition or transfer of share capital. Indicate whether there are any legal restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights which a shareholder may exercise owing to legal restriction	0
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Indicate whether there are any statutory restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights which a shareholder may exercise owing to statutory restriction	0
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Indicate whether there are any legal restrictions on the acquisition or transfer of share capital:

NO

A.11 Indicate whether the General Meeting of Shareholders has agreed to adopt neutralization measures with respect to a takeover bid pursuant to Act 6/2007.

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:

Maximum number of directors	15
Minimum number of directors	4

B.1.2 Complete the following table with respect to members of the Board:

Name of Director	Representative	Position on Board	Date of Initial Appointment	Date of Most Recent Appointment	Election Procedure
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	--	CHAIRMAN - CEO	07/05/1999	25/06/2009	GENERAL MEETING VOTE
MASAMPE, S.L.	FERNANDO LORENTE HURTADO	DEPUTY CHAIRMAN	07/05/2008	07/05/2008	GENERAL MEETING VOTE
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	--	DIRECTOR	17/06/1999	25/06/2009	GENERAL MEETING VOTE
MR. EUGENIO VELA SASTRE	--	DIRECTOR	17/06/1999	25/06/2009	GENERAL MEETING VOTE
MR. JOSEPH ZAPPALA	--	DIRECTOR	20/11/2002	25/06/2009	GENERAL MEETING VOTE
MR. JOSÉ IGNACIO CASES MÉNDEZ	--	DIRECTOR	17/06/1999	25/06/2009	GENERAL MEETING VOTE
MR. JOSÉ RAMÓN ROMERO RODRÍGUEZ	--	DIRECTOR	17/06/1999	25/06/2009	GENERAL MEETING VOTE
MR. JUAN JOSÉ ZORNOZA PÉREZ	--	DIRECTOR	17/06/1999	25/06/2009	GENERAL MEETING VOTE
MR. JUAN JUNQUERA TEMPRANO	--	DIRECTOR	10/05/2012	10/05/2012	GENERAL MEETING VOTE
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	--	DIRECTOR	07/05/1999	25/06/2009	GENERAL MEETING VOTE

Total number of directors	10
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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

Name of director	Committee which proposed the appointment	Position in company organization chart
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CORPORTE GOVERNANCE COMMITTEE	CHAIRMAN AND CEO
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CORPORTE GOVERNANCE COMMITTEE	DIRECTOR
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	CORPORTE GOVERNANCE COMMITTEE	DIRECTOR CODERE AMERICA

Total number of executive directors	3
Total % of Board	30,000

EXTERNAL NOMINEE DIRECTORS

Name of director	Committee which proposed the appointment	Name of significant shareholder which this director represents or which proposed the director's appointment
MASAMPE, S.L.	CORPORTE GOVERNANCE COMMITTEE	JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
MR. JOSÉ IGNACIO CASES MÉNDEZ	CORPORTE GOVERNANCE COMMITTEE	JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
MR. JOSÉ RAMÓN ROMERO	CORPORTE GOVERNANCE COMMITTEE	JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

Total number of external nominee directors	3
Total % of Board	30,000

EXTERNAL INDEPENDENT DIRECTORS

Name of director:

SASTRE

MR. EUGENIO VELA

Profile

Cosien S.A. Group

Chairman of the

Maquinista Valenciana S.A.

President of La

Holds a degree in Economics and Business Administration and Industrial Engineering from the Complutense University and Polytechnic University of Madrid.

Name of director:

ZAPPALA

MR. JOSEPH

Profile

States Ambassador to Spain 1989-1992.

Former United

Zappala Investments.

President of Joseph

Name of director:

ZORNOZA PÉREZ

MR. JUAN JOSÉ

Profile

Department Chair of Finance and Tax Law at the Carlos III University of Madrid.

the Madrid Autonomous University.

Doctor of Law from

Name of director:

JUNQUERA TEMPRANO

MR. JUAN

Profile

Former Secretary of State for Telecommunications and the Information Society

Partner Director of Innersum S.L.

Total number of independent directors	4
Total % of Board	40.000

OTHER EXTERNAL DIRECTORS

State the reasons why they cannot be considered to be nominee or independent directors and any ties they have, whether with the company or its managers, or with company shareholders.

Indicate, if applicable, any changes which may have taken place during the period in regard to the type of directorship:

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.

Indicate whether formal requests for appointment to the Board have been denied to shareholders having a shareholding equal to or greater than that of other shareholders at whose request nominee directors were appointed. If applicable, explain the reasons why these requests were not honored.

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:

NO

B.1.6 Indicate, if applicable, the powers delegated to the CEOs:

Name of director

MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

Brief description

The Board of Directors permanently delegates all of the powers to the CEO, with the exception of those powers which are reserved by law or statute, and those which may not be delegated pursuant to 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
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	C-F8. S.L.	JOINT AND SEVERAL DIRECTOR
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE AMÉRICA, S.L.U.	PRESIDENT AND JOINT AND SEVERAL CEO
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE DISTRIBUCIONES, S.L.	JOINT AND SEVERAL DIRECTOR
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE ESPAÑA, S.L.U.	JOINT AND SEVERAL DIRECTOR

MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE INTERACTIVA, S.L.	CHAIRMAN OF THE BOARD
Name of Director	Corporate name of group company	Position
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL DOS, S.A.U.	PRESIDENT AND JOINT AND SEVERAL CEO
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL, S.L.U.	JOINT AND SEVERAL DIRECTOR
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	COLONDER, S.A.U.	PRESIDENT AND JOINT AND SEVERAL CEO
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	NIDIDEM, S.L.U.	PRESIDENT AND JOINT AND SEVERAL CEO
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	BINGO OASIS, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	BINGO RE, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	BINTENGRAL, S.P.A.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	C-F8. S.L.	JOINT AND SEVERAL DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CARTAYA, S.A.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODEMATICA, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE AMÉRICA, S.A.U.	JOINT AND SEVERAL CEO
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS ARAGÓN S.L.U.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS ESPAÑA S.L.U.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS GALICIA S.L.U.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS MURCIA S.L.U.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS NAVARRA S.A.U.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS S.A.U.	SOLE DIRECTOR

Name of Director	Corporate name of group company	Position
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS VALENCIA S.A.U.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE ASESORÍA, S.A.	JOINT AND SEVERAL DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE BARCELONA, S.A.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE DISTRIBUCIONES, S.L.	JOINT AND SEVERAL DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE ESPAÑA, S.L.U.	JOINT AND SEVERAL DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE GAMING ITALIA, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE GANDIA, S.A.	JOINT DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE GIRONA, S.A.	JOINT AND SEVERAL DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE GUADALAJARA, S.A.	SECRETARY OF THE BOARD AND CEO
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE INTERATTIVA ITALIA SRL	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL DOS, S.A.U.	JOINT AND SEVERAL CEO
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL, S.L.U.	JOINT AND SEVERAL DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE ITALIA, S.P.A.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE LOGROÑO, S.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE MADRID, S.A.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE NETWORK, S.P.A.	CHAIR OF THE BOARD
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE ONLINE S.A.U.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE VALENCIA, S.A.	JOINT AND SEVERAL DIRECTOR

Name of Director	Corporate name of group company	Position
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODESTRADA, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	COLONDER, S.A.U.	JOINT AND SEVERAL CEO
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	EL PORTALÓN, S.L.	JOINT DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	GAMING NEW, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	GESTIONI MARCONI, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	GIOMAX, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	IMMOBILGEST, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	JPVMATIC 2005	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	MAXIBINGO, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	MISURI, S.A.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	NIDIDEM, S.L.U.	JOINT AND SEVERAL CEO
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	OPERBINGO ITALIA, S.P.A.	CHAIR OF THE BOARD
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	OPERGAMES, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	OPERGIOCHI ITALIA, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	OPERIBÉRICA, S.A.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	OPERINVESTMENTS, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	OPERLOTS ITALIA, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	PALACE BINGO SRL	SOLE DIRECTOR

Name of Director	Corporate name of group company	Position
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	PARISIENNE S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	RECREATIVOS MAE, S.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	RECREATIVOS OBELISCO, S.L.	CHAIR OF THE BOARD AND CEO
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	RECREATIVOS POPULARES, S.L.	JOINT DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	RED AEAM, S.A.	JOINT AND SEVERAL DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	RESTI Y CIA., S.L.	JOINT DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	SIGIREC, S.L.	CHAIR OF THE BOARD
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	VEGAS, S.R.L.	SOLE DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	WINNER BET S.R.L.	SOLE DIRECTOR
MR. JOSE RAMÓN ROMERO RODRÍGUEZ	CODERE INTERACTIVA S.L.	DIRECTOR
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	ALTA CORDILLERA, S.A.	CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	BINGOS DEL OESTE, S.A.	CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	BINGOS PLATENSES, S.A.	CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE AMÉRICA, S.A.U.	JOINT AND SEVERAL CEO
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE ARGENTINA, S.A.	CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL DOS, S.A.U.	JOINT AND SEVERAL CEO
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL, S.L.U.	JOINT AND SEVERAL DIRECTOR
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE MEXICO S.A. DE C.V.	TREASURER

Name of Director	Corporate name of group company	Position
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	COLONDER, S.A.U.	JOINT AND SEVERAL CEO
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	COMPAÑÍA DE RECREATIVOS DE PANAMÁ, S.A.	MANAGEMENT BOARD CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	DESARROLLO ONLINE DE JUEGOS REGULADOS S.A.	CHAIRMAN OF THE BOARD AND CEO
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	HÍPICA DE PANAMÁ, S.A.	MANAGEMENT BOARD CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	IBERARGEN, S.A.	CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	INTERBAS, S.A.	CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	INTERJUEGOS, S.A.	CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	INTERMAN BINGOS, S.A.	CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	ITAPOAN, S.A.	CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	NIDIDEM, S.L.U.	JOINT AND SEVERAL CEO
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	SAN JAIME, S.A.	CHAIRMAN

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:

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

Explanation of the rules
Pursuant to article 4.1.b) of the Rules of Procedure of the Board of Directors of Codere SA, the Directors may not, except when expressly authorized by the Board, after a report by the Corporate Governance Committee, form part of more than 8 boards, excluding (i) the Boards of Companies forming part of the same group as that of the Company (ii) the Boards of familial or

holding companies of the Directors or their families and (iii) the Boards which they are members of owing to their professional relation.

B.1.10 In relation to Recommendation number 8 of the Unified Code, indicate the general policies and strategies the approval of which the plenum of the Board has reserved for itself:

Investment and Financing Policy	YES
Definition of the Structure of the Group of Companies	YES
Corporate Governance Policy	YES
Corporate Social Responsibility Policy	YES
Strategic or Business Plan, as well as Management Objectives and Annual Budgets	YES
Compensation Policy and Evaluation of Senior Management Performance	YES
Risk Management and Control, as well as Periodic Monitoring of Internal Information and Control Systems	YES
Dividend Policy, as well as Treasury Stock Policy, especially the limits thereof	YES

B.1.11 Complete the following tables with respect to aggregate compensation payable to directors during the year:

a) In the company which is the subject of the present report:

Type of Compensation	Figures in thousands of euros
Fixed compensation	1,320
Variable compensation	0
Meeting attendance fees	316
Directors' Fees as stipulated in Bylaws	0
Stock options and/or other financial instruments	0
Other	0

Total	1,636
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Other Benefits	Figures in thousands of euros
Advances	0
Credits granted	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations	0
Life insurance premiums	0

Guarantees furnished by the company in favor of directors	0
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b) Payable to company directors forming part of other boards of directors and/or senior management of group companies:

Type of Compensation	Figures in thousands of euros
Fixed compensation	843
Variable compensation	0
Meeting attendance fees	0
Directors' Fees as stipulated in Bylaws	0
Stock options and/or other financial instruments	0
Other	0

Total	843
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Other Benefits	Figures in thousands of euros
Advances	0
Credits granted	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations	0
Life insurance premiums	0
Guarantees furnished by the company in favor of directors	0

c) Total compensation by type of directorship (in thousands of euros):

Type of directorship	By company	By group
Executive	1,056	843
External Nominee	252	0
External Independent	328	0
Other External	0	0

Total	1,636	843
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d) With respect to income attributed to the parent company:

Total compensation paid to directors (in thousands of euros)	2,478
Total compensation paid to directors/income attributed to parent company (in %)	0.0

B.1.12 Identify any senior management who are not executive directors, and indicate total compensation payable to them during the year:

Name	Position
MR. PEDRO CARLOS ECHEVARRIA ARNAIZ	ASSISTANT DIRECTOR TO THE CHIEF EXECUTIVE
MR. RAFAEL LÓPEZ ENRÍQUEZ CHILLÓN	HUMAN RESOURCES MANAGER
MR. SERAFÍN GÓMEZ RODRÍGUEZ	SECURITY AND COMPLIANCE MANAGER
MR. CLAUDIO VALLEJO AGUILA REAL	COMMUNICATIONS MANAGER
MR. ANTONIO PARA ANDRADE	PRODUCT MANAGER FOR SPAIN
MR. JAIME ESTALELLA CARVAJAL	EUROPEAN OPERATIONS MANAGER
MR. FELIPE LUDEÑA MUÑOZ	INFORMATION SYSTEMS MANAGER
MR. RICARDO MORENO WARLETA	ECONOMIC FINANCIAL MANAGER
MR. ADOLFO CARPENA MANZO	INTERNAL AUDIT MANAGER
MR. FERNANDO ORS VILLAREJO	BUSINESS DEVELOPMENT MANAGER
MR. ALEJANDRO PASCUAL GONZALEZ	OPERATIONS MANAGER FOR ITALY
MR. MASSIMO RUTA	GENERAL MANAGER FOR ITALY
MS. BEATRICE RANGEL NBSP	DIRECTOR OF INSTITUTIONAL RELATIONS FOR AMERICA
MR. HECTOR OMAR LUNA NBSP	GENERAL MANAGER FOR ARGENTINA

Total senior management compensation (in thousands of euros)	3,463
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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 required to be reported and/or whether they must be approved by the governance organs of the company or of its group:

Number of beneficiaries	5
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	Board of Directors	GENERAL MEETING OF SHAREHOLDERS
Organ authorizing the contracts	YES	NO

Was the General Meeting of Shareholders informed of the contracts?	NO
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B.1.14 Indicate the process for determining the compensation paid to members of the Board of Directors and any clauses in the bylaws pertaining to this.

