



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

Auditor's Report

Consolidated Annual Accounts and

Consolidated Directors' Report for the year ended 31 December 2013

## AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

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

To the shareholders of Codere, S.A.:

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 2013, 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 consolidated 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 2013 present fairly, in all material respects, the consolidated financial position of Codere, S.A. and its subsidiaries at 31 December 2013 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.

Without affecting our audit opinion, we draw your attention to the matters indicated in Note 2.a.1 and Note 28 of the accompanying consolidated annual accounts. These notes include references to certain unfavorable circumstances arising in 2013 and to the date of preparation of the consolidated annual accounts, including non-payment of certain financial commitments upon maturity in 2014 and the formal notification submitted to the Mercantile Court reporting the existence of refinancing negotiations, envisaged in Article 5 bis of the Spanish Insolvency Law, for Codere, S.A. as well as for certain subsidiaries, also in 2014. As stated in Note 2.a.1 and Note 28, the Group is involved in negotiations, supported by its legal and financial advisors, concerning the alternatives which may enable it to settle its financial and contractual obligations in the most appropriate manner possible. If no agreement is reached within the time period established in Article 5 bis of the Spanish Insolvency Law, by 2 May 2014 for Codere, S.A. and by 7 June 2014 for other subsidiaries, such entities would be declared in a

situation of bankruptcy. As indicated by the Directors in those notes, these conditions are indicative of significant uncertainty concerning the Group's capacity to continue with its operations unless the refinancing initiatives currently in progress are successful.

The accompanying consolidated Directors' Report for 2013 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 2013. 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 2014

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

Consolidated Annual Accounts and  
Consolidated Directors' Report for the year ended 31 December 2013

## **CONTENTS**

- Consolidated balance sheet**
- Consolidated income statement**
- Consolidated statement of comprehensive income**
- Consolidated statement of changes in equity**
- Consolidated cash flow statement**
- Notes to the consolidated financial statements**
  - 1. General information**
  - 2. Accounting policies**
    - a) Basis of presentation**
    - b) Accounting policies**
      - b.1) Consolidation**
      - b.2) Segment reporting**
      - b.3) Foreign currency translation**
      - b.4) Intangible assets**
      - b.5) Property, plant and equipment**
      - b.6) Goodwill**
      - b.7) Impairment of non-financial assets**
      - b.8) Financial assets**
      - b.9) Inventories**
      - b.10) Impairment of financial assets**
      - b.11) Derivative financial instruments and hedging activities**
      - b.12) Trade receivables**
      - b.13) Cash and cash equivalents**
      - b.14) Share capital**
      - b.15) Trade payables**
      - b.16) Borrowings**
      - b.17) Current and deferred income tax**
      - b.18) Employee benefits**
      - b.19) Provisions and contingent liabilities**
      - b.20) Revenue recognition**
      - b.21) Leases**
      - b.22) Earnings per share**
  - 3. Financial risk management targets and policies**
  - 4. Accounting estimates and judgements**
    - a) Estimated impairment of goodwill**
    - b) Income tax**
    - c) Fair value of derivatives**
    - d) Provisions for litigation and other contingencies**
    - e) Legal proceedings in Italy**
  - 5. Segment information**
  - 6. Business combinations and changes in the scope of consolidation**
  - 7. Intangible assets**
  - 8. Property, plant and equipment and investment properties**
  - 9. Investments in joint ventures**
  - 10. Goodwill**
  - 11. Non-current financial assets**
  - 12. Deferred income tax**
  - 13. Impairment of non-financial assets**
  - 14. Inventories**

15. Accounts receivable
16. Other current financial assets
17. Equity
18. Provisions
19. Financial liabilities
20. Derivative transactions
21. Tax matters
22. Guarantees extended to third parties and other contingent liabilities
23. Income and expenses
  - a) Other income
  - b) Consumables used and other operating expense
  - c) Other operating expenses
  - d) Staff costs
  - e) Personnel
  - f) Earnings per share
  - g) Financial income and expenses
  - h) Net foreign exchange gains/(losses)
24. Additional information on the consolidated cash flow statement
25. Related party disclosures
  - a) Ballesteros transaction
  - b) Directors' and senior managers' remuneration
  - c) Balances with Caliente Group
  - d) Balances with CIE Group
26. Auditor remuneration
27. Environmental disclosures
28. Events after the balance sheet date

**APPENDIX I Companies owned by Codere Group**

**APPENDIX II Reserves and retained earnings by company**

**APPENDIX III Directors' statement declarations regarding conflicts of interest**

**Consolidated Directors' Report for 2013**

**Annual Corporate Governance Report for 2013**

**CODERE, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**(Thousand euro)**

<b>ASSETS</b>	<b>Note</b>	<b>At 31 December</b>	
		<b>2013</b>	<b>2012</b>
<b>Non-current assets</b>		<b>1,316,829</b>	<b>1,596,726</b>
Intangible assets	7	528,313	605,972
Property, plant and equipment	8	436,016	638,694
Investment properties	8	72,229	-
Goodwill	10	207,549	265,097
Non-current financial assets	11	22,733	37,202
Non-current loans		17,346	18,670
Investments held to maturity		5,387	6,093
Other financial assets		-	12,439
Deferred tax assets	12	49,989	49,761
<b>Current assets</b>		<b>356,222</b>	<b>358,784</b>
Inventories	14	11,973	12,540
Accounts receivable	15	189,577	189,467
Trade and other receivables		29,666	24,874
Current tax assets		9,824	8,856
Sundry receivables		46,734	49,697
Tax receivables accrued		103,353	106,040
Financial assets	16	36,362	56,343
Short-term investment securities		1,231	2,575
Other loans and investments		35,131	53,768
Prepayments and accrued income		15,682	15,587
Cash and cash equivalents	24	102,628	84,847
<b>TOTAL ASSETS</b>		<b>1,673,051</b>	<b>1,955,510</b>

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



**CODERE, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**(Thousand euro)**

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>At 31 December</b>	
		<b>2013</b>	<b>2012</b>
<b>Equity attributable to owners of the parent</b>	<b>17</b>	<b>(260,442)</b>	<b>(14,769)</b>
Share capital		11,007	11,007
Share premium		231,280	231,280
Legal reserve and retained earnings (prior-year losses)		(173,316)	(25,368)
Revaluation reserve		4,214	4,399
Translation differences		(160,011)	(89,146)
Profit/(loss) for the year attributable to parent company's owners		(173,616)	(146,941)
<b>Non-controlling interests</b>		<b>56,877</b>	<b>95,674</b>
<b>Total equity</b>		<b>(203,565)</b>	<b>80,905</b>
<b>Non-current liabilities</b>		<b>1,299,529</b>	<b>1,354,438</b>
Deferred income		75	339
Non-current provisions	18	48,352	44,854
Non-current payables	19	1,137,929	1,174,531
Bank borrowings		102,739	100,591
Bonds issued		978,044	985,642
Other payables		57,146	88,298
Deferred tax liabilities	12	113,173	134,714
<b>Current liabilities</b>		<b>577,087</b>	<b>520,167</b>
Provisions and other	18	11,276	25,301
Bank borrowings	19	122,354	75,933
Bonds and other marketable securities		43,074	12,141
Other non-trade payables	19	248,500	260,253
Trade payables		130,610	131,135
Liabilities for current-year corporate income tax	19	21,273	15,404
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,673,051</b>	<b>1,955,510</b>

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

**CODERE, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**(Thousand euro)**

	<b>Note</b>	<b>Year ended 31 December</b>	
		<b>2013</b>	<b>2012</b>
Operating income	23	1,546,684	1,663,930
Revenue		1,539,260	1,659,049
Other income		7,424	4,881
Operating expenses	23	(1,552,783)	(1,608,461)
Consumables used and other external expense		(52,477)	(54,439)
Employee benefit expense	23.d	(306,728)	(327,858)
Depreciation and amortisation		(152,711)	(154,832)
Change in trade provisions		(2,116)	(1,808)
Other operating expenses	23.c	(981,415)	(994,312)
Asset impairment charges	7,8,10, 13	(57,336)	(75,212)
Gain/(loss) on derecognition/disposal of assets	6	(6,489)	7,199
<b>CONSOLIDATED OPERATING PROFIT/(LOSS)</b>		<b>(12,588)</b>	<b>62,668</b>
Finance income		5,090	7,557
Finance costs		(142,188)	(166,422)
Net foreign exchange gains/(losses)		(10,056)	416
<b>CONSOLIDATED NET FINANCIAL INCOME/(EXPENSE)</b>	23.g	<b>(147,154)</b>	<b>(158,449)</b>
<b>CONSOLIDATED LOSS BEFORE INCOME TAX</b>		<b>(159,742)</b>	<b>(95,781)</b>
Income tax expense	21	(45,531)	(72,907)
<b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>(205,273)</b>	<b>(168,688)</b>
<b>CONSOLIDATED LOSS FOR THE YEAR</b>		<b>(205,273)</b>	<b>(168,688)</b>
Attributable to:			
Non-controlling interests		(31,657)	(21,747)
Owners of the parent		(173,616)	(146,941)
<b>Basic and diluted earnings per share (in euro)</b>	23f	<b>(3.74)</b>	<b>(3.07)</b>
<b>Basic and diluted earnings per share from continuing operations attributable to the owners of the parent company (in euro)</b>	23f	<b>(3.16)</b>	<b>(2.68)</b>

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

**CODERE, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENT**  
**(Thousand euro)**

	<b>Year ended 31 December</b>	
<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Profit/(loss) for the year</b>	<b>(205,273)</b>	<b>(168,688)</b>
<b>Other comprehensive income:</b>		
Currency translation differences	(73,608)	(2,479)
Transfers to the income statement due to translation differences		27,056
<b>Other comprehensive income for the year, net of tax</b>	<b>(73,608)</b>	<b>24,577</b>
<b>Total comprehensive income for the year</b>	<b>(278,881)</b>	<b>(144,111)</b>
Attributable to owners of the parent company	(244,481)	(126,507)
Attributable to non-controlling interests	(34,400)	(17,604)

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

**CODERE, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (thousand euro)**

	Share Capital	Share premium	Legal reserve and retained earnings (prior-years losses)	Revaluation reserve	Translation differences	Profit/(loss) attributable to owners of the parent company	Equity attributable to owners of the parent company	Equity attributable to non-controlling interests	Total equity
<b>BALANCE at 31 December 2012</b>	<b>11,007</b>	<b>231,280</b>	<b>(25,368)</b>	<b>4,399</b>	<b>(89,146)</b>	<b>(146,941)</b>	<b>(14,769)</b>	<b>95,674</b>	<b>80,905</b>
Profit/(loss) for the year						(173,616)	(173,616)	(31,657)	(205,273)
Other comprehensive income for the year					(70,865)		(70,865)	(2,743)	(73,608)
Total comprehensive income					(70,865)	(173,616)	(244,481)	(34,400)	(278,881)
Reversal of revaluation reserve			185	(185)					
Changes in consolidation scope and business combinations								1,944	1,944
Reserve for treasury shares			232				232		232
Provision for options			(1,236)				(1,236)		(1,236)
Gain/(loss) on treasury shares			(188)				(188)		(188)
Dividends (*)								(6,341)	(6,341)
Transfer to retained earnings (prior-year losses)			(146,941)			146,941			
Total changes in equity			(147,948)	(185)		146,941	(1,192)	(4,397)	(5,589)
<b>BALANCE at 31 December 2013</b>	<b>11,007</b>	<b>231,280</b>	<b>(173,316)</b>	<b>4,214</b>	<b>(160,011)</b>	<b>(173,616)</b>	<b>(260,442)</b>	<b>56,877</b>	<b>(203,565)</b>

(\*) 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 financial statements.