**Process for Determining Compensation to Members of the Board of Directors and Pertinent
Bylaw Clauses**

In accordance with the Rules of Procedure of the Board of Directors of Codere, S.A., specifically in article 5.2, compensation for Directors shall be in accordance with the stipulations of the Bylaws, with the Corporate Governance Committee being in charge of drafting proposals to the Board of Directors with respect to the resolutions which it is required by the Bylaws to adopt in said regard. The Board, after a report by the Corporate Governance Committee shall approve an annual report on the policy of Director compensation which, among other matters, when the compensation established in accordance with the Bylaws includes the amount of fixed components, will deal with variable items and the principal characteristics of social security systems. Said report is voted on by the General Meeting of Shareholders, as a separate item on the agenda, for advisory purposes.

In regard to compensation payable to members of the Board of Directors, Article 24.5 of the Corporate Bylaws states:

'The position of Director is subject to compensation. Compensation shall consist of the following three items:

a) An annual fixed amount of thirty one-thousand and eighty-three euros and eighty-four cents (31,083.84 €) paid to each Director.

b) An amount in terms of attendance at meetings of the Board of Directors. In the case whereby the Director attends the meeting in person, the Director shall receive an amount to be established by the Board, but which cannot exceed three-thousand and twelve euros (3,012 Euros) per meeting.

c) Amounts which, if applicable, are assigned by the Board of Directors on the basis of the functions or activities carried out by the Directors in the exercise of their duties on the Board and Committees thereof.

The total amount of said assignments may not exceed for the year the total amount corresponding to the Directors as a whole for the items referred to in paragraphs a) and b) above.

The Board shall establish the specific functions or tasks the performance of which will give rise to payment of said amounts. The General Meeting of Shareholders shall be informed in detail of any resolutions concerning said assigned amounts in the Compensation Policy Annual Report.

The amount of compensation referred to in paragraphs (a) to (c) above shall each year automatically be brought in line with any upward or downward changes in the Spanish Consumer Price Index published by the Spanish National Institute of Statistics, with the amount thereof being increased or decreased.

Likewise, article 24.6 of the Corporate Bylaws indicates with respect to the above amounts of compensation, that said amounts shall be compatible with and independent of any salaries, remuneration, indemnity, pension, stock options, remuneration systems indexed to share value or any type of compensation established in general or specifically for those Directors providing executive or professional services to the Company regardless of the nature of their relation with the Company, whether this be a common or special senior management labor relation, mercantile relation or service provision relation, all of which relations shall be compatible with the position of member of the Board of Directors.

Lastly, article 24.7 of the Corporate Bylaws indicates that compensation shall be payable monthly in arrears so that consequently the compensation paid to each Director will be proportional to the amount of time said Director has held his/her position during the year.

Indicate whether the plenum of the Board has reserved for itself the approval of the following decisions:

At the proposal of the chief executive of the company, the appointment and eventual dismissal of senior management, as well as their indemnity clauses.	YES
Compensation of directors, and, in the case of executives, additional compensation for their executive duties and other conditions which their contracts must respect	YES

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

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	YES
Variable compensation categories.	YES
Principle characteristics of social welfare systems, estimating their equivalent annual amount or cost	YES
Conditions which must be respected by the contracts of those performing senior management duties as executive directors	YES

B.1.16 Indicate whether the Board puts the report on director compensation policy to a vote by the General Shareholders' Meeting, as a separate item on the agenda, for advisory purposes. 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:

Matters dealt with in the Compensation Policy
<ol style="list-style-type: none"> 1. Composition of the Company Board of Directors. 2. Directors' Compensation. 3. Composition, duties and functioning of the Corporate Governance Committee. 4. General Principles regarding Compensation Policy for Directors. 5. Compensation System for Executive Directors, including forecast or estimate for the following year. 6. Compensation System for Non-Executive Directors, including forecast or estimate for the following year.

Role of the Compensation Committee
<p>As established in article 5.2 of the Rules of Procedure of the Board of Directors of Codere, S.A., the Board approves the Report on Directors' Compensation Policy, after a report by the Corporate Governance Committee (which deals with the nature and functions of the Appointments and Compensation Committee as recommended by the Unified Code of Good Governance)</p> <p>In addition, article 16 of the Rules of Procedure of the Board of Directors establishes that among the functions of the Corporate Governance Committee is that of submitting the Director</p>

Compensation Policy Report to the Board of Directors for approval, and likewise that of making the proposals provided for in the Rules of Procedure of the Board of Directors regarding compensation for Board members.

Have you used external consultancy?	
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Identity of the External Consultants

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:

Name of Director	Corporate Name of Significant Shareholder
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	MASAMPE HOLDING, B.V.

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.

Related Director Name or Corporate Name

MASAMPE, S.L.

Related Significant Shareholder Name or Corporate Name

MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

Relation Description

Masampe, S.L. is a company fully owned by Mr. José Antonio Martínez Sampedro

Related Director Name or Corporate Name

MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO

Related Significant Shareholder Name or Corporate Name

MASAMPE HOLDING, B.V.

Relation Description

Ms. Encarnación Martínez Sampedro is a shareholder of Masampe Holding B.V.

Related Director Name or Corporate Name

MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO

Related Significant Shareholder Name or Corporate Name

MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

Relation Description

Blood relation (sister and brother).

Related Director Name or Corporate Name

MR. LUIS JAVIER MARTÍNEZ SAMPEDRO

Related Significant Shareholder Name or Corporate Name

MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

Relation Description

Blood relation (brothers).

Related Director Name or Corporate Name

MR. LUIS JAVIER MARTÍNEZ SAMPEDRO

Related Significant Shareholder Name or Corporate Name

MASAMPE HOLDING, B.V.

Relation Description

Mr. Luis Javier Martínez Sampedro is a shareholder of Masampe Holding B.V.

B.1.18 Indicate whether any change has been made during the year in the rules of procedure of the Board:

NO

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 appointment of the members of the Board of Directors corresponds to the General Meeting of Shareholders (Art. 24.1 of the Corporate Bylaws), notwithstanding the power of the Board to appoint, from among the shareholders, those persons who are to fill any vacancies produced, until the next General Meeting is held (art. 24.16 of the Corporate Bylaws).

Those persons affected by any cause of incompatibility, disqualification, incapacity or legally established prohibition in any territorial sphere affecting the Company, both general causes as well as those applicable in terms of the object and activities of the Company (art. 24.4 of the Corporate Bylaws) are prohibited from being directors or representing directors which are legal persons.

Furthermore, and in any event, the persons appointed as Directors are required to meet not only the conditions called for by law and the Corporate Bylaws but also those established in the Rules of Procedure of the Board of Directors, formally undertaking at the time they take office to comply with the obligations and duties stated therein, it being highlighted that when the Board of Directors makes its proposals to the General Meeting for the appointment of Directors and makes the pertinent appointments under the system of co-option, it will do so at the proposal of the Corporate Governance Committee, in the case of Independent Directors, and after a report by the Corporate Governance Committee in the case of all other directors (art. 2 Rules of Procedure of the Board of Directors).

Reelection.

The Directors shall perform their duties for the term of six years, being eligible for reelection by the General Meeting of Shareholders for further terms of the same duration.

As in the case of appointment, reelection must be preceded either by a proposal (in the case of Independent Directors) or by a report from the Corporate Governance Committee (in the case of all other Directors).

Evaluation.

Once a year, at the proposal of the Corporate Governance Committee, the Board will evaluate its own functioning, as well as that of its Committees and that of the Chairman of the Board (art. 12 Rules of Procedure of the Board of Directors).

Resignation.

The Directors shall tender their resignation in the cases and for the reasons established by law or the bylaws (art. 3 Rules of Procedure of the Board of Directors).

B.1.20 Indicate the cases in which directors are required to resign.

Nominee Directors are required to tender their resignation when the shareholder whom they represent sells its entire shareholding or when said shareholder reduces its holding to a level which requires a reduction in the number of Nominee Directors (art. 3.3 Rules of Procedure of the Board of Directors).

The Board shall not propose the resignation of any Independent Director prior to compliance with the statutory period for which said Director was appointed, unless the Board considers that there is just cause for so doing, after a report by the Corporate Governance Committee. Just cause shall be deemed to exist when the Director has failed to comply with the duties inherent to his post or is affected by any of the circumstances which prevent him from being classified as independent (art. 3.4 Rules of Procedure of the Board of Directors). The resignation of Independent Directors may likewise be proposed as the result of takeover bids, mergers or other similar corporate transactions entailing a change in the capital structure of the Company when such changes in the structure of the Board are the result of proportionality criteria established in art. 1.9 Rules of Procedure of the Board of Directors (art. 3.5 Rules of Procedure of the Board of Directors).

Directors are required to tender their resignation in those cases in which they may harm the trustworthiness and reputation of the Company (art. 3.6 Rules of Procedure of the Board of Directors).

When, whether owing to resignation or another reason, a Director resigns from his post before the end of his term of office, said Director shall be required to explain his reasons for so doing in a letter which he will send to all of the member of the Board (art. 3.7 Rules of Procedure of the Board of Directors).

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

Measures aimed at limiting risks
Article 7 of the Rules of Procedure of the Board of Directors of Codere, S.A. establishes that notwithstanding the powers of representation and execution corresponding to the Chairman, and the powers of attorney or delegations granted by the Company, the Board of Directors, as the core of its mission, is in charge of approving company strategy and the organization required for the implementation of said strategy, as well as of supervising the established targets and overseeing compliance therewith by management, and seeing to it that management respects the Company object and interests. Moreover, said article reserves for the Board of Directors the function of approving up to 18 different matters, ranging from mergers, takeovers, spin-offs or business combinations in which any Codere subsidiary is interested, excluding those taking place solely within its Group, or the disposal of capital

holdings in companies or of other fixed assets the value of which exceeds three million euros, or rights assignments with respect to trade name or trademarks, or with respect to patents, technology and any industrial property modality owned by Codere, S.A. and having financial importance, when these go beyond normal Group business activity.

Pursuant to the Rules of Procedure of the Board of Directors, the President and Chief Executive is a member of the Board of Directors, a collegiate body which is required to comply with its functions for a sole independent purpose, and strictly within the criteria of thoroughness, impartiality and objectivity as established by Law and the Corporate Bylaws.

Likewise, any resolution or decision which is of special importance to the company, after being approved by the Board, must be submitted to the corresponding Board Committee for review thereby.

Furthermore, in order to adopt certain resolutions, the reports and proposals of the various company Committees must be first obtained.

It is also important to point out 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 voice the concerns of external directors and to conduct the evaluation made by the Board of Directors:

YES

Explanation of rules
Pursuant to article 10.5 of the Rules of Procedure of the Board of Directors of Codere, S.A., the Deputy Chairman, or in the absence thereof, one or more Independent Directors, may request a meeting of the Board or that new items be included on the agenda in order to voice the concerns of the external Directors and conduct the evaluation by the Board of its Chairman.
Additionally, article 10.6 in the context of designation of the Deputy Chairman, indicates that if the Board of Directors considers it advisable it may appoint a Deputy Chairman for the purpose not only of replacing the Chairman in the case of absence or illness, but also to collaborate with him in the exercise of his duties.

B.1.22 Are reinforced majorities, other than the legal ones, required for any type of decision?

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:

Description of the resolution:

Board of Directors' resolutions.

Quorum	%
Pursuant to article 24.12 of the Corporate Bylaws, in order for the meeting of the Board to be validly constituted it must be attended by at least half	50.01

plus one of its members, including those attending in person and by proxy. Furthermore, article 12 of the Rules of Procedure of the Board of Directors states that the legal and statutory stipulations shall determine the valid constitution of the meeting of the Board and the adoption of resolutions therein.	
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Type of majority	%
Article 24.14 of the Corporate Bylaws establishes that the resolutions of the Board, with the exception of those which by law require reinforced majorities, shall be adopted by an absolute majority of votes of the Directors attending in person and by proxy, and shall be reflected in the corresponding Minutes.	50.01

B.1.23 Explain whether there are any specific requirements other than those pertaining to directors, in order to be appointed Chairman.

NO

B.1.24 Indicate whether the Chairman has a casting vote:

NO

B.1.25 Indicate whether the bylaws or the Rules of Procedure of the Board of Directors stipulate any age limit for directors:

Age Limit for Chairman	Age Limit for Chief Executive	Age Limit for Director
0	0	0

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:

NO

Maximum Number of Years in Office	0
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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:

Explanation of reasons and initiatives
Currently, the Board of Directors of Codere S.A. is made up of ten members, one of whom is Ms. Encarnación Martínez Sampedro, who is an Executive Director of the Company. This means that 10% of the Board of Directors is made up of women, a percentage similar to the 2011 average for Spanish listed companies (at 10.4%) and higher than that of companies having similar capitalization (at 9.6%).
Moreover, the Board of Directors of Codere S.A., through its Rules of Procedure, attributes as a function of the Corporate Governance Committee that of evaluating the competences, knowledge and experience required on the Board, as well as defining the functions and aptitudes required of candidates who are to cover each vacancy on the Board, so that

consequently the selection processes are not affected by bias which would hinder access to Board positions by women.
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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

Indicate the principal procedures
The Board of Directors of Codere S.A., through its Rules of Procedure, attributes the Corporate Governance Committee (art. 1.12 Rules of Procedure of the Board) with the function of overseeing that the selection processes for covering vacancies on the board are not implicitly biased against the selection of female directors, and likewise the function of overseeing that the company deliberately seek out and include among potential candidates women who meet the professional profile sought. In this way, when the Corporate Governance Committee carries out this task, it takes into consideration the recommendation aimed at the policy of equality on Boards of Directors.

B.1.28 Indicate whether there are any formal processes for proxy voting on the Board of Directors. If so, briefly explain:

Art. 24.13 of the Corporate Bylaws provides as follows:

'Directors may delegate in writing any other director as their proxy to attend board meetings and vote on their behalf.

On its part, article 4.1.d. of the Rules of Procedure of the Company Board of Directors, establishes that Directors, notwithstanding their duty to attend the meetings of the organs which they form part of, and to reduce their absences to only the most essential instances, may delegate proxies to attend on their behalf, provided that said proxy is essential and is granted to another member of the Board in writing, is addressed to the Chairman of the Board, contains instructions and is exclusively for the meeting in question.

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 Board meetings	10
Number of Board meetings not attended by the 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	0
Number of meetings of the Audit Committee	10
Number of meetings of the Appointments and Compensation Committee	9
Number of meetings of the Appointments Committee	0
Number of meetings of the Compensation Committee	0

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 meetings with absences of directors during the year	2
% of absences with respect to total votes during the year	2.040

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:

Name	Position
MR. RICARDO MORENO WARLETA	ECONOMIC 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:

Pursuant to article 26.5 of the Corporate Bylaws and art. 14.2. e) of the Rules of Procedure of the Board of Directors, the Audit Committee has among its competences that of maintaining relations with external auditors in order to receive information in regard to those matters which might jeopardize the independence of the latter, and any other matters related to the audit process, and likewise to receive information and maintain with the auditor the communications stipulated by law.