**CODERE, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (thousand euro)**

	Share Capital	Share premium	Legal reserve and retained earnings (prior-years losses)	Revaluation reserve	Translation differences	Profit/(loss) attributable to the parent company	Equity attributable to parent company's owners	Equity attributable to non-controlling interests	Total equity
<b>BALANCE at 31 December 2011</b>	<b>11,007</b>	<b>231,280</b>	<b>(73,889)</b>	<b>4,577</b>	<b>(109,580)</b>	<b>52,152</b>	<b>115,547</b>	<b>48,660</b>	<b>164,207</b>
Profit/(loss) for the year	-	-	-	-	-	(146,941)	(146,941)	(21,747)	(168,688)
Other comprehensive income for the year	-	-	-	-	20,434	-	20,434	4,143	24,577
Total comprehensive income	-	-	-	-	20,434	(146,941)	(126,507)	(17,604)	(144,111)
Reversal of revaluation reserve	-	-	178	(178)	-	-	-	-	-
Changes in consolidation scope and business combinations	-	-	-	-	-	-	-	-	-
- Scope changes	-	-	(2,387)	-	-	-	(2,387)	12,601	10,214
- Business combinations	-	-	-	-	-	-	-	58,891	58,891
Reserves for treasury shares	-	-	316	-	-	-	316	-	316
Provision for options	-	-	(1,434)	-	-	-	(1,434)	-	(1,434)
Gain/(loss) on treasury shares	-	-	(304)	-	-	-	(304)	-	(304)
Dividends (*)	-	-	-	-	-	-	-	(6,874)	(6,874)
Transfer to retained earnings (prior-year losses)	-	-	52,152	-	-	(52,152)	-	-	-
Total changes in equity	-	-	48,521	(178)	-	(52,152)	(3,809)	64,618	60,809
<b>BALANCE at 31 December 2012</b>	<b>11,007</b>	<b>231,280</b>	<b>(25,368)</b>	<b>4,399</b>	<b>(89,146)</b>	<b>(146,941)</b>	<b>(14,769)</b>	<b>95,674</b>	<b>80,905</b>

(\*) 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 financial statements.

**CODERE, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**(Thousand euro)**

	<b>Year ended</b>	
<b>Note</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
Consolidated profit/(loss) before income tax	(159,742)	(95,781)
Net financial income/(expense)	147,154	158,449
Operating profit/(loss)	(12,588)	62,668
Expenses that do not represent cash outlays	226,139	264,362
Depreciation and amortisation	5 and 6 152,711	154,832
Asset impairment	8 57,336	75,212
Other operating expenses	24 16,092	34,318
Income that does not represent an inflow of cash	24 (1,121)	(12,567)
Changes in working capital	(5,541)	(24,455)
Inventories	567	(27)
Accounts receivable	(1,741)	(13,605)
Payables	(14,577)	8,804
Other	10,210	(19,627)
Income tax paid	(39,009)	(81,056)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>167,880</b>	<b>208,952</b>
Purchases of property, plant and equipment and intangible assets	(120,943)	(235,822)
Proceeds from purchases of fixed assets	207	8,264
Payments on non-current loans	(23,057)	(25,651)
Repayments received on non-current loans	24,336	25,706
Amounts paid on investments	(2,822)	(157,924)
Payments on other financial assets	-	(37,393)
Proceeds from other financial assets	24,647	-
Collection of interest	1,953	3,555
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(95,679)</b>	<b>(419,265)</b>
<b>Bond issues</b>	<b>-</b>	<b>226,005</b>
Drawings on Codere senior debt	76,561	-
Repayments of Codere senior debt	-	(9,561)
Other borrowings drawn down	-	4,666
Other borrowings repaid	(1,789)	(1,226)
<b>Net change in borrowings</b>	<b>74,772</b>	<b>(6,121)</b>
Proceeds from bank borrowings	23,845	58,458
Repayment of bank borrowings	(41,644)	(14,614)
<b>Net change in bank borrowings</b>	<b>(17,799)</b>	<b>43,844</b>
<b>Dividends paid</b>	<b>(5,877)</b>	<b>(6,505)</b>
Payments on other financial liabilities	(10,622)	(10,440)
Repayments of other financial liabilities	8,509	19,713
<b>Net change in other financial liabilities</b>	<b>(2,113)</b>	<b>9,273</b>
<b>Other cash flows due to impact of exchange rates on receipts and payments</b>	<b>(9,845)</b>	<b>1,713</b>
Acquisition of own equity instruments	(539)	(810)
Disposal of own equity instruments	413	877
<b>Net investment in treasury shares</b>	<b>(126)</b>	<b>67</b>
<b>Payment of interest</b>	<b>(84,481)</b>	<b>(107,438)</b>
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>(45,469)</b>	<b>160,838</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>26,732</b>	<b>(49,474)</b>
Reconciliation:		
Cash and cash equivalents at beginning of the year	84,847	135,692
Effect of exchange rate fluctuations on cash and cash equivalents	(8,951)	(1,371)
Cash and cash equivalents at the end of the year	102,628	84,847
Net variation in cash position	<b>26,732</b>	<b>(49,474)</b>

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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**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 financial statements were authorised for issue by the Board of Directors on 27 February 2014.

**2. Accounting policies**

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

**a) Basis of presentation**

The consolidated annual financial statements have been prepared on the basis of the accounting records of Codere S.A. and its consolidated subsidiaries and are presented in thousands of euro in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and derivatives financial instruments, 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 financial statements 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 financial statements, are disclosed in note 4.

**a.1) Going concern**

The present consolidated financial statements have been drawn up on a going concern basis, assuming that the activity of the Company and its Group will continue without limitation.

The Company's directors have included below a list of the factors that have generated, and also mitigated, uncertainty as to the Company's capacity to remain in business as a going concern:

Factors generating uncertainty:

- Codere's present financial situation (see Notes 3.c.3 and 28) has resulted in Codere, S.A., the Group's parent company, and the holding companies that take part in the business in Italy and

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Latin America (Codere América, S.A.U., Colonder, S.A.U., Nididem, S.L.U., Codere Internacional Dos, S.A.U. and Codere Internacional, S.L.U.), filing the notification envisaged in Article 5.bis of the Spanish Insolvency Act. In the event that an agreement is not reached with creditors (mainly bondholders) within the stipulated time limits (2 May 2014 for Codere,S.A. and 7 June 2014 for the others), these companies will be declared insolvent.

- At 31 December 2013, the Group presented equity attributable to owners of the parent of a negative 260,442 thousand Euros, a reduction of 245,673 thousand Euros with respect to the figure recognised at 31 December 2012. This reduction is mainly attributable to the loss recognised in 2013 attributable to the owners of the parent company of 173,616 thousand Euros and an increase of 70,865 thousand Euros in translation differences. At 31 December 2013, the Group had negative working capital in the amount of 220,865 thousand Euros (2012: 161,383 thousand Euros).

- Although since the beginning of 2013, the Group has been implementing a plan of financial measures aimed at optimising its free cash flow, cash generation in 2013 has been significantly lower than expected, mainly due to the following factors:

- Smoking ban in gaming arcades in Argentina
- Significant depreciation of the Argentine peso
- Temporary closure of arcades in Mexico
- Higher than expected expenses (both financial and advisory) as a result of financial restructuring.
- The profitability following the opening of Hotel Casino Carrasco in Uruguay has not been as initially expected and additional investments have been required.

- Since 2012, there have been de facto restrictions on the repatriation of funds from Argentina, Argentina remains one of the main generators of cash for the Group.

- In 2014 the Group has failed to meet various payment obligations according to the established due dates, as detailed in Notes 28 3.c and 28, enabling the respective creditors to instigate the execution of the related guarantees, and accelerate the redemption of bond issues.

**Factors mitigating uncertainty:**

- In both 2012 and 2013, the losses incurred included a component relating to the impairment of certain assets, without any cash impact.

- While at year end 2013 current financial liabilities were increased by the liquidity tensions affecting the Group, the negative working capital is a common situation in the business area in which the Group operates, and within its financial structure. The average collection period in the gaming sector is very short, while the average supplier payment period is longer, enabling businesses to generate sufficient operating cash flow to cover working capital payment requirements.

- The Group generates positive cash flow from operating activities.

- During 2013 the group has renewed or obtained financing facilities in Mexico, Uruguay and Italy.

- The current situation allows a period of four months to protect the debtor's activity while it carries on negotiations with creditors and encourages the development of these negotiations in order to reach a refinancing agreement. Codere has informed the market of the existence of several proposed agreements presented to date by both parties, a fact that should be considered as indicative of the desire of both the debtor and the creditors to achieve an agreement that ensures the feasibility of the Group's operations. Similarly, the non-enforcement of guarantees and the absence of any acceleration in bond redemptions by creditors prior to the date of preparation of these consolidated financial statements should be considered indicative of the willingness of the parties to reach an agreement.

Due to the circumstances described above, the directors consider that there is significant uncertainty as to the Group's capacity to continue in business if the outcome of the above negotiations is not positive.



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**a.2) New standards, amendments and interpretations issued**

The new standards, amendments and interpretations that took effect in 2013:

<b>Standards, amendments and interpretations</b>	<b>Description</b>	<b>Applicable for annual periods beginning on or after:</b>
IAS 1 (Revised)	Presentation of financial statements - Disclosure of items in other comprehensive income	1 July 2012
IAS 19	Employee benefits	01 January 2013
IFRS 13	Fair value measurement	1 January 2013
IFRS 7 (Revised)	Offsetting financial assets and financial liabilities	1 January 2013
<b>Improvements projects</b>	<b>Description</b>	<b>Applicable for annual periods beginning on or after:</b>
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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

<b>Standards, amendments and interpretations</b>	<b>Description</b>	<b>Applicable for annual periods beginning on or after:</b>
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
IAS 27 (Revised)	Separate financial statements	1 January 2014
IAS 28 (Revised)	Investments in associates and joint ventures	1 January 2014
IAS 32 (Revised)	Offsetting financial assets and financial liabilities	01 January 2014
IFRS 10 (Revised), IFRS 11 (Revised) and IFRS 12 (Revised)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition Guide (amendments for IFRS 10, IFRS 11 and IFRS 12)	1 January 2014
IAS 36 (Revised)	Disclosure of the recoverable amount of non-financial assets	1 January 2014
IAS 39 (Revised)	Novation of derivatives and continuation of hedge accounting	1 January 2014
IAS 19 (Revised) (*)	Defined benefit plans: Employee Contributions	1 July 2014
IFRS 9 (*)	Financial instruments	-
IFRS 9 (Revised) and IFRS 7 (Revised) (*)	Mandatory effective date and transition disclosures	-
IFRS 9 (Revised) (*)	Financial instruments: Hedge accounting and amendments to IFRS 9, IFRS 7 and IFRS 39	-
IFRIC 21 (*)	Levies	1 January 2014
<b>2010-2012 improvement project</b>		
	<b>Description</b>	<b>Applicable for annual periods beginning on or after:</b>
IFRS 2 (*)	Share-based payments	1 July 2014
IFRS 3 (*)	Business combinations	1 July 2014
IFRS 8 (*)	Operating segments	1 July 2014
IFRS 13 (*)	Fair value measurement	-
IAS 16 (*)	Property, plant and equipment	1 July 2014
IAS 24 (*)	Related party disclosures	1 July 2014
IAS 38 (*)	Intangible assets	1 July 2014
<b>2011-2013 improvement project</b>		
	<b>Description</b>	<b>Applicable for annual periods beginning on or after:</b>
IFRS 3 (*)	Business combinations	01 July 2014
IFRS 13 (*)	Fair value measurement	01 July 2014

(\*) Standards and amendments pending adoption by the European Union.