In accordance with article 9.4 of the Rules of Procedure of the Board of Directors, the relations of the Board with the external auditors of the company, which shall be channeled through the Audit Committee, shall conform to criteria of loyal collaboration and respect for their independence. It is endeavored that the annual accounts drafted by the Board will be verified by the auditors without a qualified opinion. In the case whereby such qualified opinions are unavoidable, the Board, the Chairman of the Audit

Committee and the auditors shall explain with clarity to the shareholders the content and scope of the reservations.

The report of the external auditor PriceWaterhouseCoopers corresponding to the year 2012 did not contain a qualified opinion.

B.1.33 Is the Secretary of the Board of Directors a Director?

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:

Procedure for Appointment and Dismissal
Pursuant to art. 11.6 of the Rules of Procedure of the Board of Directors of Codere, S.A., in order to safeguard the independence, impartiality and professionalism of the Secretary, his appointment and dismissal will be reported by the Corporate Governance Committee and approved by the plenum of the Board.
During 2012, Mr. Luis Argüello Álvarez was appointed as the new Secretary of the Board of Codere, S.A. after the former Secretary, Mr. Rafael Catalá Polo, had tendered his resignation. The Corporate Governance Committee favorably reported this appointment at its meeting held in April 2012, and the appointment was unanimously approved by the Board of Directors at its meeting held in May 2012.

Does the Appointments Committee report the appointment?	YES
Does the Appointments Committee report the dismissal?	YES
Does the plenum of the Board approve the appointment?	YES
Does the plenum of the Board approve the dismissal?	YES

Does the Secretary of the Board have the special duty to oversee compliance with the recommendations of good governance?

YES

Comments
Pursuant to article 11.3 of the Rules of Procedure of the Board of Directors of Codere, S.A., the Secretary of the Board must take special care in order to ensure that the actions of the Board:
Are in line with the Law and its regulations, including those approved by the regulatory agencies.
Are in accordance with the Company Bylaws and with the Rules of Procedure of the General Meeting, the Board and all other rules of the Company.

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 rating agencies:

Auditor Independence:

Pursuant to art. 9.4 of the Rules of Procedure of the Board of Directors, the relations of the Board with the external auditors of the company, which are to be channeled through the Audit Committee, shall obey criteria of loyal collaboration and respect for their independence.

In addition, art. 14.2.e) of the same Regulation establishes that the Audit Committee shall have competence over the maintenance of relations with the external auditor, in order to receive information on those matters which may jeopardize the independence of the latter. Likewise, article 14.3.2 of the same text indicates that the Audit Committee is in charge of passing on to the Board proposals for selection, appointment, reelection, and replacement of the external auditor, as well as the conditions for the contracting thereof.

Lastly, art. 14.3.2c) of the Rules of Procedure of the Board of Directors stipulates that it corresponds to the Audit Committee to ensure the independence of the external auditor, being required for said purpose to ensure that the Company communicates the change in auditor as a relevant fact to the Spanish Securities Commission (together with a declaration on the eventual existence of disagreements between the incoming and outgoing auditor), ensure that the Company and the auditor respect the regulations in effect regarding the provision of services other than auditing services, the limits on the concentration of the business of the auditor, and examine any circumstances which may have led to the resignation of the external auditor.

Independence of financial analysts, investment banks and rating agencies:

Article 6.2 of the internal Code of Conduct in Securities Markets stipulates that at the informative meetings between the company or its representatives with analysts, institutional investors and other securities market professionals, it will be endeavored to follow the recommendations established in said regard by the Spanish Securities Commission.

As a follow-up to the above, the investor relations department channels communication with institutional shareholders and financial analysts which cover the action of the Company, taking care to ensure that they are not furnished with any information which could entail a situation of privilege or advantage for them, in relation to the rest of the shareholders and moreover, consequently complying with the provisions of art. 6.1.c) of the Internal Code of Conduct in Securities Markets, which stipulates as prohibited conduct the recommendation to third parties of the acquisition, sale or assignment of company securities on the basis of privileged information.

B.1.36 Indicate whether during the year the Company has changed its external auditor. If so, identify the incoming and the outgoing auditor:

NO

Outgoing Auditor	Incoming Auditor

In the event of any disagreement with the outgoing auditor, explain:

NO

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

	Company	Group	Total
Amount of work other than auditing (thousands of euros)	108	144	252
Amount of work other than auditing / Total amount invoiced by the auditing firm (as a %)	45.910	7.570	11.790

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:

NO

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 percentage the number of years audited by the current auditing firm is with respect to the total number of years in which the annual accounts have been audited:

	Company	Group
Number of uninterrupted years	4	4

	Company	Group
Number of years audited by the current auditor firm /no. of years that the company has been audited (as a %)	28.6	28.6

B.1.40 Indicate the shareholdings which members of the Board of Directors hold 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	Company	Shareholding %	Position or Duties
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	PROMOBOWLING, S.A.	51.470	PRESIDENT AND JOINT AND SEVERAL CEO
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	MAJISA, S.A.	26.000	JOINT AND SEVERAL DIRECTOR
Name of Director	Company	Shareholding	Position or Duties

		%	
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	PLANET BOWLING, S.A. IN LIQUIDATION	51.480	INDIRECT SHAREHOLDER
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	FRANCOMAR INVESTMENTS, S.A.	52.000	PRESIDENT AND JOINT AND SEVERAL CEO
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	MAJICOL	26.520	INDIRECT SHAREHOLDER
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	ZARABOWLING, S.A.	36.040	INDIRECT SHAREHOLDER
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	SUNSET BOWLING, S.L.	51.480	INDIRECT SHAREHOLDER
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	PROMOBOWLING LEVANTE, S.A.	51.480	INDIRECT SHAREHOLDER
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CENTROS DE OCIO FAMILIAR, S.L.	25.740	INDIRECT SHAREHOLDER
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	TUI PLAY S.L. IN LIQUIDATION	12.200	INDIRECT SHAREHOLDER
MR. JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	MAGIC RECREATIVOS, S.L.	36.040	INDIRECT SHAREHOLDER
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	MAJISA, S.A.	6.000	INDIRECT SHAREHOLDER
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	PLANET BOWLING ESPAÑA, S.A. IN LIQUIDATION	11.970	INDIRECT SHAREHOLDER
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	FRANCOMAR INVESTMENTS, S.A.	12.000	SECRETARY AND JOINT AND SEVERAL CEO
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	ZARABOWLING, S.A.	8.380	CHAIRMAN OF THE BOARD
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	PROMOBOWLING, S.A.	11.900	SECRETARY AND JOINT AND SEVERAL CEO
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	PROMOBOWLING LEVANTE, S.A.	11.970	JOINT AND SEVERAL DIRECTOR
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	SUNSET BOWLING, S.L.	11.970	INDIRECT SHAREHOLDER
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CENTROS DE OCIO FAMILIAR, S.L.	5.990	INDIRECT SHAREHOLDER
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	TUI PLAY S.L. IN LIQUIDATION	2.810	INDIRECT SHAREHOLDER
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	MAGIC RECREATIVOS, S.L.	8.380	INDIRECT SHAREHOLDER
MR. JOSEPH ZAPPALA	TUCSON GREYHOUND PARK	80.000	CHAIRMAN
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	MAJISA, S.A.	6.000	INDIRECT SHAREHOLDER
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	PLANET BOWLING ESPAÑA, S.A. IN LIQUIDATION	11.970	INDIRECT SHAREHOLDER
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	FRANCOMAR INVESTMENTS, S.A.	12.000	JOINT AND SEVERAL CEO
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	MAJICOL	6.120	INDIRECT SHAREHOLDER

Name of Director	Company	Shareholding %	Position or Duties
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	ZARABOWLING, S.A.	8.380	INDIRECT SHAREHOLDER
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	PROMOBOWLING, S.A.	11.900	INDIRECT SHAREHOLDER
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	PROMOBOWLING LEVANTE, S.A.	11.970	INDIRECT SHAREHOLDER
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	CENTROS DE OCIO FAMILIAR, S.L.	5.990	INDIRECT SHAREHOLDER
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	TUI PLAY S.L. IN LIQUIDATION	2.810	INDIRECT SHAREHOLDER
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	MAGIC RECREATIVOS, S.L.	8.380	INDIRECT SHAREHOLDER
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	SUNSET BOWLING, S.L.	11.970	INDIRECT SHAREHOLDER

B.1.41 Indicate whether there is any procedure allowing directors to have access to external consultancy, and if so, give details:

YES

Detail of Procedure
<p>Pursuant to article 5.1 of the Rules of Procedure of the Board of Directors of Codere, S.A., the Directors shall have access to all company services, and are entitled to obtain the information and consultancy which they require in order to carry out their duties. They are required to obtain this through the channels of the Chairmanship or Secretariat of the Board; in the latter case, the Secretary will keep the Chairman informed about the information requested, naturally notwithstanding, in any event, the obligation to obtain the information and convey it to the Director so requesting.</p> <p>The Directors shall likewise have the power to propose to the Board of Directors the contracting of external consultants, be these financial, legal, technical, commercial or of any other type deemed necessary for the Company interests. External consultancy is to be sought when the majority of independent Directors coincide on the need thereof.</p> <p>Additionally, article 13.6 of the Rules of Procedure of the Board of Directors establishes that the Committees are authorized to call for the attendance and collaboration of Company managers and employees, who will offer the information and support required by the Committees. The Committees may also seek outside consultancy, the contracting of which will be requested of the Chairman of the Board. Managers, employees and outside consultants report directly to the Committee seeking their services.</p>

B.1.42 Indicate and if so, detail whether there is any procedure allowing directors to have access to the information required to prepare the meetings of the organs of administration sufficiently in advance:

Detail of Procedure
<p>Pursuant to article 12 of the Rules of Procedure of the Board of Directors of Codere, S.A., the notice of meeting shall at all times include the agenda of the meeting together with any written information deemed suitable as stipulated in said Rules. Nevertheless, when the Chairman</p>

deems that there are exceptional circumstances so requiring, the meeting of the Board may be called by telephone, fax or email, without observing the term of advance notice mentioned in said article (5 days), and without providing the aforesaid information, informing the Directors of the possibility of examining said information at the registered office.

Likewise, article 10.4 of the aforementioned Rules states that the Chairman, as the person responsible for the effective running of the Board, is required to ensure that the Directors receive sufficient information in advance; the Chairman will encourage debate and active participation of the Directors during Board meetings, safeguarding their freedom to take a stand and express their opinion, and will coordinate together with the Chairman of the Corporate Governance Committee the periodical evaluation of the Board.

Lastly, article 13 of the Rules of Procedure establishes that the Board of Director Committees (Audit, Compliance and Corporate Governance) shall bring their manner of operating in line with the provisions of said Rules.

B.1.43 Indicate, and if applicable, detail whether the company has established any rules requiring directors to report to the company any cases which may harm the trustworthiness and reputation of the company and, where appropriate, to resign:

YES

Explain the Rules
Article 3.6 of the Rules of Procedure of the Board of Directors of Codere, S.A., stipulates that Directors are required to resign in those cases which may harm the trustworthiness and reputation of the Company, and likewise to report to the Board any criminal action brought against them, as well as the subsequent procedural outcome. If a Director is prosecuted or is brought to trial for any of the crimes indicated in article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and in view of the specific circumstances, will decide whether or not the Director should remain in his post. The Board will report on the matter in the Annual Corporate Governance Report.

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:

NO

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:

NO

Decision taken	Reasoned explanation

B.2 Board of Directors' Committees

B.2.1 Detail all of the Committees of the Board of Directors as well as the members thereof:

AUDIT COMMITTEE

Name	Position	Type
MR. EUGENIO VELA SASTRE	CHAIRMAN	INDEPENDENT
MR. JOSEPH ZAPPALA	MEMBER	INDEPENDENT
MR. JOSÉ RAMÓN ROMERO RODRÍGUEZ	MEMBER	NOMINEE
MR. JUAN JOSÉ ZORNOZA PÉREZ	MEMBER	INDEPENDENT

COMPLIANCE COMMITTEE

Name	Position	Type
MR. JOSÉ IGNACIO CASES MÉNDEZ	CHAIRMAN	NOMINEE
MR. JOSEPH ZAPPALA	MEMBER	INDEPENDENT
MR. JOSÉ RAMÓN ROMERO RODRÍGUEZ	MEMBER	NOMINEE
MR. JUAN JUNQUERA TEMPRANO	MEMBER	INDEPENDENT
MASAMPE, S.L.	MEMBER	NOMINEE

CORPORATE GOVERNANCE COMMITTEE

Name	Position	Type
MR. JUAN JOSÉ ZORNOZA PÉREZ	CHAIRMAN	INDEPENDENT
MR. EUGENIO VELA SASTRE	MEMBER	INDEPENDENT
MR. JOSÉ IGNACIO CASES MÉNDEZ	MEMBER	NOMINEE
MR. JUAN JUNQUERA TEMPRANO	MEMBER	INDEPENDENT
MASAMPE, S.L.	MEMBER	NOMINEE

B.2.2 Indicate whether the following functions correspond to the Audit Committee:

Supervise the process for the drafting and the completeness 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.	YES
Periodically revise the internal control and risk management systems in order that the principal risks may be adequately identified, managed and disclosed.	YES
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.	YES
Set up and supervise a mechanism allowing employees to report confidentially, and where appropriate, anonymously, any irregularities which they observe in the company and which may have repercussions, especially in regard to financial and accounting matters.	NO
Bring before the Board proposals for the selection, appointment, reelection and replacement of the external auditor, as well as the auditor's contract	YES

conditions.	
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.	YES
Ensure the independence of the external auditor	YES
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.	YES

B.2.3 Describe the rules of procedure regarding the organization and operation, as well as the responsibilities, of each Board committee:

Committee name

AUDIT COMMITTEE

Brief description

Article 14 of the Rules of Procedure of the Board of Directors establishes the rules for the organization and operation of the Audit Committee as well as the powers of said Committee.

Rules of organization and operation: The Audit Committee shall be comprised of a minimum of three and a maximum of six members appointed by the Board of Directors. All members of said committee must be external directors. The members thereof, especially the Chairman thereof, shall be designated taking into account their knowledge and experience in accounting, auditing or risk management. The Chairman of the Audit Committee must be an Independent Director, and must be replaced every four years, being eligible for reelection one year after his resignation. The Audit Committee shall meet at least once every quarter, and whenever it is deemed necessary, after a meeting is called by its Chairman, either at his own decision or at the request of two committee members or the Board of Directors or its Chairman.