The Directors consider that the adoption of these new standards has not had any material impact on the Group's financial position, net asset value, income statement or duties of disclosure. Disclosures affecting IFRS 13 are set out in Note 4.

At the date of authorising these consolidated annual financial statements 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 2014 or 2015.

The directors are analysing the potential impact of adoption of these new standards and interpretations on the Group's consolidated annual financial statements.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

As a result of the application of IFRS 11 "Joint arrangements" as from January 2014, the consolidation method for the Group companies Hípica Rioplatense Uruguay S.A and New Joker SRL will be changed from the full consolidation method to the equity method. Income contributed by these two companies in 2013 amounted to €25,905 thousand. These companies contributed after-tax profits of 2,333 thousand Euros during the same period. These two companies, which now form a part of the Uruguay and Italy segments, will cease to contribute assets with a value of € 36,978 thousand.

**a.3) Comparability**

Various reclassifications have been included in the Cash-flow statement to improve the comprehension and comparability of the 2012 figures with those for the current year.

**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, through shareholders agreement, etc.

Subsidiaries are 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 are 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.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Optional transactions with non-controlling interests that form part of business combinations are included within the consideration transferred (increasing or decreasing such consideration as warranted) such that the transactions 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is 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 annual financial statements 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 there is shared control, which exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

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.

- *Investments in associates*

Companies in which Codere, S.A. holds a direct or indirect interest of less than 50% and more than 20%, and over which it does not hold a majority of voting rights or exercise effective control but over which it does have a significant influence, would be consolidated by the equity method.

Investments in associated companies would be recorded in the consolidated balance sheet at cost plus any changes in the shareholding subsequent to the initial acquisition, depending on the Group's share of the net assets of the associate, less any impairment required. The consolidated income statement would reflect the percentage share in the associate's profits. When a change occurred recognised directly in the equity of the associate, the Group would account for its share of these changes in its equity and, when so required, would disclose this matter in the statement of changes in consolidated equity.

At 31 December 2013 and 2012, no Group company is consolidated using this method.

- *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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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, which 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 financial statements are presented in euro, which is the Group's presentation currency.

**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" within equity.

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 monthly at the closing rate at the date of that balance sheet;

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

- 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.
- 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 and non-amortisable installation rights, 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:

	<b>Annual amortisation rate</b>
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**

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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.

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:

	<u>Annual depreciation rate</u>
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. 5.1) Investment properties**

These are assets (buildings, land) earmarked for the obtention of rental income. These assets are not intended for sale or for administrative use. The Group recognises real-estate investments using the cost model, applying the same policies as those mentioned for tangible fixed assets, depending on the category of asset concerned.

**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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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 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.



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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

The Group assesses the net realizable value of inventories at the end of the year, and records any value adjustment required when they are overstated against income. When the circumstances that previously caused the value adjustment cease to exist, or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the adjustment is reversed.

**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. Even in the event that, though there is no objective evidence of impairment, there is uncertainty as to the recoverability of a financial asset, the Group will recognise an impairment loss.

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 payment terms or economic conditions that correlate with defaults.

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 option, 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 was to cover a significant portion of the Group's consolidated sales. These hedging arrangements were 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 31 December 2013 or 2012.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**b.12) Trade receivables**

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, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Bank overdrafts are recognised on the consolidated balance sheet as financial liabilities on amounts owed to financial institutions.

**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 owners of the parent 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 owners of the parent.

**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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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**

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 financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the 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.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

- Retirement bonuses

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 financial statements but are detailed in the notes to financial statements (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 earned, regardless of when actual collection occurs.

The Group recognises revenue as follows:

- Gaming machines: the net amount collected including associated gaming taxes, except in HRU (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.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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 owners 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 operating needs of the Group companies.
  - To finance the investments established 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 Spanish and international banks and investment fund.
  - 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 general leverage policy is to maintain leverage within certain multiples of its EBITDA, consolidated cash flows and debt servicing commitments, as covenanted with its bank creditors and bondholders. If a refinancing agreement is concluded with bondholders (see Notes 3.c and 28), the leverage policy may be changed.

**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 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.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**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. Until 2012, the Group regularly used derivative financial instruments to hedge certain risk exposures. At 31 December 2013, the Group does not use any hedging instruments.

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 general 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. Until 2012, it also regularly contracted hedging instruments to reduce its exposure to Latin American currency risk, specifically exposure to Argentine pesos in 2012. The Group's objective would be to use forward contracts with these currencies as underlyings to hedge an identified part of its cash flows.

During 2013 no hedging instruments have been arranged, mainly for the following reasons:

- de facto restrictions on the repatriation of funds from Argentina; Argentina remains one of the main generators of cash for the Group.
- reduction in flows of funds from foreign subsidiaries to the parent company.

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 31.12.2013	Thousand euro			
		10% euro devaluation		10% euro appreciation	
		Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
ARS/EUR	9.01	(803)		803	
BRL/EUR	3.23	-	1,609	-	(1,609)
COP/EUR	2657.29	(10)		10	
USD/EUR	1.379	1	-	(1)	-

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

UYU/EUR	29.55	(556)	-	556	-
MXN/EUR	18.02	1,223	-	(1,223)	-

Currency	Exchange rate at 31.12.2013	Thousand euro			
		US Dollar loses 10%		10% dollar appreciation	
		Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
ARS/USD	6.52	(2,081)	(333)	2,081	333
BRL/USD	2.34	281	2,226	(281)	(2,226)
COP/USD	1926.83	25	-	(25)	-
MXN/USD	13.07	13,093	36,233	(13,093)	(36,233)
UYU/USD	21.42	2,280	-	(2,280)	-
EUR / USD	0.73	953	(32,077)	(953)	32,077

Currency	Exchange rate at 31.12.2012	Thousand euro			
		Euro loses 10%		Euro gains 10%	
		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)	-

Currency	Exchange rate at 31.12.2012	Thousand euro			
		US Dollar loses 10%		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

The main movements affecting the analysis of exchange rate risk from 2012 to 2013 are:

- Impact Argentinian peso/euro: the increase at 31 December 2013 is due to the higher number of transactions between the Spanish companies and the Argentinian companies as a result of the purchase and sale of shares in certain Argentinian subsidiaries.

*Price risk*

As a gaming operator, and as 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 except in certain one-off cases such as the Icela purchase option subject to a change in the underlying values, for which a specific appraisal is carried out.

*Interest rate risk*

The Group has issued fixed-coupon bonds in international markets with face values of 760 million euros and 300 million US dollars. The 50% owned subsidiary HRU, S.A. has issued bonds worth USD 42 million. The rest of the Group's financial debt which totalled approximately €225 million at

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

31 December 2013, is mostly benchmarked to variable interest rates (Euribor/Libor/the Mexican Interbank Equilibrium Interest Rate).

Given this capital structure, and as bonds issued at fixed rates represent almost 81% of the Group's current worldwide indebtedness, the Group's exposure to this type of risk at the balance sheet was moderate, as is its potential impact on profit or loss.

Sensitivities to interest rate movements are detailed below:

Item	Increase (+) / decrease (-) in interest rates (basis points)	Thousand euro	
		2013	2012
Effect on profit or loss after tax effect	+50	(791)	(491)
	-50	791	491
Effect on equity	+50	(791)	(491)
	-50	791	491

**c.2) Credit risk**

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

- 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 is made up of the balance of the above items.

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

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

**Maximum exposure**

The Group's exposure to credit risk, mitigated by its own revenues, 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 proceeds from the gaming machines located in their premises and balances receivable from the CIE Group companies. The amounts recorded in the consolidated balance sheet, net of provisions for bad debts, were €75,557 thousand and € 73,095 thousand in 2013 and 2012, respectively.



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Provisions for bad debts are determined based on the best available information at the time the financial statements are drawn up and are re-estimated at the year-end on an individualised basis, 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.

The provisions for receivables impairment at 31 December 2013 and 2012 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 2013 and 2012, broken down by type of financial instrument, is as follows:

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Trade receivables	75,557	73,095
Cash and cash equivalents	102,628	84,847
Other financial assets (note 16)	36,362	56,343
	<b>214,547</b>	<b>214,285</b>

**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.

In general, 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.

The table below shows how the Finance Department manages net liquidity, based on the contractual cash flows and the remaining period to the contractual maturity date of the Group's financial assets and liabilities, excluding trade receivables and payables, at 31 December 2013 and 2012:

	<b>Thousand euro</b>				
	<b>Balance at 31/12/2013</b>	<b>Between 01/01/2014 and 31/12/2014</b>	<b>Between 01/01/2014 and 31/12/ 2014</b>	<b>Between 01/01/2014 and 31/12/2016</b>	<b>Between 01/01/2014 and 31/12/2019</b>
<b>Current assets</b>					
Short-term investment securities	1,231	1,231	1,231	1,231	1,231
Cash and cash equivalents	102,628	102,628	102,628	102,628	102,628
<b>Total current assets</b>	<b>103,859</b>	<b>103,859</b>	<b>103,859</b>	<b>103,859</b>	<b>103,859</b>
<b>Non-current liabilities</b>					
Bonds, debentures and other marketable securities	978,044	-	-	762,134	983,301
Non-current bank borrowings	102,739	-	-	70,635	102,739

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

<b>Total non-current liabilities</b>	<b>1,080,783</b>	<b>-</b>	<b>-</b>	<b>832,769</b>	<b>1,086,040</b>
<b>Current liabilities</b>					
Bonds and other marketable securities	43,074	43,074	43,074	43,074	43,074
Bank borrowings	122,354	113,415	122,354	122,354	122,354
<b>Total current liabilities</b>	<b>165,428</b>	<b>165,428</b>	<b>165,428</b>	<b>165,428</b>	<b>165,428</b>
<b>Net liquidity</b>	<b>(1,142,352)</b>	<b>(61,569)</b>	<b>(61,569)</b>	<b>(894,369)</b>	<b>(1,147,609)</b>

Thousand euro					
	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
<b>Current assets</b>					
Short-term investment securities	2,575	2,575	2,575	2,575	2,575
Cash and cash equivalents	84,847	84,847	84,847	84,847	84,847
<b>Total current assets</b>	<b>87,422</b>	<b>87,422</b>	<b>87,422</b>	<b>87,422</b>	<b>87,422</b>
<b>Non-current liabilities</b>					
Bonds, debentures and other marketable securities	985,642	-	-	1,580	763,095
Non-current bank borrowings	100,591	-	-	12,766	85,738
<b>Total non-current liabilities</b>	<b>1,086,233</b>	<b>-</b>	<b>-</b>	<b>14,346</b>	<b>848,833</b>
<b>Current liabilities</b>					
Bonds and other marketable securities	12,141	7,829	12,141	12,141	12,141
Bank borrowings	75,933	32,215	75,933	75,933	75,933
<b>Total current liabilities</b>	<b>88,074</b>	<b>40,044</b>	<b>88,074</b>	<b>88,074</b>	<b>88,074</b>
<b>Net liquidity</b>	<b>(1,086,885)</b>	<b>47,378</b>	<b>(652)</b>	<b>(14,998)</b>	<b>(849,485)</b>

The tables above do not include cash flows from the Group's operating activities or the repayment of debt or contractual payment of interest in the periods indicated. Contractual payments relating to interest for FY 2014 on bonds issued by Codere Finance (Luxembourg), S.A. amount to approximately €114 million (including the half-yearly coupon due in December 2013 and not paid). These bonds account for almost 81% of the Group's current financial debt.

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 Euros due June 2015 and bonds with a face value of 300 million US Dollars due February 2019) are subject to full and partial mandatory prepayment clauses that are customary for this type of security. 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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

- In the event certain assets are disposed of in certain circumstances, the bondholders are entitled to claim redemption against proceeds in excess of 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 redemption 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 Euros.
  - 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 particular liquidity difficulties faced by the Codere Group, described in Note 2.a.1, and the circumstances disclosed in Note 28 concerning events after the balance sheet date (parent company and various subsidiaries on the verge of insolvency proceedings, non-payment of half-yearly coupon payable on 15 January, use of 30-day grace period for half-yearly coupon due on 17 February, default on senior credit line repayment) have led to Codere into a default situation which could result in the early redemption of all its bonds. At the date of these consolidated financial statements, the Company has not received any notification concerning the accelerated redemption of bonds by their owners.

In connection with the senior credit facility line matured on 6 February 2014 and which has not been repaid at the date of publication of these financial statements, the amount drawn down stands at 95 million Euros. Guarantee facilities related to the senior financing for a maximum amount of 32 million Euros have also expired, which at the year-end had been used in full. Codere has not received any notification from senior creditors concerning the instigation of proceedings to execute the guarantees granted.

At the date of preparation of these consolidated financial statements, the Company is in the process of negotiating, supported by its legal and financial advisors, the different alternatives that could enable it to meet all its financial and contractual obligations in the most adequate manner possible. If an agreement is not reached within the deadlines established by Article 5. bis of the Spanish Insolvency Act, Codere, S.A. and the subsidiaries mentioned in Note 28 will be declared insolvent.

**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.

In general, the Group finances its development based on three main pillars:

- Internally-generated cash flows from the Group's recurring businesses.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

- 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

At 31 December 2013, the Group presented equity attributable to the owners of the parent company of a negative 260,442 thousand Euros, a reduction of 245,673 thousand Euros with respect to the figure recognised at 31 December 2012. This reduction is mainly attributable to the 173,616 thousand Euros loss recognised in 2013 and the negative variation in currency translation differences of 70,865 thousand Euros. The loss for the year was mainly the result of the following factors:

- Decrease in income in the Group's main markets mainly triggered by the depreciation of the Argentinian peso and smoking ban in that country's gaming arcades, plus the closure of arcades in Mexico.
- Impairment of assets in Mexico, Italy, Uruguay and Apuestas Deportivas Online for a joint amount of 57,336 thousand Euros (Note 13)
- Decline in value of the option to purchase 15.2% of Icela worth 7,131 thousand Euros (Note 4.e).
- Significant increase in the financial burden derived from the indebtedness of the Group.
- Expenses arising from financial and legal advice associated with the debt renegotiation process.
- Higher taxes applicable to gaming activities in various countries in which the Group operates.

The combination of negative equity and the liquidity difficulties explained in Note 3.c.3, as well as the events after the balance sheet date disclosed in Note 28, mean that the Group's capital management policy is seriously affected by the situation of uncertainty. The return to normal conditions will only be possible if the negotiations with creditors currently under way are successfully concluded.

**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:

<b>Assets /(liabilities) (Level 2)</b>	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Reserve for options	(5,158)	(4,102)
Other financial assets (sale-purchase options on investments)	5,327	12,458

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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 carried at fair value are as follows:

- The fair value of the option on the sale of shares to various Codere directors is calculated taking into account the volatility of the security, the redemption value of the loans and other factors.
- The fair value of the option to purchase 15.2% of Icela is calculated on the basis of the volatility of Codere's share price and comparables, taking into account multiples at the valuation date.

*Fair value of financial assets and liabilities at amortised cost*

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

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Bonds issued by Codere Finance (Luxembourg), S.A.	551,523	811,576
Marketable debentures issued by HRU, S.A.	15,278	16,045
	<b>566,801</b>	<b>827,621</b>

Given the disparity observed between the fair value and the carrying value of the bonds issued as described above, derived from the financial difficulties faced by the Group and which are explained in more detail in Notes 2.a.1) and 28, differences may also exist with respect to fair value in the remaining financial liabilities recorded on the consolidated balance sheet. Assuming, for purposes of analysis, the same disparity in the case of bonds, this would imply a decline in fair value against book value of approximately 44%, mainly in respect of the senior credit line, currently in a default situation as described in Note 28.

Given the current status of the negotiations with bondholders and the uncertainty of the outcome, it is not possible to reliably estimate the fair value of other liabilities beyond their value at amortised cost, which is subject to variable market conditions, and the lack of evidence concerning risk in the subsidiaries that hold those liabilities.

Once the refinancing process is completed, management will make its best estimate of the fair value of the remaining financial liabilities.

The fair value of assets measured at amortised cost does not differ significantly from their carrying value.

Additionally, in the case of Centro Banamex, recorded under the heading Investment Properties, its fair value amounted to 92,729 thousand Euros according to the valuation performed by a recognised independent expert in 2012. This valuation was not repeated in 2013. However, the Group has effected an update of the fair value of said property based on the estimated future cash flows under the lease agreement described in Note 8 and the assumption that said agreement will continue in force. Based on this analysis, it was found that the fair value at 31 December 2013 is not less than that estimated in 2012 by the independent expert.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**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 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 in 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**

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**

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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) Lawsuits in Italy and Columbia**

**(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 Euros.
- (b) Failure to activate the network in the timeframe set. This failure was originally quantified at 1.2 million Euros.
- (c) Failure to complete the connection of the network in the timeframe set. This failure was originally quantified at 1.78 million Euros.
- (d) Failure to meet minimum service level requirements. This failure was originally quantified at 3,043 million Euros.

In 2012 and 2013, the key points with regard to these non-compliances and claims by the Court of Auditors and the AAMS are:

*Claims presented by the AAMS:*

Following a series of legal proceedings, on 12 January 2010 the Lazio Regional Administrative Court (TAR Lazio) ruled against the various appeals lodged by the concessionaires including 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 €675 thousand. Codere Network, S.p.A contested these new rulings before the State Council, which on 20 May 2011 issued a ruling in which the three penalties imposed by the AAMS mentioned above were annulled. In July 2011 Sogei SpA (public corporation of the Ministry of Economy) filed an appeal as an affected third party which had been held liable for the delay in the activation of the networks. On 27 January 2014 the ruling of the Council of State dismissing the appeal lodged by Sogei was published, thereby consolidating definitively the decision of the appellate judge who declared the absence of an evidence of illegality in the concessionaires' conduct and annulled the first three penalties.

With respect to the administrative proceedings concerning the non-compliance detailed in point (d) above, in February 2012 the AAMS deemed the proceedings to be concluded and notified concessionaires of the penalties, with the fine applicable to Codere Network, S.p.A. totalling €2.73 million. Following the appeal lodged by Codere Network on 17 June 2013, the Lazio Regional Administrative Court issued a ruling accepting Codere's appeal and annulling the fourth penalty for non-compliance with section (d). This ruling was appealed against by the AAMS on 28 January 2014.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

*Claims presented by the Court of Auditors:*

Concerning these same penalties and the Court of Auditors, following a series of legal proceedings, on 11 October 2010 it issued a ruling ordering the company Digit S.p.A (a non-profit public body) to carry out a technical study into the problems encountered by the concessionaires regarding activating the IT network (lack of telephone lines, the actions of the managers, etc.) and the technical deficiencies of AAMS's central system in terms of the service that should be provided by the concessionaires.

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 Euros.
- It rejected the bid by the concessionaires (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 Court of Auditors indicating that the concessionaires should not be held liable to pay the amount claimed by the tax authority, and stated that AAMS held the greatest liability for the absence of connection of the machines to the concessionaires' networks within the deadline set for the concession.

However, on 17 February 2012 the Regional Office of the Council of State issued a ruling ordering the 10 concessionaires to pay a fine of 2,500 million Euros, of which 115 million Euros plus interest pertained to Codere Network. The concessionaires appealed against this ruling and at present the enforcement of the judgement has been suspended.

In addition, the tax authority has requested fines for Codere Network equivalent to 1% of the fine in respect of breach of compliance with point (d) above (30 million Euros) and 50% of the amount of the fine handed down in the ruling (57.5 million Euros).

In October 2013, the Court of Auditors offered all the concessionaires the option provided for in Italian law of terminating the entire process through the payment of 30% of the amount of the penalty (34.5 million Euros in the case of Codere Network). Six of the ten concessionaires took advantage of this possibility and paid 30% of their penalties. In the hearing in January 2014, two of the remaining concessionaires requested the termination of the proceedings through the payment of 10%. One of them filed additional appeals within the proceedings. The Court of Auditors decided to offer the first of them a conciliation at 30% (payable in March 2014). The second concessionaire is awaiting the outcome of the new appeals. For the other two concessionaires (including Codere Network) a new hearing has been set for 9 July. Until that time, Codere has the option of continuing with the proceedings or seeking a means of bringing them to an end.

Therefore, Codere has until 9 July 2014 to comply with the partial payment of 30% of the fine (34.5 million Euros plus interest) and terminate the proceedings.

On the basis of reports by its legal counsel, the Group's directors consider that there are solid arguments for continuing with the appeals.

To cover possible payments derived from these procedures, the Group recorded provisions in prior years (Note 18) which at 31 December 2013 and 2012 amounted to 12,368 thousand Euros and 12,161 thousand Euros, respectively. In the directors' opinion, having taken appropriate legal advice, the amounts provisioned at 31 December 2013 and 2012, indicated above, are adequate.



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

In the second half of 2009 the Codere Group agreed with the Colombian authorities to terminate a dispute over gaming taxes in arcades operated by Codere and owned by third parties during financial years 1995 to 1997. Codere Colombia paid 1,700 million Colombian pesos (0.6 million Euros at the exchange rate in force on 31 December 2013) to the Colombian authorities under the agreement referred to in Article 77 of Law 1328/2009, whereby the Colombian tax authorities considered the case to be terminated, confirming that Codere Colombia had complied with the applicable regulations.

In May 2010, the Constitutional Court of Colombia ruled that article 77 of Law 1328 was unconstitutional.