Responsibilities and Competences: Notwithstanding any other task which it may be assigned by the Board of Directors, the primary function of the Audit Committee shall be that of supporting the Board of Directors in its financial supervisory functions and, specifically, it shall have at least the following competences: a) Inform the General Meeting of Shareholders about the matters posed at said General Meeting by shareholders in regard to matters which are the competence of the Audit Committee. b) Propose to the Board of Directors the appointment of external auditors in order that the Board may submit the proposal to the General Meeting of Shareholders. c) Supervise internal audit services. d) Be informed of the financial information process and internal control systems. e) Maintain relations with the external auditor in order to receive information on any matters which may jeopardize the independence of said auditor, and any other matters related to the carrying out of the audit process; likewise receive information and maintain with the auditor the communications which are required by law. f) Report on the annual accounts as well as on issue prospectuses, and on the periodical financial information which is to be sent to the regulatory agencies quarterly or every six months, paying special attention to compliance with the legal requirements and the correct application of the generally accepted accounting principles, to the existence of internal control systems and to the monitoring thereof, and to compliance with internal auditing. g) On a yearly basis, draw up an annual report containing the activities carried out by the Committee.

In particular, the Audit Committee shall do the following: 1. In relation to information and internal control systems: a) Supervise the process for the drafting and completeness of the financial information concerning the Company and, if applicable, the group, reviewing compliance with regulatory requirements, the proper delimiting of the consolidation perimeter, and the correct application of the accounting criteria. b) Periodically review the internal control and risk management systems in order to identify, manage and properly inform of the principal risks. c) Oversee the independence and effective functioning of the internal audit process; propose the selection, appointment, reelection and dismissal of the person in charge of the internal audit service; propose the budget for said service; receive periodical information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports. d) Inform the Board of Directors, at least once a year, about

risk control matters, and about any malfunctioning detected, if applicable, in the internal audit reports or in the exercise of the aforementioned functions. 2. In relation to the external auditor: a) Pass on to the Board the proposals for selection, appointment, reelection and replacement of the external auditor, as well as the auditor's contract conditions. b) Receive on a regular basis from the external auditor information regarding the audit plan and the results of its execution, and verify that senior management takes its recommendations into account. c) Ensure the independence of the external auditor, and, in said regard: i) Ensure that the Company communicates to the Spanish Securities Commission any change in auditor, together with a declaration on the eventual existence of discrepancies with the outgoing auditor and, should such discrepancies exist, an explanation thereof. ii) Ensure that the Company and the auditor respect the regulations in effect on the provision of services other than auditing services, the limits on the concentration of the business of the auditor, and, in general, all other regulations stipulated in order to ensure the independence of the auditors; iii) In the case of resignation of the external auditor, examine the circumstances giving rise thereto. d) Favor the circumstance whereby the auditor of the group, if applicable, takes on the responsibility for auditing the companies comprising the group. e) Discuss with the auditors or audit firms any significant weaknesses in the internal control system detected during the audit. f) Establish the pertinent relations with the auditors or audit firms in order to receive information on any matters which might jeopardize the independence of said auditors, for examination by the Committee, or any other matters related to the auditing process, and all other communications established in the audit legislation and in the auditing standards. In any event, they are required to receive annually from the auditor or audit firms the written confirmation of their independence with respect to the entity or entities directly or indirectly related to the company, as well as information on any type of additional services provided to these entities by the aforementioned auditors or firms, or by the persons or entities related to the latter pursuant to Audit Act 19/1988 of 12 July. g) Issue annually, prior to issuing the report which will state an opinion regarding the independence of the auditor or audit firms. In any event, this report is to inform about the provision of the additional services referred to in the preceding paragraph. 3. Inform the Board, prior to adoption by the latter of the decisions which are reserved to it under article 7.17 of these Rules, in regard to the following matters: a) Any financial information which the Company, as a listed company, is required to publish periodically. The Committee is to ensure that the intermediate accounts are drafted with the same accounting criteria as the annual accounts and, for said purpose, consider the suitability of a limited revision by the external auditor. b) The creation or acquisition of holdings in special purpose entities 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, might diminish the transparency of the group. c) Related transactions.

Committee name

COMPLIANCE COMMITTEE

Brief description

Article 15 of the Rules of Procedure of the Board of Directors establishes the rules for the organization and operation of the Compliance Committee as well as the powers of said Committee.

Rules of organization and operation: the Compliance Committee shall be comprised of a minimum of three and a maximum of six members appointed by the Board of Directors. All members of said committee must be external directors. The Chairman of the Compliance Committee shall be preferably an Independent Director. In the case whereby the Chairman is not an Independent Director, the specific reasons for the appointment shall be given in the Corporate Governance Annual Report. The Compliance Committee shall meet whenever the Board of Directors requests that a report be issued or that proposals be approved within the sphere of its competences, and whenever the Committee Chairman deems this advisable in order to adequately carry out its functions.

Responsibilities and Competences: Notwithstanding any other task which it may be assigned by the Board of Directors, the Compliance Committee shall have the following functions: a) The

monitoring of compliance by the Company and the Group of Spanish or foreign regulations applicable to it in matters of gaming. b) Evaluate the internal control systems of the Company and of the Codere Group in relation to their reporting and transparency obligations in matters of gaming, and make those proposals for introduction and improvement which it deems necessary or advisable. c) The monitoring of compliance and control systems by the Company and the Group of the regulations regarding the prevention of money laundering, and the proposals for introduction and improvement which it deems necessary or advisable. d) Establish and supervise a mechanism which allows employees, customers, suppliers and other third parties with which contractual relations exist, to communicate confidentially and if it deems it appropriate, anonymously, any potentially significant irregularities, especially financial and accounting irregularities, which they may note within the company. e) Monitor the security systems and measures applied in carrying out Company and Group business, being informed periodically by the managers in charge of said matter.

Committee name

CORPORATE GOVERNANCE COMMITTEE

Brief description

Article 16 of the Rules of Procedure of the Board of Directors establishes the rules for the organization and operation of the Corporate Governance Committee as well as the powers of said Committee.

Rules of organization and operation: the Corporate Governance Committee which also integrates the nature and functions which the Unified Code of Good Governance of listed companies recommends for the Appointments and Compensation Committee, is formed by a minimum of three and a maximum of six members appointed by the Board of Directors. All members of said committee must be external directors, at least half of which must be Independent Directors. The Chairman of the Corporate Governance Committee shall be preferably an Independent Director. In the case whereby the Chairman is not an Independent Director, the specific reasons for the appointment shall be given in the Annual Corporate Governance Report. The Corporate Governance Committee shall meet whenever the Board of Directors or its Chairman requests that a report be issued or that proposals be approved within the sphere of its competences, and whenever the Committee Chairman deems this advisable in order to adequately carry out its functions.

Responsibilities and Competences: Notwithstanding any other task which it may be assigned by the Board of Directors, the Corporate Governance Committee shall have the following functions: a) Examine compliance with the Internal Rules of Conduct in relation to the Securities Markets and make any proposals required for the improvement thereof, and likewise supervise compliance with the rules of corporate governance applicable in said regard. b) Draft reports and proposals to the Board regarding decisions to be adopted in cases of conflict of interests. c) Submit the Corporate Governance Annual Report and the Report on Directors' Compensation Policy to the Board for approval thereby. d) Make the proposals provided for under these Rules, with respect to compensation payable to members of the Board of Directors. e) Evaluate the competences, knowledge and experience required on the Board, consequently defining the functions and aptitudes required of candidates who are to cover each vacancy, and evaluate the time and dedication required in order to carry out their duties properly. f) Make proposals to the Board regarding the functions of the latter -in regard to appointment or proposal- concerning the composition of the Board and the Committees thereof g) Report on the appointments and dismissals of senior management proposed by the chief executive to the Board. h) Inform the Board, whenever applicable, of the various matters provided for in article 1.12. i) Present proposals to the Board of Directors in regard to the compensation of the President and Chief Executive as chief executive officer of the company, or of the other executive directors, apart from the compensation they receive as Directors pursuant to the Corporate Bylaws and likewise in regard to all other conditions of their contracts. j) Propose to the Board the general compensation policy for senior management of the Company and its subsidiaries and affiliates, as well as senior management basic contract conditions. k) Set guidelines and supervise action in regard to the appointment, selection, career development,

promotion and dismissal of managers, in order for the Company to have the highly qualified personnel required for the management thereof. I) Present proposals to the Board and prepare the examination of the matters which the Board must be informed of, in matters which are not the specific competence of any of the other Committees, whenever this is deemed necessary.

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

AUDIT COMMITTEE

Brief description

Support of the Board of Directors in its financial supervisory functions; supervision of internal auditing; maintaining of relations with the outside auditor; reporting to the General Meeting of Shareholders on matters posed in said General Meetings which are related to Audit Committee functions. See B.2.3.

Committee name

COMPLIANCE COMMITTEE

Brief description

Monitoring of compliance with national or foreign legislation applicable to gaming matters, monitoring of compliance and control systems related to regulations concerning money laundering, establishment and supervision of a system allowing for confidential communication of potentially significant irregularities (especially in relation to finance and accountancy). See B.2.3.

Committee name

CORPORATE GOVERNANCE COMMITTEE

Brief description

Examination of compliance with the Internal Code of Conduct in Securities Markets, supervision of compliance with the corporate governance rules applicable in said regard, development and coordination of the policy regarding appointment and compensation of executives representing the Company and of senior management. 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:

Committee name

AUDIT COMMITTEE

Brief description

The organization and operation of the Audit Committee is regulated in detail in article 14 of the Rules of Procedure of the Board of Directors, as well as in article 26 of the Corporate Bylaws of Codere, S.A. Said documents can be found on the Codere web page (www.codere.com). The Audit Committee has presented a report to the Board of Directors on the activities it has carried out during 2012. During said year, no change whatsoever was made in the regulation of this Committee.

Committee name

COMPLIANCE COMMITTEE

Brief description

The organization and operation of the Compliance Committee is regulated in detail in article 15 of the Rules of Procedure of the Board of Directors. Said document can be found on the Codere web page (www.codere.com). The Compliance Committee has presented a report to the Board

of Directors on the activities it has carried out during 2012. During said year, no change whatsoever was made in the regulation of this Committee.

Committee name

CORPORATE GOVERNANCE COMMITTEE

Brief description

The organization and operation of the Corporate Governance Committee is regulated in detail in article 16 of the Rules of Procedure of the Board of Directors. Said document can be found on the Codere web page (www.codere.com). The Corporate Governance Committee has presented a report to the Board of Directors on the activities it has carried out during 2012. During said year, no change whatsoever was made in the regulation of this Committee.

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
Codere has no Executive Committee.

C. RELATED PARTY TRANSACTIONS

C.1 Indicate whether the plenum of the Board, after a favorable report from the Audit Committee or any other committee entrusted with said function, has reserved the right to approve the transactions which the Company engages in with directors, significant shareholders or shareholders represented on the Board, or any person related thereto.

YES

C.2 Detail the relevant transactions entailing a transfer of resources or obligations between the company or entities of its group, and the significant shareholders of the company:

C.3 Detail the relevant transactions 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 operation	Type of transaction	Amount (thousands of euros)
MR. ADOLFO CARPENA MANSO	CODERE, S.A.	CONTRACTUAL	Agreements for financing loans and capital contributions (borrower)	99
MS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE, S.A.	CONTRACTUAL	Agreements for financing loans and capital contributions (borrower)	493
MR. FERNANDO ORS VILLAREJO	CODERE, S.A.	CONTRACTUAL	Agreements for financing loans and capital contributions	148

			(borrower)	
MR. JAIME ESTALELLA CARVAJAL	CODERE, S.A.	CONTRACTUAL	Agreements for financing loans and capital contributions (borrower)	99
MR. JOSÉ RAMÓN ROMERO RODRÍGUEZ	CODERE, S.A.	CONTRACTUAL	Provision of services	504
MR. JOSÉ RAMÓN ROMERO RODRÍGUEZ	CODERE, S.A.	CONTRACTUAL	Agreements for financing loans and capital contributions (borrower)	493
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE, S.A.	CONTRACTUAL	Agreements for financing loans and capital contributions (borrower)	986
MR. RICARDO MORENO WARLETA	CODERE, S.A.	CONTRACTUAL	Agreements for financing loans and capital contributions (borrower)	494

C.4 Detail the relevant transactions carried out by the company with other companies belonging to the same group, provided that these are not eliminated in the process of drafting the consolidated financial accounts and do not form part of the normal business activity of the company in regard to their object and conditions:

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 ter of the Public Limited Companies Act:

NO

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:

Among the duties of Directors stipulated in Article 4 of the Rules of Procedure of the Board of Directors of Codere, S.A. is the duty of loyalty to company interests and, in said regard, paragraph 4.d thereof states that: The Directors are required to communicate to the Board of Directors any situation of direct or indirect conflict which they may enter into with respect to Company interests. In the case of conflict, the affected Director shall refrain from taking part in the transaction which is the object of conflict. Situations of conflict of interests shall be reported in the annual report.

Article 16 of the Rules of Procedure of the Board of Directors, when regulating the composition, functioning and competences of the Corporate Governance Committee, determines that said Committee shall draft reports and proposals to the Board regarding the decisions to be adopted in cases of conflict of interests.

In addition, in accordance with article 5 of the Codere Internal Code of Conduct in Securities Markets, the affected persons (that is, directors, senior management, and employees which may have access to privileged information) are required to adapt their actions in relation to the conflict of interest not only to the provisions of said Code but also to the provisions of the Rules of Procedure of the Board of Directors, insofar as these are applicable to them.

When a situation takes place which entails, or may potentially entail, a conflict of interest, the person subject to the Code must immediately inform the General Secretariat of said situation, and furnish said Secretariat with all information requested of said individual for an evaluation of the circumstances of the case, if required.

The General Secretariat shall pass this on to the Board Committee for the adoption of the pertinent decisions. The Board Committee is to be consulted about any doubt as to the possible existence of a conflict of interest before any decision which could be affected by said conflict of interest is adopted.

The General Secretariat shall communicate the existence of the conflict of interest to the person or person involved in the management of the situation or in the adoption of the decisions affected by said conflict.

The person subject to the Code who is affected by a situation of conflict of interest shall refrain from taking part in or directly or indirectly influencing the transaction, decision or situation affected by said conflict.

In the case of a conflict of interest, as a general rule resulting from the obligation of loyalty to the Company, the interest of the Codere Group is to prevail over that of the affected person subject to the Code.

C.7 Does the Group have more than one listed company in Spain?

NO

Identify the listed subsidiaries:

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.

During 2012, the Board of Directors approved the Risk Control and Management General Policy as well as the Risk Tolerance Document for the year 2013.

The Codere Group Risk Control and Management General Policy aims to establish the basic principles and general action framework for the control and management of every type of risk faced by the Group.

All actions aimed at controlling and mitigating risk at all times follow certain basic principles, such as the integration of risk-opportunity vision, operating level segregation of risk-taking areas, and areas responsible for risk analysis, control and supervision; guarantee of the correct use of hedge instruments and assurance regarding adequate compliance with corporate governance rules and the values set out by the company in its Code of Ethics.