In September 2013, the Council of State of Colombia reopened the proceedings. On 19 December 2013, Codere Colombia filed an extraordinary appeal for review before the Council of State requesting the annulment of the judgment against Codere Colombia. Based on the opinion of the Company's legal advisers, a provision has been recorded to cover this potential risk in the amount of 4,300 million Colombian pesos (equivalent to 1.6 million Euros at 31 December 2013).

## **5. Segment information**

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. For this reason, the management information used for taking operational decisions is based on consolidated profits in each segment, as broken down in a) below.

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.

The main operating segments and their trading activities are:

- Spain: gaming machines, bingo halls, betting establishments and self-service terminals in food and drink establishments.
- 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.
- Argentina: bingo halls with gaming machines.
- Colombia: gaming machines, bingo halls and casinos.
- Uruguay: racetracks, gaming machines and betting agencies, and operations of the Hotel Carrasco casino.
- Panama: racetracks, gaming machines, casinos and betting agencies.
- Brazil: betting agencies.
- Head offices: management and operational support services.

**CODERE, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(Thousand euro)**

a) Operating segments

<b>Income statement at 31 December 2013</b>	<b>Spain</b>	<b>Mexico</b>	<b>Argentina</b>	<b>Colombia</b>	<b>Italy</b>	<b>Uruguay</b>	<b>Brazil</b>	<b>Panama</b>	<b>Head offices</b>	<b>Internal operations (*)</b>	<b>Total</b>
Operating income											
Revenue from external customers	151,602	382,365	584,692	34,001	259,756	41,070	2,892	90,280	26	-	1,546,684
Inter-segment revenue									39,662	(39,662)	-
	<u>151,602</u>	<u>382,365</u>	<u>584,692</u>	<u>34,001</u>	<u>259,756</u>	<u>41,070</u>	<u>2,892</u>	<u>90,280</u>	<u>39,688</u>	<u>(39,662)</u>	<u>1,546,684</u>
Operating expenses											
Depreciation and amortisation	(23,779)	(68,796)	(17,005)	(4,744)	(17,819)	(5,393)	(497)	(13,359)	(1,319)	-	(152,711)
Change in business operations	(1,027)			144	(884)	(63)		286	0		(2,116)
Other operating expenses	(131,408)	(321,629)	(453,518)	(29,220)	(252,604)	(55,589)	(3,689)	(72,679)	(77,620)	-	(1,397,956)
	<u>(156,214)</u>	<u>(390,425)</u>	<u>(470,523)</u>	<u>(33,820)</u>	<u>(271,307)</u>	<u>(61,045)</u>	<u>(4,186)</u>	<u>(86,324)</u>	<u>(78,939)</u>	<u>-</u>	<u>(1,552,783)</u>
Gain/(loss) on derecognition/disposal of assets	(1,129)	(3,834)	(49)	(733)	(542)	(9)	-	(55)	(138)	-	(6,489)
Inter-segment expenses	<u>(6,774)</u>	<u>(6,456)</u>	<u>(20,326)</u>	<u>(1,243)</u>	<u>(1,717)</u>	<u>(165)</u>	<u>-</u>	<u>(2,981)</u>	<u>-</u>	<u>39,662</u>	<u>-</u>
OPERATING PROFIT/(LOSS)	(12,515)	(18,350)	93,794	(1,795)	(13,810)	(20,149)	(1,294)	920	(39,389)	-	(12,588)
External finance income	977	1,340	515	36	1,816	91	1	76	238		5,090
Inter-segment finance income	-	-	-	-	-	-	-	-	45,434	(45,434)	0
External finance costs	(2,864)	(13,735)	(17,201)	(496)	(650)	(2,845)	1	(1,262)	(102,311)		(141,363)
Inter-segment finance costs	138	(36,589)	(1,464)	32	(2,965)	(191)	(3,652)	(743)	-	45,434	0
Change in financial asset impairment provisions	(1)	(78)	2,163	-	-	-	-	-	(2,909)		(825)
Net foreign exchange gains/(losses)	<u>-</u>	<u>(976)</u>	<u>(10,478)</u>	<u>(169)</u>	<u>-</u>	<u>(4,605)</u>	<u>(200)</u>	<u>383</u>	<u>5,989</u>	<u>-</u>	<u>(10,056)</u>
FINANCIAL INCOME/(EXPENSE)	(1,750)	(50,038)	(26,465)	(597)	(1,799)	(7,550)	(3,850)	(1,546)	(53,559)	-	(147,154)
PROFIT/(LOSS) BEFORE INCOME TAX	(14,265)	(68,388)	67,329	(2,392)	(15,609)	(27,699)	(5,144)	(626)	(92,948)	-	(159,742)
Income tax	<u>(209)</u>	<u>(19,977)</u>	<u>(18,792)</u>	<u>(436)</u>	<u>(2,055)</u>	<u>(2,299)</u>	<u>(515)</u>	<u>(1,090)</u>	<u>(158)</u>	<u>-</u>	<u>(45,531)</u>
PROFIT/(LOSS) FOR THE YEAR	(14,474)	(88,365)	48,537	(2,828)	(17,664)	(29,998)	(5,659)	(1,716)	(93,106)	-	(205,273)
CONSOLIDATED PROFIT / (LOSS)											
Attributable to:											
Non-controlling interests	495	(16,643)	678	46	835	(16,160)	-	(908)	-	-	(31,657)
Parent company shareholders	<u>(14,969)</u>	<u>(71,722)</u>	<u>47,859</u>	<u>(2,874)</u>	<u>(18,499)</u>	<u>(13,838)</u>	<u>(5,659)</u>	<u>(808)</u>	<u>(93,106)</u>	<u>-</u>	<u>(173,616)</u>
CONSOLIDATED PROFIT/(LOSS)	(14,474)	(88,365)	48,537	(2,828)	(17,664)	(29,998)	(5,659)	(1,716)	(93,106)	-	(205,273)

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

**CODERE, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(Thousand euro)**

<b>Income statement at 31 December 2012</b>	<b>Spain</b>	<b>Mexico</b>	<b>Argentina</b>	<b>Colombia</b>	<b>Italy</b>	<b>Uruguay</b>	<b>Brazil</b>	<b>Panama</b>	<b>Head offices</b>	<b>Internal transactions (*)</b>	<b>Total</b>
Operating income											
Revenue from external customers	154,243	437,179	653,814	35,706	261,009	26,040	3,403	92,518	18	-	1,663,930
Intra-segment revenues	-	-	-	-	-	-	-	-	48,206	(48,206)	-
	<b>154,243</b>	<b>437,179</b>	<b>653,814</b>	<b>35,706</b>	<b>261,009</b>	<b>26,040</b>	<b>3,403</b>	<b>92,518</b>	<b>48,224</b>	<b>(48,206)</b>	<b>1,663,930</b>
Operating expenses											
Depreciation and amortisation	(28,331)	(65,924)	(18,472)	(4,974)	(18,254)	(2,934)	(589)	(13,920)	(1,434)	-	(154,832)
Changes in trade provisions	(1,734)	-	(1)	129	(202)	-	-	-	-	-	(1,808)
Other operating expenses	(207,294)	(337,107)	(471,031)	(29,503)	(224,028)	(26,310)	(4,145)	(76,146)	(76,257)	-	(1,451,821)
	<b>(237,359)</b>	<b>(403,031)</b>	<b>(489,504)</b>	<b>(34,348)</b>	<b>(242,484)</b>	<b>(29,244)</b>	<b>(4,734)</b>	<b>(90,066)</b>	<b>(77,691)</b>	<b>-</b>	<b>(1,608,461)</b>
Profit/loss on retirement or disposal of assets	(2,228)	7,837	63	852	(53)	-	1	727	-	-	7,199
Intra-segment expenses	(6,323)	(14,737)	(22,173)	(757)	(1,960)	(122)	-	(2,134)	-	48,206	-
<b>OPERATING PROFIT/(LOSS)</b>	<b>(91,667)</b>	<b>27,248</b>	<b>142,200</b>	<b>1,453</b>	<b>16,512</b>	<b>(3,326)</b>	<b>(1,330)</b>	<b>1,045</b>	<b>(29,467)</b>	<b>-</b>	<b>62,668</b>
External financial income	466	4,705	270	90	1,055	155	12	67	737	-	7,557
Intra-segment financial income	-	-	-	-	-	-	-	-	44,914	(44,914)	-
External financial expenses	(3,205)	(9,986)	(8,544)	(424)	(1,619)	(568)	(107)	(1,582)	(89,005)	-	(115,040)
Intra-segment financial expenses	710	(37,295)	(927)	33	(2,867)	(264)	(3,418)	(886)	-	44,914	-
Change in investment provisions	(28)	(41,180)	-	-	-	-	-	-	(10,174)	-	(51,382)
Net gains/(losses) on exchange	1	4,180	(909)	295	-	328	(309)	(101)	(3,069)	-	416
<b>NET FINANCIAL INCOME/(EXPENSE)</b>	<b>(2,056)</b>	<b>(79,576)</b>	<b>(10,110)</b>	<b>(6)</b>	<b>(3,431)</b>	<b>(349)</b>	<b>(3,822)</b>	<b>(2,502)</b>	<b>(56,597)</b>	<b>-</b>	<b>(158,449)</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>(93,723)</b>	<b>(52,328)</b>	<b>132,090</b>	<b>1,447</b>	<b>13,081</b>	<b>(3,675)</b>	<b>(5,152)</b>	<b>(1,457)</b>	<b>(86,064)</b>	<b>-</b>	<b>(95,781)</b>
Corporate income tax	3,301	(22,714)	(43,360)	(376)	(6,943)	1,138	(1,329)	394	(3,018)	-	(72,907)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(90,422)</b>	<b>(75,042)</b>	<b>88,730</b>	<b>1,071</b>	<b>6,138</b>	<b>(2,537)</b>	<b>(6,481)</b>	<b>(1,063)</b>	<b>(89,082)</b>	<b>-</b>	<b>(168,688)</b>
<b>CONSOLIDATED PROFIT / (LOSS)</b>	<b>(90,422)</b>	<b>(75,042)</b>	<b>88,730</b>	<b>1,071</b>	<b>6,138</b>	<b>(2,537)</b>	<b>(6,481)</b>	<b>(1,063)</b>	<b>(89,082)</b>	<b>-</b>	<b>(168,688)</b>
Attributable to:											
External shareholders	(775)	(20,064)	900	64	1,942	(2,724)	-	(1,090)	-	-	(21,747)
Parent company shareholders	(89,647)	(54,978)	87,830	1,007	4,196	187	(6,481)	27	(89,082)	-	(146,941)
<b>CONSOLIDATED PROFIT/(LOSS)</b>	<b>(90,422)</b>	<b>(75,042)</b>	<b>88,730</b>	<b>1,071</b>	<b>6,138</b>	<b>(2,537)</b>	<b>(6,481)</b>	<b>(1,063)</b>	<b>(89,082)</b>	<b>-</b>	<b>(168,688)</b>