The Risk Control and Management General Policy includes the identification and definition of the typology of risks which are significant for the Group, and which, in general terms, are listed below:

- Corporate Governance Risks: The Company employs the strategy of sustained maximization of the economic value of the Company and its successful outcome in the

long term taking into account the legitimate public or private interests of the various stakeholders, communities and territories in which the Group acts, and those of its workers. In said regard, compliance with Group corporate governance systems inspired by the good governance recommendations generally recognized in the financial markets becomes fundamental.

- Operational and Loss of Income Risks: established as the uncertainty in regard to the performance of key variables intrinsic to the business, as well as those related to direct or indirect economic loss resulting from inadequate internal processes, technological breakdown, human error or as the result of outside events, including economic, social and reputational impact.
- Regulatory and Institutional Relation Risks: these come from changes in regulations established by the various regulators where the Group has a presence, principally in regard to the conditions related to the exploitation of the licenses granted, and which may adversely affect foreseen income. Likewise included are risks from delays, complications, and even the impossibility of carrying out projects, improvements, offers of new products, etc., owing to difficult relations with the regulatory institutions.
- Fiscal Risks: resulting from the various interpretations which, in the case of audit, regulators may give to the fiscal criteria followed by the Group.
- Indebtedness Risk: As a consequence of the indebtedness level and characteristics, the debt service obligations may hinder the growth of Group operations and limit their performance. As a result of the obligations assumed in borrowing operations, there are limits on additional indebtedness, the possibility of granting new guarantees, investing in certain assets or disposing of them, and the obligation of compliance with certain ratios and covenants.
- Country Risk: Risk resulting from the sociopolitical situation of the countries in which the Group has a presence, especially in Latin America. This category also includes the risks resulting principally from the local currency exchange rate fluctuations against the euro in those countries where the Group has a presence.
- Technology Risk: This refers to the negative impact on the Group which may result from losses incurred owing to interruption, breakdown or damage of the gaming information systems and technology platforms.
- Reputational Risk: Potential negative impact on Group value as the result of conduct by the company which does not meet the expectations created in the various stakeholders.

The Risk Control and Management General Policy and its basic principles are materialized through a system of risk control and management, based on a definition and assignment of functions and responsibilities at the operating level and on a series of procedures and methodologies in line with the various stages and activities of the system. The principal stages and activities include, but are not limited to, the following:

- a. Risk tolerance definition by the Board of Directors.
- b. Annual identification and analysis of the significant risks conducted by each Business Unit and/or department.
- c. Reporting of the principal risks, especially those exceeding the limits established by the Board of Directors.
- d. Introduction and control of compliance with policies, guidelines and limits, through adequate procedures and systems required to mitigate the impact of risk materialization.
- e. Periodical evaluation and communication, at least yearly, of the results of the control and management monitoring.
- f. Auditing of the system by the Internal Audit Management.

D.2 Indicate whether any of the various types of risks (operational, technological, financial, legal, reputational, fiscal, etc.) affecting the company and/or its group have materialized.

If so, indicate the circumstances which gave rise to said risks and whether or not the control systems worked.

Risk materialized during the year

Operational risks

Circumstances giving rise to the risk

These risks are intrinsic to the business model, to Group activity and to the markets in which it operates, and therefore exist and are materialized throughout each business year.

How the control systems functioned

The internal control systems established by the Group have been functioning correctly throughout the year; consequently, they have had no significant effect on the Group financial statements.

Risk materialized during the year

Regulatory risk

Circumstances giving rise to the risk

Changes in the legal and regulatory framework of certain markets

How the control systems functioned

The Group control systems have made it possible to identify new threats and risks sufficiently in advance and to establish adequate mitigation plans, through the monitoring and management of these risks, which has been carried out both through Group participation in the corresponding sector associations, and through the corresponding institutional relation activity.

Risk materialized during the year

Fiscal Risks

Circumstances giving rise to the risk

Various claims have been filed against the Group in Mexico, which shows the various interpretations which the regulators are giving to the fiscal criteria followed by the Group.

How the control systems functioned

The control systems established by the Group, which require justification of the fiscal criteria adopted, allow for the filing of the pertinent administrative appeals as well as for the recording of the corresponding provisions.

Risk materialized during the year

Country Risk

Circumstances giving rise to the risk

Sociopolitical instability in Argentina has resulted in difficulties and restrictions in repatriating funds to Spain.

How the control systems functioned

Once the restrictions were identified, the risk was managed through the institutional relation and the seeking of alternative financing sources. Moreover, the exchange insurance policies controlled by the Group were working during the year, although they are currently not being contracted.

D.3 Indicate whether there is any committee or other organ of governance in charge of establishing and supervising these control mechanisms:

YES

If “yes”, explain their functions.

Name of committee or organ

AUDIT COMMITTEE

Description of functions

Article 26 of the Company Bylaws stipulates that the Audit Committee shall at least carry out the functions of supervising the efficacy of company internal control, internal auditing, if applicable, and the risk management systems. Likewise, article 14.3 of the Rules of Procedure of the Board of Directors establishes that the Audit Committee in particular is in charge of periodically revising the internal control and risk management systems for the proper identification, management and dissemination of the principal risks. Lastly, the Board of Directors has conferred upon the Audit Committee (which in turn has delegated to the Internal Audit Management) the responsibility of periodically revising the risk control and internal control systems, for the proper identification, management and dissemination of the principal risks. Likewise, at least once a year the Audit Committee is required to report to the Board of Directors in regard to risk control and any malfunctions detected in the internal audit reports or in the exercise of its functions.

Name of committee or organ

COMPLIANCE COMMITTEE

Description of functions

Its functions are described in article 15 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 sector which is as highly sensitive as is the gaming sector. This sector has been perceived in many different ways throughout its history, ranging from the strongest prohibition, with the resulting negative consequences, to the highest levels of regulation and organization, going through intermediate periods of a legal grey area in which it was neither legal nor illegal.

Given its leadership in the sector, Codere considers that it should take on the challenge of establishing guidelines of maximum excellence with the authorities, suppliers and customers, and that these guidelines should be included in its global strategy of social responsibility and corporate culture. These guidelines take specific form in the establishment of a strict Compliance Policy.

The CODERE Compliance Policy

Codere has taken as a standard of compliance the framework established by the Basel Committee in 2004 and the FATF Recommendations of February 2012 (International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation), as well as European Commission Directive 2005/60/EC and regulations in development thereof. Likewise, and given that the CODERE Group Parent resides in Spain, in all of its geographical areas Law 10/2010 on the Prevention of Money Laundering and Terrorist Financing operates collaterally as the minimum standard to be respected as well as its Global Plan for Compliance which ensures that the standard is operative.

Consequently, CODERE has integrally taken on the amplitude of the Compliance Function as an independent function which identifies, provides consultancy, alerts, monitors and reports the compliance risks in organizations, that is, the risk of receiving sanctions for legal or regulatory breaches, suffering financial loss or loss of reputation as the result of failure to comply with applicable laws, regulations, codes of conduct and good practice standards (together, 'laws, regulations and standards').

Codere requires of itself and also of its associates, suppliers and customers, the strictest conformity to gaming sector regulations in every country in which it operates, as well as scrupulous respect for all financial, fiscal and labor norms wherever it carries out its activity.

The Compliance Policy shows the special commitment of CODERE with respect to legislation against fraud and money laundering, as well as to the values of honesty and integrity in corporate business practices and to the internal code of conduct taken on, in the following specific strategic objectives:

- Establish the proper activities and mechanisms for the implementation throughout the Company of an ingrained Tradition of Compliance, as an essential tool to reach and maintain the level of excellence to which Codere aspires.
- Cooperate in identifying and establishing the strictest standards of ethical conduct and applicable law in the carrying out of Codere business activities.
- Attain the proactive participation of all of the Codere Managers and Employees in relation to the Compliance policies in the various activities and geographical areas in which the Company operates, establishing the minimum mechanisms of coordination and exigency among the various actors.
- Identify, evaluate and control the principal Compliance risks, understood as those risks which may give rise to legal sanctions, material financial loss, or loss of reputation as the result of possible breach of laws, regulations, and the self-regulation standards of the organization, or of codes of conduct applicable to its business activities.

CODERE Compliance Policy execution processes.

During 2012, the following processes were developed and/or improved:

- Standardization of the International Policies for the Prevention of Money Laundering in Codere S.A., especially the FATF Recommendations 2012.
- Updating of the manual on the Prevention of Money Laundering and Terrorist Financing, both Corporate as well as the various Business Units.
- Introduction and global management of the CODERE Group Code of Ethics and Business Conduct in all of the geographical areas in which it operates which show the use of the best business practices and Corporate Social Responsibility practices in Codere S.A.
- Introduction and management of the Whistleblower Channel/Ethics Channels in all of the Business Units having direct Compliance management.
- Widespread training actions in the Prevention of Money Laundering and Terrorist Financing for key corporate and Business Unit Directors, Managers and employees.
- Identification of customers in accordance with express local legislation.
- Special examination of certain operations with respect to Risk.
- Document storage respecting legal guarantees and time limits.
- Collaboration with the Executive Service of the Committee for the Prevention of Money Laundering and Terrorist Financing or local FIUs.
- Refraining from executing irregular operations or those involving bad practices.
- Obligation of confidentiality in all communications regarding Third Parties and Customers.
- Internal control measures to permanently evaluate Third Party and Customer Risks as well as Manager and Employee Risks.
- Special Compliance Organs (at least ACAMS Certificates from the US), for due internal control, communication to the Authorities and exceptional capacity for adequate employee training in Money Laundering and Terrorist Prevention Financing.
- Proactive procedure for communication of suspicious operations and replies to Gaming Authority and Financial Intelligence official requests.
- With respect to branches and subsidiaries located abroad, CODERE expressly adopts a policy of maximum stringency, understanding by this that in the case whereby the local legislation is less stringent than that of the Parent or the FATF, compliance will be made with the latter two.

Summary of relevant Compliance Activities in the CODERE Group.

The activities characteristic of the Prevention of Money Laundering (PML) and Identification of Third Parties (KYC) as well as the training of employees and managers and control of suspicious Customers or Transactions carried out in 2012 can be summarized as follows:

- There were 4,979 cases of various types of Due Diligence conducted between the Corporate Division and the Business Units of the different countries with which the Company operates, with respect to third parties, both natural and legal persons, with which business or contractual relations take place.
- 1,589 Due Diligences were conducted with CODERE own personnel.
- 1,628 employees were given Mandatory Training internally by the Compliance Departments of Spain, Argentina, Italy, Panama, Colombia, Uruguay and Mexico.
- 18,065 Prizes and Transactions were controlled and reported to the competent Authorities, using the identification and register required in each case.
- Communication was made to the various local FIUs (SEPBLAC, in Spain), 56 reports of Suspicious Operations. Said process was carried out entirely in the Business Units.
- 78 cases were reported/communicated to the Whistleblower Channel /Internal Investigation Management.

E - GENERAL MEETING OF SHAREHOLDERS

E.1 Indicate, and, if applicable, explain any differences in the minimum quorum requirement for constituting the General Meeting of Shareholders with respect to the quorum requirements stipulated in the Spanish Companies Act (LSA).

NO

	% quorum difference with respect to art. 102 LSA for general cases	% quorum difference with respect to art. 103 LSA for special cases of art. 103
Quorum required at first call	0	0
Quorum required at second call	0	0

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):

YES

% established by the company for adoption of resolutions	75.000
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Describe how this differs from the system provided for in the LSA.

Describe the differences
Capital increases or reductions, in general any amendment of the Corporate Bylaws, bond issues, the elimination or limitation of preemption rights for new shares, as well as the transformation, merger, spin-off or assignment en masse of assets and liabilities and the transfer of the registered office outside of Spain shall all require the favorable vote of 75% of the capital present or represented at the General Meeting, when at the second call, the meeting is attended by shareholders representing 25% or more but less than 50% of the subscribed voting capital (as opposed to the requirement of the favorable vote of two-thirds of the capital present or

represented when, at the second call, the meeting is attended by shareholders representing 25% or more but less than 50% of the subscribed voting capital required by the article 201 of the Capital Companies Act).

E.3 State the shareholders' rights in regard to the general meeting of shareholders, which differ from those stipulated in the LSA.

In accordance with the Corporate Bylaws and the Rules of Procedure of the General Meeting of Shareholders the shareholders' rights in relation to the General Meetings are the same as those established in the LSC.

E.4 Indicate, if applicable, any measures taken to encourage shareholder participation at general shareholders' meetings.

Apart from the applicable legal requirements, the Rules of Procedure of the General Meeting, the object of which is to establish the principles of organization and operation of the General Meeting of Shareholders of Codere S.A. in order to facilitate for shareholders the exercise of their rights in accordance with the law and the corporate bylaws, indicates the following measures to encourage participation:

Web page.-

As from the time the notice of the meeting is published, the Company will make available to the shareholders at the registered office and will keep accessible at all times through the Company web page for consultation by shareholders and investors in general, all the information which it deems suitable, including the following:

- a) The full text of the notice of the meeting
- b) Any documents and information which, by law or the corporate bylaws, must necessarily be provided in relation to the various items on the agenda, such as annual accounts, directors' reports, auditor reports, experts' reports, etc.
- c) The full text of all of the resolutions proposed by the Board of Directors, as well as the documentation in regard thereto, for approval by the General Meeting.
- d) Attendance and proxy card sample and indication of the means and procedures for obtaining these.
- e) Indication of the means and procedures to grant proxy at the General Meeting.
- f) Indication of the means and procedures for remote communication, which, in accordance with the law and the corporate bylaws, may be used by shareholders to exercise their political rights.
- g) Information on the form in which the General Meeting is conducted, such as the location where it is to be held, accesses, the existence of various halls, technical means or procedures facilitating the following of the General Meeting, such as simultaneous interpreting, dissemination through audiovisual means, etc.
- h) Also to be included are telephone numbers, email addresses, offices, opening hours, and any other shareholder information services offered by the Company.

The above information may be consulted by easy access to the company web page www.codere.com, through its various sections of shareholders and investors, corporate governance, relevant facts, financial information, operational information, etc.

Exercise of remote voting.-

Shareholders may exercise their right to vote on proposals related to items on the agenda through postal or electronic correspondence, or through any other means of remote communication, provided that the identity of the shareholder exercising its voting right is duly guaranteed.

Electronic Forum.-

Pursuant to article 539 of the revised text of the Capital Companies Act, Codere S.A. has implemented the Shareholder Electronic Forum system on its web page www.codere.com. The object of this forum is to facilitate communication among shareholders on the occasion of the convening of each General Meeting of Shareholders, with registered users being able to send communications aimed at making proposals to be presented as an addition to the agenda announced in the notice of the General Meeting and requests for adhesion to said proposals; presenting initiatives in order to reach a percentage sufficient for the exercise of a minority right; and making offers or petitions for voluntary representation, etc.