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

**CODERE, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(Thousand euro)**

<b>Balance sheet at 31 December 2013</b>	<b>Spain</b>	<b>Mexico</b>	<b>Argentina</b>	<b>Colombia</b>	<b>Italy</b>	<b>Uruguay</b>	<b>Brazil</b>	<b>Panama</b>	<b>Head offices</b>	<b>Total</b>
Intangible assets	38,385	307,804	102,227	-	50,872	1,354	649	23,501	3,521	528,313
Property, plant and equipment	53,185	208,781	51,662	18,084	25,807	59,557	732	17,152	1,056	436,016
Goodwill on consolidation	21,865	82,479	26,847	-	50,881	-	-	25,477	-	207,549
Investment properties	-	72,229	-	-	-	-	-	-	-	72,229
Non-current financial assets	5,443	1,439	3,145	30	6,533	131	-	3,665	2,347	22,733
Deferred tax assets	9,257	17,161	3,546	682	6,351	3,235	-	793	8,964	49,989
Other non-current assets	-	-	-	-	-	-	-	-	-	-
Current assets	25,890	142,256	47,709	5,745	53,973	18,036	664	16,274	45,675	356,222
<b>TOTAL ASSETS</b>	<b>154,025</b>	<b>832,149</b>	<b>235,136</b>	<b>24,541</b>	<b>194,417</b>	<b>82,313</b>	<b>2,045</b>	<b>86,862</b>	<b>61,563</b>	<b>1,673,051</b>
Deferred income	30	-	-	-	-	-	-	-	45	75
Provisions	608	17,652	5,556	1,674	20,647	-	-	2,215	-	48,352
Long-term payables	42,714	150,314	3,990	2,146	23,284	46,998	-	14,421	967,235	1,251,102
Current liabilities	59,048	191,645	81,755	6,676	46,540	17,075	2,784	21,004	150,559	577,086
<b>TOTAL LIABILITIES</b>	<b>102,400</b>	<b>359,611</b>	<b>91,301</b>	<b>10,496</b>	<b>90,471</b>	<b>64,073</b>	<b>2,784</b>	<b>37,640</b>	<b>1,117,839</b>	<b>1,876,616</b>
OTHER INFORMATION										
Investments in property, plant and equipment	13,205	7,472	24,629	1,131	12,220	17,052	50	816	401	76,977
Intangible assets	4,328	0	12,141	1,131	5,808	256	15	-	382	24,061
Property, plant and equipment	8,877	7,472	12,488	-	6,412	16,797	35	816	19	52,916
Expenses that do not represent cash outflows	2,768	7,618	2,609	2,334	507	101	16	-	138	16,091

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

**CODERE, S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(Thousand euro)**

<b>Balance sheet at 31 December 2012</b>	<b>Spain</b>	<b>Mexico</b>	<b>Argentina</b>	<b>Colombia</b>	<b>Italy</b>	<b>Uruguay</b>	<b>Brazil</b>	<b>Panama</b>	<b>Head offices</b>	<b>Total</b>
Intangible assets	46,879	338,575	131,436	106	52,729	1,696	1,032	29,395	4,124	605,972
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	157,371	38,463	5,473	55,317	19,816	508	13,984	41,396	358,784
<b>TOTAL ASSETS</b>	<b>173,492</b>	<b>979,773</b>	<b>286,093</b>	<b>33,754</b>	<b>218,246</b>	<b>103,056</b>	<b>2,638</b>	<b>100,750</b>	<b>57,708</b>	<b>1,955,510</b>
Deferred income	75	-	-	-	-	-	-	-	264	339
Provisions	620	17,116	5,529	64	19,055	250	19	2,201	-	44,854
Long-term payables	47,270	196,533	11,043	3,494	25,116	31,522	-	21,280	972,987	1,309,245
Current liabilities	53,161	199,621	130,968	8,106	51,516	16,890	2,299	19,206	38,400	520,167
<b>TOTAL LIABILITIES</b>	<b>101,126</b>	<b>413,270</b>	<b>147,540</b>	<b>11,664</b>	<b>95,687</b>	<b>48,662</b>	<b>2,318</b>	<b>42,687</b>	<b>1,011,651</b>	<b>1,874,605</b>
OTHER INFORMATION										
Investments in property, plant and equipment	29,429	38,732	148,216	6,315	14,589	36,172	190	7,005	2,266	282,914
Intangible assets	8,904	-	126,633	-	6,742	433	-	-	2,152	144,864
Property, plant and equipment	20,525	38,732	21,583	6,315	7,847	35,739	190	7,005	114	138,050
Expenses that do not represent cash outflows	4,215	28,378	670	74	603	41	332	5	-	34,318

b) Lines of business

At 31 December 2013, the Group does not have available a breakdown of ordinary income from non-Group customers for each product and service.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**6. Business combinations and changes in the scope of consolidation**

**a) Business combinations**

**a.1) FY 2013**

During 2013 there have been no business combinations except for the purchase of Royal Jackpot for 150 thousand Euros.

The contingent payment associated with the business combination of DP Services, S.r.l. in December 2013 was paid in the amount of 2,488 thousand Euros. The 879 thousand Euros difference with respect to the initial figure recognised has been accounted for under Other operating expenses.

**a.2) FY 2012**

**a.2.1) 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 Euros). 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 was completed 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 purchase price paid by Codere on said date was 2,688 million Mexican pesos (156,868 thousand Euros).

The ICELA acquisition contract also included the following clauses:

- 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.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

- 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.

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

The following table summarises the carrying amounts, the consideration paid on the date of the transaction and the fair values of the identifiable assets acquired and liabilities assumed, as well as consideration dependant on future events, to acquire control of the Icela Group, as valued by an independent expert, and the non-controlling interest at the acquisition date. This calculation represented 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 equity interest held before the business combination			228,743
			<hr/>
<b>Total consideration transferred at the acquisition date</b>			<b>374,511</b>
			<hr/>
<b>Recognised amounts of the identifiable assets acquired and liabilities assumed</b>			
	<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/>
<b>Total identifiable net assets</b>	<b>220,469</b>	<b>145,999</b>	<b>366,468</b>
			<hr/>
<b>Non-controlling interests</b>			(55,703)
			<hr/>
<b>Goodwill</b>			63,746
			<hr/>
<b>Total</b>			<b>374,511</b>
			<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 961 thousand Euros were recognised in "Other operating expenses" in the accompanying consolidated income statement.

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 Euros, was included in the amount of the consideration transferred.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

The fair value of the intangible assets acquired (licences, trademarks and customer portfolios) in the amount of 228,065 thousand Euros 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 income statement since 8 February 2012 contributed by the ICELA Group was 264,549 thousand Euros. This group also contributed profit of 6,169 thousand Euros over the same period.

In addition, in keeping with the provisions of IFRS 3, the Group revalued its 49% equity interest in the ICELA Group held before the business combination, generating a gain of 9,489 thousand Euros, which was recognised under "Gain/(loss) on derecognition/disposal of assets" in the 2012 consolidated income statement.

a.2.2) 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 6,870 thousand Euros. 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 on the date of the transaction, the fair value of assets acquired and liabilities assumed and other consideration dependant on future events to acquire a controlling interest. This calculation represented the definitive accounting at year-end 2012 for this business combination.

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

**Recognised amounts of the identifiable assets acquired and liabilities assumed**

	<b>Carrying value</b>	<b>Fair value adjustments and consolidation scope changes</b>	<b>Fair value</b>
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	(3,238)	-	(3,238)
<b>Total identifiable net assets</b>	<b>2,769</b>	<b>5,203</b>	<b>7,972</b>
<b>Non-controlling interests</b>			(3,189)
<b>Goodwill</b>			2,087
<b>Total</b>			<b>6,870</b>



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

The contingent consideration agreement obliged 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 7,707 thousand Euros. They were measured at fair value on the basis of discounted cash flow analysis.

The revenue included in the consolidated statement of comprehensive income since 30 May 2012 contributed by acquiree was 15,491 thousand Euros. This group also contributed profit of 71 thousand Euros over the same period.

**b) Changes in the scope of consolidation**

**b.1) 2013**

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

Changes in the scope of consolidation in 2013 were as follows:

- On 1 January 2013 Operbingo Italia, S.P.A. absorbed Bingos Oasis, S.R.L., Bingo Re, S.R.L., Immobiligest, S.R.L., Maxibingo, S.R.L., Opergames, S.R.L., Operinvestments, S.R.L., Operslots Italia, S.R.L. and Winner Bet, S.R.L.
- On 1 January 2013 Codere Italia, S.P.A. absorbed Codestrada, S.R.L., Gaming New, S.R.L. and Opergiochi Italia, S.R.L.
- On 1 January 2013 Gaming Re, S.R.L. absorbed Gaming Service, S.R.L.
- Codere Alicante, S.L. was incorporated on 25 February 2013.
- On 15 March 2013, the Group acquired 51% of the shares of Royal Jackpot S.r.L for 150 thousand Euros.
- On 27 May 2013 Codere Interactiva S.L. ceased to hold an interest of 49% in Codere Interattiva Italia S.R.L. which was acquired by Operbingo Italia S.P.A, increasing its interest from 51% to 100%.
- On 23 July 2013 Codere Gandia S.A, which held shares in the Group companies Rospay S.L.U. and Primer Continente S.L.U., was sold. The sale generated a loss of 137 thousand Euros.
- On 30 July 2013, the Group sold its holding in Codere Navarra S.L., generating a loss of 635 Euros thousand.
- Codere Apuestas Castilla la Mancha, S.A. was incorporated on 13 November 2013.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

- Codere Servicios Compartidos S.A. was incorporated on 22 November 2013.
- Codere Servicios S.L. was incorporated on 17 December 2013.

In January and June 2013 the shareholders of Carrasco Nobile increased capital by 871 thousand Euros and 1,112 thousand Euros, respectively. Each shareholder contributed the corresponding percentage, this being 49% in the case of minority shareholders.

**b.2) 2012**

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

- On 27 January 2012 the Group acquired 30% of New Joker S.r.l. for 750 thousand Euros.
- On 8 February 2012, the Group acquired an additional 35.8% of the ICELA Group, lifting its shareholding to 84.8% (note 6.a.2.1). This transaction modified the ownership structures of the following Group companies:
  - o The Group's holding 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. was increased from 49% al 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%. The cost of this investment was €7 thousand.
- On 30 May 2012, the Group acquired 60% of DP Services for €6,870 thousand (Note 6.a.2.2.)
- On 14 June 2012, the Group sold its shareholding in Automáticos Mendoza S.L., generating a profit of €189 thousand.
- 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 merger entity and its

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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 .

The impact on equity of these transactions with non-controlling interests amounted to 2, 387 thousand Euros in 2012.

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.

<b>2012</b>	Grupo ICELA (1)	DP Service, S.r.l.	<b>Business combinations</b>
Date of acquisition/incorporation	08/02/2012	30/05/2012	
% Acquired	35,8%	60.00%	
<b>Consideration:</b>	<b>374,511</b>	<b>6,870</b>	<b>381,381</b>
Cash/equity instruments	374,511	3,503	<b>378,014</b>
Contingent consideration	-	3,367	<b>3,367</b>
Pre-existing debt	-	-	
Goodwill	63,746	2,087	<b>65,833</b>
Intangible assets	228,065	7,711	<b>235,776</b>
Property, plant and equipment	292,908	2,256	<b>295,164</b>
Other non-current assets	12,538	807	<b>13,345</b>
Current assets	71,612	1,815	<b>73,427</b>
Cash	20,937	1,196	<b>22,133</b>
Provisions	(4,943)	-	<b>(4,943)</b>
Other non-current liabilities	(139,408)	(2,575)	<b>(141,983)</b>
Current liabilities	(115,241)	(3,238)	<b>(118,479)</b>
<b>Total identifiable net assets</b>	<b>366,468</b>	<b>7,972</b>	<b>374,440</b>
Non-controlling interests	(55,703)	(3,189)	<b>(58,892)</b>
Operating income from the acquisition date	264,549	15,491	<b>280,040</b>
Profit/(loss) contributed from the acquisition date	6,169	71	<b>6,240</b>
Operating income contributed since 1/01/2012	289,521	28,608	<b>318,129</b>
Profits contributed since 1/01/2012	10,335	2,046	<b>13,381</b>

(1) Total Group balance at the acquisition date due to the change in consolidation method (Note 6.a)

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**7. Intangible assets**

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

**FY 2013**

	Thousand euro					
	Balance at 31/12/2012	Business combinations	Additions	Disposals	Transfers	Balance at 31/12/2013
<b>Costs</b>						
Licenses	411,884	-	10,086	-	-	369,386
Brands	37,501	-	4	-	-	35,734
Rights	224,659	-	18,423	(24,779)	-	213,632
Computer software	33,763	-	2,931	(103)	-	35,423
Other intangible assets	23,858	-	321	(368)	-	23,043
<b>Total</b>	<b>731,665</b>	<b>-</b>	<b>31,765</b>	<b>(25,250)</b>	<b>-</b>	<b>677,218</b>
<b>Accumulated amortisation</b>						
Licenses	(20,832)	-	(9,993)	-	-	(26,500)
Rights	(78,763)	-	(25,141)	13,817	-	(87,142)
Computer software	(21,115)	-	(4,779)	35	-	(24,738)
Other intangible assets	(2,395)	-	(2,138)	36	-	(4,362)
<b>Total</b>	<b>(123,105)</b>	<b>-</b>	<b>(42,051)</b>	<b>13,888</b>	<b>-</b>	<b>(142,742)</b>
<b>Provisions</b>	<b>(2,588)</b>	<b>-</b>	<b>(3,598)</b>	<b>23</b>	<b>-</b>	<b>(6,163)</b>
<b>Net carrying amount</b>	<b>605,972</b>					<b>528,313</b>

The additions under "Licences" correspond primarily to the extension of five bingo operating licences in Buenos Aires province, the concessions for which will expire between 2016 and 2021.

The additions under "Rights" are mainly due to the acquisition of new VLTs machine licenses granted in Italy in 2013, which extend to 2022.

The disposals under "Rights" mainly reflect the derecognition of rights in Spain as a result of the reduction in the number of machines in operation in the course of 2013.

The provision relates to the impairment of Internet Spain, as detailed in Note 13.

**FY 2012**

	Thousand euro					
	Balance at 31/12/2011	Business combinations	Additions	Disposals	Transfers	Balance at 31/12/2012
<b>Costs</b>						
Licenses	214,551	87,470	128,939	(5,650)	-	411,884
Trademarks	9,618	27,404	17	-	-	37,501
Rights	218,215	13,832	11,147	(16,656)	218	224,659
Computer software	28,270	914	5,432	(831)	39	33,763
Other intangible assets	3,542	19,903	1,315	(691)	(257)	23,858
<b>Total</b>	<b>474,106</b>	<b>149,523</b>	<b>146,850</b>	<b>(23,828)</b>	<b>-</b>	<b>731,665</b>
<b>Accumulated amortisation</b>						
Licenses	(18,719)	-	(9,120)	5,488	-	(20,832)
Rights	(71,434)	-	(23,886)	16,726	(525)	(78,763)
Computer software	(18,594)	-	(4,163)	765	525	(21,115)
Other intangible assets	(1,032)	-	(1,690)	327	-	(2,395)
<b>Total</b>	<b>(109,779)</b>	<b>-</b>	<b>(38,859)</b>	<b>23,306</b>	<b>-</b>	<b>(123,105)</b>
<b>Provisions</b>	<b>(2,744)</b>	<b>-</b>	<b>-</b>	<b>156</b>	<b>-</b>	<b>(2,588)</b>
<b>Net carrying amount</b>	<b>361,583</b>					<b>605,972</b>

The "business combinations" column includes the acquisition of 35.8% of the ICELA group and the acquisition of 60% of DP Services, S.r.l. "Business combinations" breaks down as follows:

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

- Licences: the fair value of the gaming licences owned by the ICELA Group companies.
- Trademarks: the fair value of the various trademarks owned by the ICELA Group companies.
- Rights: Carrying value of the change in consolidation scope due to the purchase of the 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 will expire between 2013 and 2015.

The disposals under "Rights" mainly reflect the derecognition of rights in Spain as a result of the reduction in the number of machines in operation in the course of 2012.

**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 50,401 thousand Euros and 52,688 thousand Euros at 31 December 2013 and 2012, respectively.

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 have become impaired.

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

	<b>2013</b>		<b>2012</b>	
	<b>Trademarks</b>	<b>Non-amortisable installation rights</b>	<b>Trademarks</b>	<b>Non-amortisable installation rights</b>
Spain	1,325	14,667	1,321	15,187
Mexico	34,409	-	36,180	-
	<b>35,734</b>	<b>14,667</b>	<b>37,501</b>	<b>15,187</b>

The intangible assets that are individually significant to the financial statements are described below, along with their carrying amounts and remaining amortisation periods:

<b>Asset type</b>	<b>Carrying amount</b>	<b>Remaining amortisation period</b>
Gaming hall licences, Argentina	101,905	Between 8 and 15 years
Casinos licences, Panama	20,130	Between 10 and 11 years
Gaming hall licences, Mexico	227,261	Between 19 and 33 years
Gaming machine concession licences, Italy	19,710	Between 8 and 11 years

At 31 December 2013, the Group had no material commitment to acquire or sell intangible assets.

**8. Property, plant and equipment and investment properties**

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

2013	Balance at	Translation	Balance at
------	------------	-------------	------------

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

<b>Cost</b>	<b>31/12/2012</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>differences</b>	<b>31.12.2013</b>
Gaming machines	305,593	19,328	(26,227)	43	(33,790)	264,947
Gaming and sports betting machines	18,771	2,003	(875)	-	(1)	19,898
Furniture, fittings and equipment	71,657	4,900	(1,109)	(3,607)	(4,258)	67,583
Computer hardware	50,005	4,221	(663)	(670)	(3,584)	49,309
Prepayments and PPE under construction	55,994	2,239	-	(52,371)	(3,673)	2,189
Vehicles	6,533	351	(902)	(165)	(411)	5,406
Land	14,991	400	(325)	-	(1,144)	13,922
Structures and buildings	298,739	2,046	(6,113)	(88,886)	(9,749)	196,037
Work done to leased premises	185,312	17,544	(1,809)	41,218	(20,409)	221,856
Plant and machinery	86,238	2,265	(2,260)	(732)	(7,787)	77,724
<b>Total</b>	<b>1,093,833</b>	<b>55,297</b>	<b>(40,283)</b>	<b>(105,170)</b>	<b>(84,806)</b>	<b>918,871</b>

  

	<b>Balance at</b>				<b>Translation</b>	<b>Balance at</b>
<b>Accumulated depreciation</b>	<b>31.12.2012</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>differences</b>	<b>31.12.2013</b>
Gaming machines	(160,719)	(49,941)	22,498	-	19,848	(168,314)
Gaming and sports betting machines	(10,517)	(2,098)	413	-	-	(12,202)
Furniture, fittings and equipment	(43,593)	(11,961)	859	3,009	2,822	(48,864)
Computer hardware	(36,647)	(4,927)	723	1,317	2,706	(36,828)
Vehicles	(4,518)	(602)	740	82	461	(3,837)
Structures and buildings	(62,628)	(10,010)	1,672	17,931	2,384	(50,651)
Work done to leased premises	(72,566)	(23,321)	955	3,228	6,846	(84,858)
Plant and machinery	(49,673)	(6,077)	1,573	(67)	4,747	(49,497)
<b>Total</b>	<b>(440,861)</b>	<b>(108,937)</b>	<b>29,433</b>	<b>25,500</b>	<b>39,814</b>	<b>(455,051)</b>

  

<b>Provisions</b>	<b>(14,278)</b>	<b>(13,431)</b>	<b>-</b>	<b>-</b>	<b>(95)</b>	<b>(27,804)</b>
-------------------	-----------------	-----------------	----------	----------	-------------	-----------------

  

<b>Net carrying amount</b>	<b>638,694</b>					<b>436,016</b>
----------------------------	----------------	--	--	--	--	----------------

Additions under Gaming machines mainly include machine acquisitions in Argentina, Italy and Spain as a result of upgrading the stock of machines.

The disposals under Gaming machines mainly relate to Spain, Columbia, Panama and Italy as a result of machine rotations during 2013.

The heading "Work done to leased premises" includes works on the Hotel-Casino Carrasco in Uruguay, which in 2012 was recorded under "Prepayments and PPE under construction" as well as works in various locations in Italy and Mexico.

At 31 December 2013 heading "Provisions" mainly reflects, in the amount of 12,972 thousand Euros, the decline in value of tangible fixed assets recorded in Colombia at the end of 2009, in addition to the impairment of the Hotel-Casino Carrasco in Uruguay, amounting to 13,400 thousand Euros.

Transfers under "Prepayments and PPE under construction" relates mainly to ongoing works completed in the Hotel Casino-Carrasco in Uruguay which was opened in March 2013. Additionally, transfers reflect the reclassification of the Banamex Centre from Property, plant and equipment to Investment property.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**Lease on the Banamex Conference Centre**

The Group has signed an agreement with CIE whereby the latter group will operate the Convention Centre owned by ICELA for a period of six years commencing on 1 June 2013. As a result of this agreement, the amounts relating to the Banamex Centre have been reclassified from Property, plant and equipment to Investment property.

This reclassification is recorded in the "Transfers" column of the movement in PPE.

This agreement entails an annual fee of 113 million pesos (6.3 million Euros) payable monthly, plus 25% of the positive difference between the actual income each year and the contractually stipulated limit, which stands at 340 million pesos for the first year.

The estimated future minimum lease payments under this contract are as follows:

- 1 year: 9 million Euros
- 2 to 5 years: 40 million Euros
- From 6 years: 11 million Euros

Furthermore, the Group is committed to making annual minimum investments of 15 million Mexican pesos (approximately 1 million Euros) at the Banamex centre.

Movements in Investment property is as follows.