These powers are to be carried out in accordance with the forum rules of usage issued by Codere S.A. on 23 March 2012, which are accepted by duly registered users. In accordance with the foregoing, during 2012 Codere S.A. put the Electronic Forum into operation as from the date on which the General Meeting was called, and the date on which it was held.

E.5 Indicate whether the post of Chairman of the General Meeting of Shareholders 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 Meeting of Shareholders.

YES

Detail of the measures
The General Meeting of Shareholders of Codere, S.A. establishes in its Rules of Operation the principles of organization and operation to which the action of the Chairman must conform in order to ensure that shareholders are able to exercise their rights.
Moreover, at its own initiative, the Board of Directors usually calls for a Notary to attend the General Meeting and take the minutes thereof. Consequently, neither the Chairman nor the Secretary of the General Meeting take part in the drafting of the minutes, which are entrusted to a notary, with the resulting guarantee of neutrality for the shareholders.
In compliance with the above, the 2012 Regular General Meeting of Shareholders was attended by the Notary of Alcobendas, Mr. Gerado Von Wichmann, who issued notarial certification thereof.

E.6 Indicate, if applicable, any amendments made during the year to the Rules of Procedure of the General Meeting of Shareholders.

During 2012, the Regular General Meeting of Shareholders held on 10 May 2012 agreed to amend the Rules of Procedure of the General Meeting, specifically articles 2, 9, 10, 12, 15 and 23 in order to adapt them to Law 25/2011 partially reforming the Capital Companies Act.

E.7 Indicate the attendance data for the general meetings held during the year of reference of the present report.

Attendance Data					
Date of General Meeting	% of those Physically Present	% of Proxy Holders	% of Remote Vote		Total
			Electronic Vote	Other	
10/05/2012	15.826	63.230	0.000	0.000	79.056

E.8 Briefly indicate the resolutions adopted at the general meetings of shareholders held during the year of reference of the present report and the percentage of votes with which each resolution has been adopted.

ONE.- Examination and approval of the annual accounts (balance sheet, income statement, statement of changes in equity, statement of cash flows and annual report), and of the management report of CODERE, S.A., and of the annual accounts (balance sheet, income statement, statement of global income, statement of changes in equity, statement of cash flows and annual report), and of the management report of its consolidated group of companies, corresponding to the year ended at 31 December 2011.

This resolution was unanimously approved by the attendees.

TWO.- Examination and approval of the proposal for the application of income for the year ended at 31 December 2011.

This resolution was unanimously approved by the attendees.

THREE.- Approval of the management of the Board of Directors during the year 2011.

This resolution was approved by the majority of attendees, with the abstention of 100 shares, representing 0.0001816% of the share capital.

FOUR.- Reelection of the auditor of CODERE, S.A., and of its consolidated group of companies.

This resolution was unanimously approved by the attendees.

FIVE.- Appointment of Director and determination of number of directors

5.1. Appointment of Mr. Juan Junquera Temprano as a member of the Board of Directors, as an external independent member.

This resolution was unanimously approved by the attendees.

5.2. Determination of number of directors.

Establish, pursuant to the stipulations of article 7.a) of the Rules of Procedure of the General Meeting, the number of Directors at ten (10), within the limit set out in article 24.1. of the Corporate Bylaws.

This resolution was unanimously approved by the attendees.

SIX.- Amendment of articles: 3, 16, 24 and 28 of the Corporate Bylaws in order to adapt them to Law 25/2011 partially reforming the Capital Companies Act.

This resolution was unanimously approved by the attendees.

SEVEN.- Amendment of articles: 2, 9, 10, 12, 15 and 23 of the Rules of Procedure of the General Meeting of Shareholders in order to adapt them to Law 25/2011 partially reforming the Capital Companies Act.

This resolution was unanimously approved by the attendees.

EIGHT.- Designation of the website www.codere.com as the corporate website.

This resolution was unanimously approved by the attendees.

NINE.- Authorization to acquire treasury stock, either directly or through Group Companies.

This resolution was unanimously approved by the attendees.

TEN.- Delegation of power of attorney in order to formalize, interpret, rectify and execute the resolutions adopted by the General Meeting of Shareholders.

This resolution was unanimously approved by the attendees.

ELEVEN.- Vote, for the purpose of consultation, on the Compensation Policy Report for the year 2011.

This resolution was approved by a majority of the attendees, with 100 shares, representing 0.0001816% of the share capital, voting against the resolution.

E.9 Indicate whether the Bylaws contain any restriction regarding the minimum number of shares required in order to attend the General Meeting.

YES

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 Meeting, all shareholders having the right to attend General Meetings may be represented at the General Meeting by a proxy, who need not be a shareholder, by using the proxy delegation formula. The same shareholder may not be represented by more than one proxy at the same General Meeting.

Proxy must be specially given in writing for each meeting, by sending the attendance and proxy card duly filled out and signed by the shareholder granting proxy, or by remote communication means which comply with the requisites of article 189.2 of the Capital Companies Act and all other applicable legislation for the right to remote voting and those which the Board of Directors establish in general or for each specific General Meeting.

Proxy delegation shall at all times be revocable, and shall be understood as being revoked when the principal attends the General Meeting in person or, if applicable, when said principal exercises his 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.

NO

E.12 Indicate the address and mode of access to the contents of Corporate Governance on your Web page.

Corporate Governance contents can be accessed from the principal page (www.codere.com) by clicking on the section shareholders and investors, and once there, selecting the tab Corporate Governance.

F - DEGREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE 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, B.1.23 and E.1, E.2

Complies

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

Not Applicable

3. That although this is not expressly required by commercial legislation, any transactions entailing a structural change in the company be put to the General Shareholders' Meeting for approval, particularly any of the following transactions:

- a) The transformation of listed companies into holdings, through a process of creation of subsidiaries 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) Transactions the effect of which is equivalent to winding up the company.

Complies Partially

Paragraph a) is not applicable since Codere S.A. is already a holding company; consequently, no transactions of this type which are to be put to the General Meeting of Shareholders for approval will ever take place.

Moreover, during 2012 in Codere, S.A. there has been no transaction of this type which, if applicable, could have been put to the General Meeting of Shareholders of Codere, S.A.

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

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

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

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

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 governance policy;
 - v) The corporate social responsibility policy;
 - vi) The compensation policy and evaluation of senior management performance;
 - vii) The risk control and management policy, as well as the periodical monitoring of the internal information and control systems;

viii) 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 transactions 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) Transactions which the company carries out with directors, significant shareholders or shareholders represented on the Board, or with related persons ("related party transactions").

This authorization by the Board shall not be understood as necessary, however, in those related transactions 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 customers;
- 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 party transactions 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 transactions 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 transaction.

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

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

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.1.14

Complies

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

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 share 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 themselves.

See sub-paragraphs: B.1.3, A.2 and A.3

Complies

13. That the number of independent directors represents at least one-third of the total number of directors.

See sub-paragraph: B.1.3

Complies

14. That the type of directorship be explained by the Board to the General Meeting of Shareholders 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 honored 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

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.1.27 and B.2.3

Complies

16. That the Chairman, as the person in charge of seeing to it that the Board is run effectively, makes sure that the directors receive sufficient information in advance; encourages 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 organizes and coordinates 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.1.42

Complies

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

18. That the Secretary of the Board take special care in seeing 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, in order to safeguard the independence, impartiality and professionalism of the Secretary, that 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

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

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

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

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.1.19

Complies Partially

Although article 12 of the Rules of Procedure of the Board of Directors of Codere, S.A. stipulates the obligation of the Board, when so requested by the Corporate Governance Committee, to evaluate each year the manner in which the Board and its Committees are run and the performance of the Chair of the Board, in 2012, for reasons mainly owing to the changes which took place in the Board Secretariat, no evaluation was made for the year 2011.

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

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

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

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

27. That the proposal for appointment or reelection of directors submitted 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

28. That companies publicize and keep up to date through their Web page the following information on their directors:

- a) Professional and biographical profile;
- 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 Partially

The corporate website of Codere, S.A. contains all of the information indicated in this recommendation, except that which is related to paragraph b). Corporate Governance has recommended that the Directors provide this information to the Company in order to include it in the web page during 2013.

29. That independent directors not remain as such for a continual period of more than 12 years.

See sub-paragraph: B.1.2

Explain

Article 3 of the Rules of Procedure of the Board of Directors of Codere S.A. establishes that it shall be endeavored that the Independent Directors not remain as such for a period of over 12 years, and in the case whereby it should be resolved to renew them in their posts in said capacity beyond said time period, the specific reasons for this must be given in the Corporate Governance Annual Report.

Additionally, article 1.11 of the same text indicates that the nature of each Directorship shall be explained by the Board before the General Meeting of Shareholders which is required to make or ratify the appointment, and shall be confirmed or, if applicable, reviewed annually in the Corporate Governance Annual Report, after verification by the Corporate Governance Committee.

The Independent Directors Mr. Eugenio Vela Sastre and Mr. Juan José Zornoza Pérez completed 12 years as Directors of Codere S.A. on 17 June 2011. The Corporate Governance Committee, at its meeting held on 18 February 2013, with the two Directors involved having left the room during the deliberations and the vote, verified that both directors, despite the period lapsed since their initial appointment, continue to carry out their duties without being influenced by their relations with the Company, or with their significant shareholders or their directors, and that they are not affected by any of the circumstances of incompatibility which (pursuant to article 61 bis of the Securities Market Act and article 1.6 of the Rules of Procedure of the Board of Directors) would disqualify them from being classified as Independent. Likewise, the Committee considered that not only has their independence not been compromised, but that furthermore, given the current situation of the company, it is highly recommendable that both Mr. Eugenio Vela Sastre and Mr. Juan José Zornoza Pérez remain in their directorships as independent directors, in view of the especially important contribution which they make given their historical knowledge of the company and of the sector in which it operates. Consequently, the Corporate Governance Committee resolved that these two directors should remain in their posts as independent directors.

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

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 5 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

32. That the companies set up rules requiring directors to report and, where appropriate, resign in those cases which may harm the credit and reputation of the company, and in particular, require them to report to the Board any criminal matter of which they stand accused, as well as the subsequent procedural outcome.

That, in the event that a director should be charged with 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 Corporate Governance Annual Report.

See sub-paragraphs: B.1.43 and B.1.44

Complies

33. That all directors clearly express their opposition when they consider that a given draft 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 as referred to in the following recommendation.

This recommendation is likewise made in regard to the Secretary of the Board, even if said Secretary is not a director.

Complies

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 Corporate Governance Annual 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, itemizing, if applicable, fees for attendance at Board and Committee meetings, and estimating 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; and

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.1.3

Complies

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

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.

Not Applicable

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 the professional performance of its beneficiaries and does not merely result from general market performance or from corporate sector activity performance or other similar circumstances.

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 disclosure 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

41. That the Annual Report detail the individual compensation paid to the directors during the year, and that it include:

- a) An itemized account 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 consolidated 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 party transaction or when its omission distorts the true and fair view of the total compensation received by the director.
- b) An itemized account 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

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

Not applicable

43. That the Board at all times be informed of the matters dealt with and the decisions adopted by the Delegated Committee, and that all members of the Board receive a copy of the minutes of the Delegated Committee meetings.

Not applicable

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, a single Appointments and Compensation Committee, or two separate such 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

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.

Explain

Among the functions of the Corporate Governance Committee is that of supervising and examining compliance with the Internal Rules of Conduct with respect to the Securities Markets, as well as to supervise compliance with the corporate governance rules applicable in said regard.

In relation to the Codere Group Code of Ethics and Business Conduct approved by the Board of Directors on 27 January 2011, evaluation of the degree of compliance therewith corresponds to the Safety and Compliance Corporate Management which will issue an annual report on the matter. Said report will be communicated to the Compliance Committee, and also to the President-CEO of Codere S.A. Any revision or updating which entails amendment of the Code of Ethics and Business Conduct will require approval by the Board of Directors of Codere S.A after a report by the Compliance Committee.

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

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

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

49. That the risk control and management policy identify at least the following:
- a) The various types of risk (operational, technological, financial, legal, reputation, etc.) faced by the company, including among the financial or economic risks contingent liabilities and other off-balance-sheet 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-paragraphs: D

Complies Partially

The Risk Control and Management Policy of Codere, S.A. identifies the points contained in paragraphs a and b, leaving it up to the Business Units in charge to establish the measures required to mitigate the impact of risk materialization, as well as to establish the internal control and information systems which allow for the evaluation and periodical communication, at least annually, of the results of the risk control and management monitoring process. Moreover, the Group has established additional monthly information and reporting systems making it possible to learn of, evaluate and reach conclusions regarding contingent liabilities and risks both on and off balance sheet.

50. That the Audit Committee be entrusted to do the following:

1. In relation to the information and internal control systems:

- a) Supervise the process of drafting the financial information of the company and, if applicable, of the group, as well as the completeness 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 revise the internal control and risk management systems, in order that the principle risks may be adequately identified, managed and disclosed;
- c) See to it that the internal audit function is run independently and efficiently; propose the selection, appointment, 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 account the conclusions and recommendations contained in its reports;
- d) 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.

2. In relation to the external auditor:

- a) Submit to the Board proposals regarding the selection, appointment, reelection and replacement of the external auditor, as well as the auditor's contract conditions;
- b) Receive from the external auditor, on a regular basis, information on the audit plan and the results of the execution of said plan, and verify that senior management take into account the auditor's recommendations;

- c) Ensure 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 resign, the Committee examine the reasons why.
- d) In the case of groups, favor 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 Partially

With respect to sub-paragraph 10.d, the function of establishing and supervising a mechanism to allow employees to communicate confidentially, and if deemed appropriate, anonymously, any potentially significant irregularities, especially those of a financial or accounting nature, detected within the Company, in Codere S.A. corresponds to the Compliance Committee, in accordance with article 15 of the Rules of Procedure of the Board of Directors.

51. That the Audit Committee may request the presence of any company employee or manager, and even order that they appear without the presence of any other manager.

Complies

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 party transactions, 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

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

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

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 for them to carry out their functions adequately;
- b) Examine or organize, in a manner understood to be adequate, the succession of the President 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 Partially

The function established under paragraph b) of this recommendation is not expressly attributed to the Corporate Governance Committee in the internal regulations of the Company; however, in recent years this Committee has taken on this function and has worked on it.

56. That the Appointments Committee consult with the company President and CEO, especially in regard to matters pertaining to executive directors.

Furthermore, that any director be able to request that the Appointments Committee take into consideration potential candidates to cover director vacancies, if it considers such candidates suitable.

Complies

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 of Directors:
 - 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

58. That the Compensation Committee consult with the company President and CEO, especially in regard to matters concerning executive directors and senior management.

Complies

G - OTHER INFORMATION OF INTEREST

If you consider that there is any principle or relevant aspect regarding the corporate governance practices applied by your company which has not been dealt with in the present Report, mention this below and explain what it consists of.

In relation to sub-paragraph B.1.3, the Executive and Nominee Directors were reelected on the basis of the prior report by the Appointments and Compensation Committee, the functions of which were subsequently taken on by the Corporate Governance Committee.

In relation to sub-paragraph B.1.12, it should be pointed out that in 2012, owing to various reasons, among which is the need to facilitate the coverage of certain vacancies produced, the Board of Directors appointed certain persons as Senior Executives without the required Corporate Governance Committee report.

In relation to sub-paragraph B.1.13, it should be pointed out that although the Rules of Procedure of the Board of Directors reserves for the plenum of the Board the power to resolve in regard to Senior Management indemnity clauses and the contract terms of Executive Directors, of the 5 beneficiaries of guarantee or golden parachute clauses indicated in the reply to this question, 4 were not authorized by the Board of Directors, given that their contracts were entered into prior to the date on which the Rules of Procedure of the Board of Directors came into effect, whereas the 5 were duly authorized during the year 2011.

In relation to sub-paragraph B.1.26, it should be pointed out that article 3.2 of the Rules of Procedure of the Board establishes that it shall be endeavored that Independent Directors not remain as such for a period beyond 12 years, and that in the case whereby it is resolved to renew them in their post beyond said time period, the specific reasons for this must be explained in the Corporate Governance Annual Report. In this regard, see the reply to Recommendation F.29.

In relation to sub-paragraph B.1.29, it should be pointed out that:

a) on two additional occasions (January and March 2012) at the 10 meetings held the Board adopted resolutions in writing and without physical presence.

b) additionally, the nine meetings of the Appointments and Compensation Committee which are indicated correspond to the meetings of the Corporate Governance Committee, the Committee which as from June 2010 took over the functions of the previous Appointments and Compensation Committee.

c) the third Committee existing within the Board of Directors of Codere, S.A., the Compliance Committee, met on 9 occasions in 2012.

In relation to sub-paragraph B.1.30, it should be pointed out that the ratio of non-attendance to total votes for the year was calculated by multiplying the total number of Board meetings (not taking into account the two occasions on which resolutions were adopted in writing and without physical presence) by the number of members of said Board.

In relation to sub-paragraph B.2.1, it should be pointed out that article 15 of the Rules of Procedure of the Board of Directors of Codere S.A. establishes that when the Chairman of the Compliance Committee is not an Independent Director the reasons for said circumstance must be indicated in the Corporate Governance Annual Report. In this respect, the Chairman of the Compliance Committee, Mr. José Ignacio Cases is a Nominee Director, with his appointment as Chairman of said Committee owing to his experience and knowledge gathered when he was Secretary General of the Gaming Commission of the Spanish Ministry of the Interior, and as Full

Professor of Political Science at the Carlos III University in Madrid, consequently making him one of the most highly informed persons in the matter.

In relation to sub-paragraph B.2.2, the function of establishing and supervising a mechanism allowing employees to communicate confidentially, and if deemed appropriate, anonymously, any potentially significant irregularities, especially those of a financial and accounting nature, corresponds, in accordance with the Rules of Procedure of the Board of Directors of Codere S.A., to the Compliance Committee.

In paragraph C.3 regarding the detail of the relevant transactions between the company or companies of its group and directors or senior managers of the company, we point out with reference to the Director Mr. José Ramón Romero Rodríguez, a contractual relation of service provision in the amount of 488,000 euros, although the service provider is the law firm Despacho Loyra Abogados, of which said Director is Partner Manager.

Any information, clarification or nuance related to the preceding sections of this report may be included in this section.

Specifically, indicate whether or not the company is subject to any legislation other than Spanish legislation in matters of corporate governance and, if applicable, include any information which it is required to provide which differs from the information called for in this report.

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.

NO

Date and signature:

This Annual Corporate Governance Report was approved by the Board of Directors of the Company, at its meeting held on

27/02/2013

Indicate whether any Directors have voted against or have abstained from the approval of the present report.

NO

Additional information to the Corporate Governance Annual Report Form presented by the company "CODERE S.A." pursuant to the stipulations of the Sustainable Economy Act which in its Final Provision Five introduced a new chapter VI under title IV of the Securities Market Act, entitled "The Corporate Governance Annual Report".

Sustainable Economy Act 2/2011 has amended Securities Market Act 24/1988, introducing a new chapter VI entitled " The Corporate Governance Annual Report", which changes the legal system in effect until now and introduces new reporting obligations for public listed companies.

Said chapter includes article 61 bis, which repeals and redrafts the content of former articles 116 and 116 bis of the Securities Market Act (LMV) and requires that the Corporate Governance Annual Report include a description of the principal characteristics of the internal systems of risk control and management, in relation to the financial reporting process.

In view of this, and insofar as the legislative processes required to develop a new CGAR form, the one corresponding to the year ended at 31 December 2012 uses the contents and structure of the form established in Circular 4/2007 of the Spanish National Securities Commission, whereas the contents included in the Sustainable Economy Act in regard to corporate governance, not included in said form, are incorporated by the preparation of the present document.

The foregoing having been said, we shall now specifically and in an individualized manner analyze those contents incorporated by the Sustainable Economy Act.

- **Description of the principal characteristics of the internal systems of risk control and management in relation to the financial reporting process (art. 61 bis 4,h LMV).**

Control Environment:

What organs and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective Financial Reporting Internal Control System (FRICS); (ii) its introduction; and (iii) its supervision.

- (i) The Board of Directors is responsible for approving the Risk Control and Management Policy, as well as the periodical monitoring of the internal information and control system, as stated in article 7 *"Powers reserved for the Board of Directors"* under Title II of *"Competences of the Board of Directors"*.
- (ii) The introduction, maintenance and supervision of the Financial Reporting Internal Control System is the responsibility of the Economic Financial Corporate Management, as well as of the Economic Financial Corporate Managements of the various Business Units. Likewise, the various General Managements are responsible for effective introduction in their area of activity.
- (iii) The Audit Committee is responsible for supervising the Internal Control System. Among its functions, as Delegated Committee of the Board of Directors, are the following:
 - a. Supervise the process of drafting the Company and if applicable, Group, financial reporting and the completeness thereof, reviewing compliance with the regulatory requirements, proper delimitation of the consolidation perimeter and the correct application of accounting criteria.
 - b. Periodically review the internal control and risk management systems, in order that the principal risks may be adequately identified, managed and disclosed.

- c. Report, at least once a year, to the Board of Directors in regard to matters of risk control and any malfunctions detected, if applicable, in the internal audit reports or in the exercise of the above listed functions.

Indicate whether the following exist, especially in regard to financial reporting:

1) Departments and/or mechanisms in charge of: (i) the design and review of organizational structure; (ii) clearly defining lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) seeing to it that sufficient procedures exist for their proper dissemination in the company.

The Company has an organizational structure which has developed the major lines of responsibility and authority in the various processes, for each business unit and for each significant geographical area of the Group. The Human Resources Managements and Operational Managements participate in its design and revision. These lines of responsibility and authority are communicated at the required levels by means of different levels of formalization.

Likewise, the Company has a clear and up-to-date policy of powers resulting in the maximum exponent of lines of authority.

The Board of Directors, at the proposal of the Company President, reserves for itself the power to appoint and eventually dismiss Senior Management, whereas the Corporate Governance Committee sets the guidelines and supervises actions related to the appointment, selection, career development, promotion and dismissal of managers, in order for the company to have the highly qualified personnel its requires for its management.

2) Code of Conduct, organ of approval, degree of dissemination, principles and values included (indicating whether specific mention is made of the recording of transactions and financial reporting) organ in charge of analyzing breaches and proposing corrective action and sanctions.

The Company has:

- A Code of Ethics and Business Conduct which contains the principles of business ethics and transparency in all areas of action (approved by the Board of Directors of Codere, S.A at its meeting held on 27 January 2011).
- Internal Rules of Conduct in the securities market which determines the behavior criteria to be followed in securities market transactions, in order to contribute to their transparency and to the protection of investors (approved by the Board of Directors of Codere, S.A at its meeting held on 25 February 2010).

The Board of Directors is the organ in charge of approving and disseminating the Code of Ethics and the Security and Compliance Corporate Management is the area in charge of overseeing its compliance and of proposing corrective action and sanctions.

The Code of Ethics and Business Conduct has been disseminated and communicated throughout the Group.

Among the values contained in the Code of Ethics and Business Conduct can be found, among the values related to the Codere Group Environment (Section V of "The Codere Group Environment"), article 5.2 "Truthful, adequate and useful information", which describes how the Codere Group is to report on its policies and actions in a truthful, adequate, useful and congruent manner. Specifically, in relation to economic-financial information, said information, especially the Annual Accounts is to faithfully reflect the reality of the economic and financial situation as well as the net worth of the company in accordance with generally accepted accounting principles and the applicable international financial reporting standards.

In this regard, no professional shall conceal or distort the information of the Codere Group accounting records and reports.

A lack of honesty in financial reporting is in violation of the Code of Ethics and Business Conduct, also considering to be a lack of honesty the delivery of incorrect information, the incorrect organization of information or the intent to mislead those receiving it.

3) Whistleblower Channel, making it possible to communicate to the Audit Committee any financial and accounting irregularities, in addition to eventual breaches of the code of conduct and irregular activities in the organization, and informing whether said information is confidential.

The Company has a confidential whistleblower channel through an email address, ordinary mail and a toll-free telephone number. Said Whistleblower Channel has been disseminated to employees together with the Group Code of Ethics and Business Conduct.

In all of the Codere geographical areas, the various Whistleblower Channels were introduced throughout 2012 under the usual name of "Ethics Channels" using the same standards and manner of operation as that employed in the global corporate whistleblower channel. Said Channels, which are open to and confidential for Group own personnel as well as customers and suppliers or other third parties with which a commercial or business relation is maintained, are operated exclusively by local Compliance officials, permanently supervised by Corporate Compliance General Management.

The organ in charge of its management is the Security and Compliance Corporate Management, the Management in charge of analyzing confidentially all reports received, proposing corrective action and, if applicable, the pertinent sanctions.

4) Programs for periodical training and updating of personnel involved in preparing and revising financial information, and in the FRICS evaluation, which are to cover at least accounting standards, auditing, internal control and risk management.

There are training plans for personnel having responsibilities in preparing financial information, in the areas of accounting standards and auditing. During the year 2011, the Company has carried out training plans in regard to internal control for the maximum heads of Business Units, as well as specific training plans regarding internal control for certain areas, prompted by the project for improving the Financial Reporting Internal Control System in the Codere Group.

Risk Evaluation

What are the principal characteristics of the risk identification process, including those related to error or fraud, in regard to the following:

1) The process exists and is documented:

The Codere Group has an identification process for the principal risks which may affect the Group, including among all the identified typologies, specific financial reporting risks. The result of this process is a Risks Map containing the residual risks having the greatest impact and the greatest probability in the Codere Group. Said Map is updated annually.

For critical processes and significant companies, considering in addition that the processes in the different units or locations should be evaluated individually, there are risk and control matrixes where the critical processes are documented, with identification being made of the principal risks affecting said processes, as well as the key controls existing in order to mitigate the material risks having an impact on financial reporting.

2) If the process covers all of the financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), if it is updated, and how often.

In the Financial Reporting Risk identification process, in an aim to guarantee the reliability and accuracy of the financial information, evaluation is made of the possible impact in the following categories:

- Existence and occurrence: Transactions, facts and all other events exist and have been recorded at the proper time
- Completeness: The reporting reflects all transactions, facts and all other events with respect to which the company is an affected party.
- Valuation: Recording and valuation are made of all transactions, facts and other events in accordance with the applicable regulations.
- Transaction Cut-off: transactions are recorded in the proper period in accordance with their accrual.
- Presentation, disclosure and comparability: the transactions, facts and all other events are classified, presented and disclosed in the financial reporting in accordance with the applicable regulations.
- Rights and obligations: The financial reporting reflects the rights and obligations at the corresponding date in accordance with the applicable regulations.

The objective is to determine in a reliable manner the possibility that a given risk will occur and in such a case, its impact on the financial statements, in order that it will be possible to prioritize this and draw up a mitigation plan.

This is an ongoing process which makes it possible to improve the design and efficacy of the controls and to minimize the risks related to financial reporting. The process of identifying financial reporting risks was thoroughly analyzed and updated in the year 2011, and it is established that said process will be revised and updated on an annual basis.

3) The existence of a process for identifying the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental or special-purpose entities.

The Company consolidation perimeter is clearly identified and is updated monthly, making it possible to know of all Codere Group subsidiaries, the effective ownership percentage, and the degree of influence in said subsidiaries.

Any changes in the Group structure are communicated monthly to all those taking part in the financial reporting process and who need to know of such changes.

4) If the process takes into account the effects of other risk typologies (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

The Codere Group Risk Control and Management General Policy , which was adopted by the Board of Directors in December of 2012, includes the identification and definition of all of the types of risk faced by the Group and which have been deemed as important, comprised as follows:

- Corporate Governance Risks.
- Operational and Loss of Income Risks.
- Regulatory and Institutional Relation Risks.
- Fiscal Risks.
- Indebtedness Risks.
- Country Risk.

➤ Technology Risk.

5) What governance organ of the company supervises the process.

In the final instance, the Board of Directors, through the Audit Committee, in accordance with article 14 of the Rules of Procedure of the Board, is in charge of "Periodically revising the internal control and risk management systems, in order for the principal risks to be adequately identified, managed and disclosed.

The Audit Committee is in charge of managing the Control and Risk Management Policy in which at least the following will be identified: the various types of risks, measures foreseen to mitigate the impact of the identified risks, should they materialize, and the reporting and internal control systems which will be used to control and manage the foregoing, including contingent liabilities and off-balance sheet risks.

Control Activities:

Procedures for the review and authorization of financial reporting, and the description of the FRICS, to be published in the securities markets, indicating those in charge, as well as documentation describing cash flows from activities and controls (including those related to fraud risk) for the different types of transactions which may materially affect the financial statements, including the year-end closing procedure and the specific review of relevant opinions, estimations, valuations and projections.

The Company has procedures for the review and authorization of financial reporting to be published in the securities markets. Said procedures are in regard to:

- Procedures for review and authorization of the individual financial statements for each subsidiary of the Group.
- Procedures for review and authorization of the consolidated financial statements.
- Procedures for review and authorization of the information sent to the securities markets..
- For each significant process, descriptive documentation regarding the cash flows from activities carried out by the Economic Financial Management as well as by the rest of the areas participating in the financial reporting.

Said procedures for financial reporting review and authorization contain procedures regarding reviews of relevant opinions, estimations, valuations and projections forming part of the monthly closing procedure applied by the Codere Group.

Financial reporting internal control policies and procedures (among these, access security, control of changes, operation of changes, operational continuity, and segregation of functions) undergone by relevant processes of the entity in relation to the drafting and publication of the financial reporting.

The Company has guidelines and rules of action for managing information security. Said guidelines apply to the systems taking part in the generation of the financial reporting, and are in regard to the use of computer resources, access to user systems and management, the protection of networks, systems, databases and applications and the management of backup copies.

The Information Systems Management is in charge of defining and proposing security policies, except for the physical safety of the Data Processing Center which is the responsibility of the Security and Compliance Management.

Financial reporting internal control policies and procedures aimed at supervising the management of activities sub-contracted to third parties, as well as those aspects of evaluation,

calculation or valuation entrusted to independent experts, which may materially affect the financial statements.

There are no relevant areas of activity subcontracted to third parties which may affect the financial reporting; consequently, it has not been deemed necessary to draft a procedure for the selection of the activities carried out by them.

Nevertheless, in the case of outsourcing of some services related to financial reporting, the contract with the supplier establishes the levels of service which are supervised by the Information Systems Management.

Information and Communication:

A specific function for defining and keeping accounting policies (area or department of accounting policies) up to date, and resolving any doubts or conflicts resulting from the interpretation thereof, maintaining fluent communication with those in charge of the transactions in the organization, as well as an accounting policy manual updated and communicated to the units through which the entity operates.

Within the Economic Financial Management there is a specific function responsible for resolving any doubts in regard to the interpretations of the regulation. There is an Accounting Policy Manual at the Group level applicable to all of the Business Units. Said Manual is reviewed with the aim to update it periodically.

Mechanisms for gathering and preparing the financial information using homogenous formats applied and used by all units of the entity or of the group, which form the basis for the principal financial statements and the notes, as well as the information detailed in regard to the FRICS.

The Company has homogeneous financial information reporting for all of the Group units which allows the Company to make complete monthly closings. Said reporting contains all the information required for drafting the principal financial statements and their corresponding notes. In addition, it should be pointed out that a large percentage of the financial information of the Group is integrated in the Corporate Information Systems.

Supervision of system operation:

As provided in article 14 of the Rules of Procedure of the Board of Directors, the Audit Committee has among its functions the following:

- Supervise the internal audit services and monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reelection and dismissal of the head of the internal audit service; propose the budget for said service; receive periodical information regarding its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- Periodically review the internal control and risk management systems, in order to adequately identify, manage and disclose the principal risks.
- Supervise the process for the drafting, presentation and completeness of the financial reporting related to the Company and, if applicable, to the group, reviewing compliance with the regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of the accounting criteria.
- Report, at least once a year, to the Board of Directors in matters of risk control and any malfunctions detected, if applicable, in the internal audit reports or in the exercise of the above listed functions.
- Once a year draft an annual report containing the activities carried out by the Committee

A. Internal Audit Function

The Codere Group has an Internal Audit Management which is directly under the Board of Directors through the Audit Committee, which supervises the internal audit services.

Among the Internal Audit Management functions is that of supervising the compliance, efficacy, and efficiency of the internal control systems, as well as the reliability and quality of the financial and operational information.

This Management is corporate and is present in all countries where the Group has a significant presence. Its entire personnel devote full time to this function, and do not engage in any functions other than those related to internal auditing.

The Audit Committee annually approves the audit plans presented by the Audit Management and, at least once a year, is informed of the result of the work carried out. In the exercise of its functions, the Audit Committee is periodically informed of the internal audit activities and verifies that Senior Management take into account the recommendations and conclusions of its reports.

B. Scope of evaluation of the Internal Control System with regard to Financial Reporting.

The Internal Audit Department, in executing its Annual Plan approved by the Audit Committee, carries out continual supervision of the internal control system of the Codere Group, in order to ensure the control of the reliability of the financial reporting and the operational procedures.

The Audit Department has a pluri-annual supervision plan approved by the Audit Committee. This Plan calls for the review of all critical business processes in all of the Group companies and geographical locations (including information systems) over a three-year period, with the exception of specific areas and processes, which, given their special relevance, are reviewed annually.

Specifically, in the second half of 2011 a process was carried out to identify and update financial reporting risks, and draw up the corresponding risk and control matrices for each business cycle identified as material, which was updated in the second half of 2012.

Likewise, a specific work plan has been designed to evaluate the operation and efficacy of the identified controls, which will allow it to serve as supervision of the entire Financial Reporting Internal Control System. This Work Plan will be carried out during 2012 and will result in a specific report on the operation of the Financial Reporting Internal Control System.

C. Communication of results and corrective measure action plans.

The Audit Committee is informed quarterly of the principal conclusions and recommendations manifested by the Internal Audit Committee in its reports, as well as of the action plans taken on with regard to corrective measures. It is likewise informed of compliance with these action plans.

If the entity has a procedure for discussion by means of which the auditor, the internal audit function and other experts are able to communicate to senior management and to the Audit Committee or entity directors the significant weaknesses of the internal control system identified during the annual account review processes or any other review processes entrusted to them. Likewise the entity will report whether it has an action plan which seeks to correct or mitigate the weaknesses noted.

The Audit Committee meets at least once every three months (prior to publication of the regulated information) in an aim to obtain and analyze the information required for compliance with the competences with which it is entrusted. At said meetings the Group Annual and Half-yearly Accounts and the intermediate quarterly declarations are reviewed, as is all other information disclosed to the market.

These meetings are also attended by the Economic Financial Management (in charge of preparing the financial reporting) and the Internal Audit Management (with the periodical information on activities), as well as by the external auditor when said auditor is called upon to communicate the results of its work, in an aim to monitor the correct application of the accounting regulations in effect and the reliability of the financial reporting.

In any event, and at all times prior to year-end, the external auditor has a meeting with the Audit Committee at which the principal identified matters of interest and the aspects detected by the auditor at year-end are deliberated on.

On its part, the Group auditor has direct access to Group Senior Management, holding periodical meetings in order to obtain the information required to carry out its work as well as to communicate any control weaknesses detected during the course of its work. With respect to this latter aspect, on an annual basis the external auditor presents a report to the Audit Committee which details the internal control weaknesses detected in its work. This report incorporates the comments of the Group Management and, if applicable, any action plans which have been put into practice in order to remedy the corresponding internal control weaknesses.

If the FRICS sent to the markets has been subject to review by the external auditor, in which case the entity should include the corresponding report as an Annex. Otherwise, it should explain the reasons for this.

The FRICS information sent has not been subject to review by the external auditor given that the Group continues to introduce the improvements and recommendations arising from the Financial Reporting Internal Control System revision process.

- **Information on securities not traded in a Community regulated market, identifying, if applicable, the various share classes and, for each share class, the rights and obligations conferred thereby, as well as the share capital percentage represented by company treasury stock and its significant variations (art. 61 bis 4, a, 3, LMV).**

There are no securities traded outside of the Community regulated market.

- **Information regarding regulations applicable to the amendment of corporate bylaws (art. 61 bis 4, a, 4, LMV).**

Article 19 of the Corporate Bylaws establishes as follows: "However, in order for the Regular or Extraordinary General Meeting of Shareholders to validly resolve in regard to a capital increase or reduction, and, in general, in regard to any amendment of the Corporate Bylaws, bond issue, the elimination or limitation of preemption rights for new shares, as well as the transformation, merger, spin-off or assignment en masse of assets and liabilities and the transfer of the registered office outside of Spain it shall be necessary at first call that the meeting be attended in person or by proxy by shareholders holding at least 50% of the subscribed voting capital. At second call, the attendance of 25% of said capital shall suffice. For said resolutions to be adopted the favorable vote of 75% of the capital present or represented at the General Meeting shall be required, when at the second call, the meeting is attended by shareholders representing 25% or more but less than 50% of the subscribed voting capital.

Additionally, article 7 of the Rules of Procedure of the General Meeting of Shareholders of Codere S.A. provides that the following is the competence of the General Meeting:

"h) The transformation, merger, spin-off or assignment en masse of assets and liabilities and the transfer of the registered office outside of Spain and dissolution of the Company, and, in general, any amendment of the Corporate Bylaws".

Likewise, article 20.2 of the Rules of Procedure of the General Meeting of Shareholders of Codere S.A. in accordance with the provisions of the Corporate Bylaws indicates as follows:

"However, in order for the Regular or Extraordinary General Meeting of Shareholders to validly resolve in regard to a capital increase or reduction, and, in general, in regard to any amendment of the Corporate Bylaws, bond issue, the elimination or limitation of preemption rights for new shares, as well as the transformation, merger, spin-off or assignment en masse of assets and liabilities and the transfer of the registered office outside of Spain it shall be necessary at first call that the meeting be attended in person or by proxy by shareholders holding at least 50% of the subscribed voting capital. At second call, the attendance of 25% of said capital shall suffice. For said resolutions to be adopted the favorable vote of 75% of the capital present or represented at the General Meeting shall be required, when at the second call, the meeting is attended by shareholders representing 25% or more but less than 50% of the subscribed voting capital."

Lastly, article 286 of the Capital Companies Act establishes that in the case of amendment of the bylaws, the directors or, if applicable, the shareholders making the proposal will be required to draw up the full text of the proposed amendment and a written report justifying this, which, pursuant to article 287 of the same legal text, are required to be made available to the shareholders at the registered office or to be sent free of charge to the shareholders should they so request.

- **Any restriction on the transferability of securities and any restriction on voting rights (art. 61 bis 4,b LMV).**

Restriction on transferability of securities

Codere S.A. does not establish in its Bylaws any restriction on the transfer of its securities.

Restriction on voting rights

The Corporate Bylaws of Codere S.A. do not place any restriction on voting rights.

- **Information regarding the powers of the members of the board of directors and, in particular, those related to the possibility of issuing or repurchasing shares (art. 61 bis 4,c,3, LMV).**

Codere S.A. appointed Mr. José Antonio Martínez Sampedro as Chief Executive Officer, and delegated in him all powers permitted by law and the corporate bylaws to be delegated by the Board of Directors.

Additionally, it must be pointed out that Codere S.A. granted general power of attorney without the possibility of substitution, to Ms. Encarnación Martínez Sampedro and to Mr. Luis Javier Martínez Sampedro. In both cases, power of attorney was approved by the Board of Directors and furthermore recorded in the Trade Registry.

The remaining members of the Board of Directors lack power of attorney to issue or repurchase company shares, or any other type of power of attorney.

In addition, at the General Meeting of Shareholders held on 10 May 2012 the following resolutions were adopted:

1. Rendering null and void, in the part thereof which has not been used, the authorization for the acquisition of treasury stock granted under point six of the agenda of the General Meeting of Shareholders held on 9 June 2011, to authorize, in accordance with applicable law, the derivative acquisition, at any time and as often as Codere, S.A. deems advisable, either directly or through any of the subsidiaries of which it is the parent, of treasury stock, fully paid up, by means of purchase-sale or by any other legal title for valuable consideration.

The minimum acquisition price or consideration shall be the par value of the acquired treasury stock and the maximum price shall be the result of increasing by 20% the trading value at their acquisition date.

This authorization is granted for the term of eighteen months as from the date of this General Meeting, and is expressly subject to the limitation that at no time shall the par value of the treasury stock acquired under this authorization, added to that already owned by Codere, S.A. and any of its subsidiaries, exceed the maximum permitted by Law at any given time.

It is expressly stated that this authorization may be used totally or partially for the acquisition of treasury stock to be delivered or transferred to Consultants, Senior Management, Management and workers of the Company or of companies belonging to its group, either directly or as a consequence of the exercise by the former of their option rights, all of the foregoing in the context of remuneration systems indexed to the trading value of the shares of Codere, S.A. (ART. 146.1a) of the Revised Text of the Capital Companies Act).

2. Empower the Board of Directors, in the broadest terms possible, to exercise the authorization under this resolution, and to carry out the rest of the provisions contained herein, said powers being able to be delegated by the Board of Directors to any Director, the Secretary or the Deputy-Secretary of the Board of Directors, or to any other person expressly granted power of attorney by the Board of Directors in said regard.

- **Information regarding any significant agreements entered into by the company and which will enter into force, be amended or conclude in the case of a change in the control of the company as the result of a takeover bid, and the effects thereof, except when disclosure of this would be seriously harmful to the company. This exception will not apply when the company is legally required to publish this information (art. 61 bis 4, c, 4, LMV).**

In this respect, we can point out the following significant agreements:

1.- Senior Credit Line: On 15 June 2010 Codere S.A. renewed its senior credit line of 100 million euros which matured in October of 2010. The new Senior Financing Agreement (multi-currency and multi-borrower) increased the sum total to 120 million euros, extendible to 180 million euros at a +4.50% Euribor/Libor interest rate with a duration of three years.

In the case of a change in control of Codere S.A., the credit line would mature early, and all amounts owed under the credit would be immediately paid within the following two business days.

2.- Bond Issue for 760 million Euros: The subsidiary of Codere, S.A., Codere Finance (Luxembourg) S.A. has a bond issue maturing in 2015, (issues of various dates which have been taking place since June of 2005) for an aggregate face value of 760 million euros. The issues are guaranteed by Codere S.A., and several of its subsidiaries. In the case of a change in control of Codere S.A., the bond holders would be able to request the early repurchase of all or part of their certificates.

3.- Bond Issue for 300 million USD: on 1 February 2012 the subsidiary of Codere S.A., Codere Finance (Luxembourg) S.A., launched a bond issue maturing in 2019, for a nominal value of 300 million US dollars, which was fully subscribed on that same date. The issue, which was guaranteed by Codere S.A. and several of its subsidiaries, is in addition to the bond issues carried out by Codere Finance (Luxembourg) S.A. mentioned in the preceding point. In the case of a change in control of Codere S.A., the bond holders would be able to request the early repurchase of all or part of their certificates.

Additionally, there is another series of contracts with service providers, which provide for early termination in the case of a change in the control or ownership of Codere S.A. (or of the supplier) without the need of the written consent of the other party in advance, although we consider that these agreements are of relative importance.

- **Information regarding agreements between the company and those holding administration and management posts or employees, providing for indemnity when these individuals resign**

or are dismissed unfairly or if the labor relation terminates as the result of a takeover bid (art. 61 bis 4, c, 5, LMV).

In this respect it should be pointed out that several members of the management team of Codere have, at today's date, employment contracts which include provisions for special payments in the case of dismissal, in addition to any compensation which corresponds to them by law. The overall value of these payments, should they need be applied, would amount at 31 December 2012 to 1.53 million euros, whereas at 31 December 2011 said sum amounted to approximately 1.42 million euros.