<b>Cost</b>	<b>Cost 31/12/12</b>	<b>Transfers</b>	<b>Banamex additions</b>	<b>Trans. differences Banamex</b>	<b>Cost 31/12/2013</b>
Gaming machines	-	1	-	-	1
Furniture, fittings and equipment	.	4,266	2	(331)	3,937
Computer hardware	.	1,123	1	(87)	1,037
Vehicles	.	168	-	(13)	155
Structures and buildings	.	93,901	-	(7,291)	86,610
Work done to leased premises	.	4,902	158	(386)	4,674
Plant and machinery	-	809	162	(68)	903
	-	<b>105,170</b>	<b>323</b>	<b>(8,176)</b>	<b>97,317</b>
<b>Accumulated depreciation</b>	<b>Accumulated depreciation 31/12/2012</b>	<b>Transfers</b>	<b>Banamex additions</b>	<b>Trans. differences Banamex</b>	<b>Accumulated depreciation 31/12/2013</b>
Gaming machines	-	-	-	-	-
Furniture, fittings and equipment	-	(3,070)	(143)	244	(2,969)
Computer hardware	-	(515)	(127)	44	(598)
Vehicles	-	(83)	(20)	7	(96)
Structures and buildings	.	(19,947)	(1,213)	1,597	(19,563)
Work done to leased premises	-	(1,212)	(77)	97	(1,192)
Plant and machinery	-	(673)	(51)	54	(670)
	-	<b>(25,500)</b>	<b>(1,631)</b>	<b>2,043</b>	<b>(25,088)</b>
<b>Net carrying amount</b>	<b>-</b>				<b>72,229</b>

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

2012	Thousand euro						Balance at
	Balance at	Business	Disposal		Transfers	Translation	
<b>Cost</b>	<b>31/12/2011</b>	<b>combinations</b>	<b>Additions</b>	<b>s</b>		<b>differences</b>	<b>31.12.2012</b>
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
<b>Total</b>	<b>871,664</b>	<b>153,412</b>	<b>162,827</b>	<b>(103,830)</b>	<b>-</b>	<b>9,760</b>	<b>1,093,833</b>
<b>Accumulated depreciation</b>	Balance at	Business	Disposal		Transfers	Translation	Balance at
	<b>31.12.2011</b>	<b>combinations</b>	<b>Additions</b>	<b>s</b>		<b>differences</b>	<b>31.12.2012</b>
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)
<b>Total</b>	<b>(376,724)</b>	<b>-</b>	<b>(116,678)</b>	<b>51,473</b>	<b>-</b>	<b>1,068</b>	<b>(440,861)</b>
<b>Provisions</b>	<b>(15,316)</b>	<b>-</b>	<b>-</b>	<b>1,001</b>	<b>-</b>	<b>37</b>	<b>(14,278)</b>
<b>Net carrying amount</b>	<b>479,624</b>	<b>153,412</b>	<b>46,149</b>	<b>(51,356)</b>	<b>-</b>	<b>10,865</b>	<b>638,694</b>

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

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

The decreases 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 decreases under this same column heading relate to Italian bingo halls.

At 31 December 2013 and 2012, the Group had no material commitment to acquire or sell property, plant and equipment other than those already disclosed.



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

At 31 December 2013 and 2012 the value of assets acquired under finance leases was as follows (in thousand euro):

	2013			2012		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Gaming machines	63,273	(34,708)	28,565	77,533	(29,248)	48,285
Plant and machinery	10,534	(9,218)	1,316	11,461	(9,044)	2,417
Computer hardware	1,346	(497)	849	994	(190)	804
Vehicles	178	(146)	32	471	(263)	208
Total	<b>75,331</b>	<b>(44,569)</b>	<b>30,762</b>	<b>90,459</b>	<b>(38,745)</b>	<b>51,714</b>

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 impose any restrictions on the Group. The lease expenditure charged to the income statement during 2013 and 2012 corresponding to operating leases totals 120,086 thousand Euros and 127,531 thousand Euros, respectively (note 23). Lease contracts mature in three to 10 years.

The future aggregate minimum lease payments under non-cancellable operating leases on business premises, administration offices and vehicles at year-end 2013 are as follows:

:

	Thousand euro		
	Within 1 year	Between 1 and 5 years	More than 5 years
Total non-cancellable obligations	20,132	40,000	6,392

In 2013 the Group capitalised borrowing costs of 252 thousand Euros (1,359 thousand Euros in 2012) under PPE under construction in connection with construction of the Carrasco casino hotel.

## 9. Joint ventures

Entities with which joint ventures have been arranged are listed in Appendix I. At 31 December 2013 and 2012, the Group companies involved in joint ventures are Hípica Rioplatense Uruguay, S.A. and New Joker, S.r.l.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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:

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
<b>Assets:</b>		
Non-current assets	26,180	25,755
Depreciation and amortisation	(22,185)	(22,419)
Intangible assets	1,224	1,667
Property, plant and equipment	21,522	19,199
Long-term investments	133	139
Deferred taxes	3,241	4,750
Current assets	6,631	7,158
Cash and cash equivalents	232	2,417
<b>TOTAL ASSETS</b>	<b>36,978</b>	<b>38,666</b>
<b>Liabilities:</b>		
Deferred taxes	(80)	(83)
Long-term payables	(11,431)	(13,709)
Non-current financial assets	-	-
Short-term payables	(6,420)	(6,701)
Current financial liabilities	(3,216)	-
<b>TOTAL LIABILITIES</b>	<b>(21,147)</b>	<b>(20,492)</b>
Operating income	25,908	26,823
Operating expenses	(21,249)	(22,412)
Financial income	145	35
Other interest and similar expenses	-	(57)
Finance costs	(2,299)	(1,272)
Corporate income tax	(172)	(586)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>2,333</b>	<b>2,531</b>

The average number of employees of the companies consolidated using the proportionate method in 2013 was 540, stated at the Group's percentage shareholdings (2012: 496 employees).

**10. Goodwill**

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Goodwill on consolidation	207,549	265,097

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

The breakdown of goodwill by cash-generating unit (CGU) at year-end 2013 and 2012 and the movements on this account during the years then ended (thousand euro):

<b>2013</b>	<b>Thousand euro</b>					
	<b>Balance at 31/12/2012</b>	<b>Additions</b>	<b>Disposals</b>	<b>Impair- ment (note 13)</b>	<b>Translation differences</b>	<b>Balance at 31/12/2013</b>
Spain	23,513	-	(1,649)	-		21,864
Argentina	37,197	-	-	-	(10,352)	26,845
Italy	66,563	316	-	(16,000)	-	50,879
Panama	26,630	-	-	-	(1,152)	25,478
Mexico	111,194	-	-	(24,330)	(4,381)	82,483
	<b>265,097</b>	<b>316</b>	<b>(1,649)</b>	<b>(40,330)</b>	<b>(15,885)</b>	<b>207,549</b>

Additions in 2013 relate to the acquisition of the Italian company Royal Jack Pot, S.r.l.

Disposals mainly relate to goodwill of Codere Gandía and Codere Navarra (Nota 6.b)

<b>2012</b>	<b>Thousand euro</b>					
	<b>Balance at 31/12/2011</b>	<b>Additions</b>	<b>Disposals</b>	<b>Impairment (note 13)</b>	<b>Translation differences</b>	<b>Balance at 31/12/2012</b>
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
	<b>304,003</b>	<b>66,648</b>	<b>(29,364)</b>	<b>(75,212)</b>	<b>(978)</b>	<b>265,097</b>

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

The decreases 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.

On the basis of the impairment tests described in note 13, the Group recognised an impairment loss in 2013 on the Italian and Mexican cash-generating units amounting to 40,330 thousand Euros. In 2012 an impairment loss of 75,212 thousand Euros was recognised for the Spain CGU.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Goodwill at cost and the accumulated amortisation thereon at 31 December 2013 and 2012 is broken down by cash generating unit as follows:

Thousand euro					
	Cost	Impairment losses			Net carrying amount
		2011 and prior years	2012	2013	
<b>2013</b>					
Spain	101,191	(4,115)	(75,212)	-	21,864
Argentina	26,845	-	-	-	26,845
Italy	112,072	(45,193)	-	(16,000)	50,879
Panama	25,478	-	-	-	25,478
Mexico	106,813	-	-	(24,330)	82,483
	<b>372,399</b>	<b>(49,308)</b>	<b>(75,212)</b>	<b>(40,330)</b>	<b>207,549</b>

Thousand euro					
	Cost	Impairment losses			Net carrying amount
		2011 and prior years	2011	2012	
<b>2012</b>					
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
	<b>389,617</b>	<b>(45,193)</b>	<b>(4,115)</b>	<b>(75,212)</b>	<b>265,097</b>

**11. Non-current financial assets**

The balances under this heading at 31 December 2013 and 2012 and the movements in the years then ended break down as follows:

Thousand euro						
Item	Balance at 31/12/2012	Additions	Disposals	Transfers	Translation differences	Balance at 31/12/2013
Loans and receivables	18,670	3,622	(3,679)	-	(1,267)	17,346
Investments held to maturity	6,093	2,170	(2,866)	-	(10)	5,387
Other financial assets	12,439	-	-	(12,533)	94	-
	<b>37,202</b>	<b>5,792</b>	<b>(6,545)</b>	<b>(12,533)</b>	<b>(1,183)</b>	<b>22,733</b>

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Transfers includes the reclassification to short term of the purchase option on 15.2% of Icela's stock expiring in June 2014.

<b>FY 2012</b>		<b>Thousand euro</b>					
<b>Item</b>	<b>Balance at 31/12/2011</b>	<b>Business combinations</b>	<b>Additions</b>	<b>Disposals</b>	<b>Impairment provisions</b>	<b>Translation differences</b>	<b>Balance at 31/12/2012</b>
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
	<b>67,574</b>	<b>11,100</b>	<b>11,315</b>	<b>(11,530)</b>	<b>(41,515)</b>	<b>258</b>	<b>37,202</b>

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.). (Note 6.a.2.1.).

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.

The present value of the cash flows embodied by the Group's non-current financial assets at 31 December 2013 and 2012 discounted at market interest rates is considered to approximate their carrying amounts. The difference between their carrying amounts and fair values is therefore not material.

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

<b>Currency</b>	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
euro	14,323	16,750
US dollar	3,872	8,186
Argentine pesos	3,069	2,277
Mexican pesos	1,439	9,713
Uruguayan pesos	-	271
Colombian pesos	30	5
	<b>22,733</b>	<b>37,202</b>

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

a) Loans and receivables

Type	Owner	Thousand euro	
		2013	2012
Long-term loans	Hípica de Panamá, S.A.	1,818	1,332
Long-term loans	Alta Cordillera, S.A.	282	419
Long-term loans	Grupo Operbingo Italia, S.p.A.	2,457	3,890
Long-term loans	Codere Madrid, S.A.	839	556
Long-term loans	Operibérica, S.A.	558	651
Long-term loans	Codere S.A.	2,366	2,400
Long-term loans	Codere México, S.A.	1,439	1,602
Long-term loans	Joint Opcos	-	-
Other minor loans to third parties		7,587	7,820
<b>Total</b>		<b>17,346</b>	<b>18,670</b>

The loans to the Joint Opcos are with Grupo Caliente companies. Although the Group has collateral on the dividends expected from the non-controlling shareholder 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 impairment of these loans is considered reasonable by the Group since the present value of the dividends expected to be distributed by the Joint Opcos to the non-controlling shareholder is significantly lower than the amount owed to them. Cash flows from the Joint Opcos must first be paid to Codere México, S.A. de C.V. as service agreements, loans and a credit line. The provision amounts to €28,417 thousand at 31 December 2013.

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

Year	Thousand euro	
	2013	2012
2014	-	3,549
2015	7,053	1,819
2016	540	473
2017	203	74
2018	1,187	-
Subsequent years	8,363	12,755
<b>Total</b>	<b>17,346</b>	<b>18,670</b>

b) Investments held to maturity

Type of investment	Thousand euro	
	2013	2012
Payout reserve containers (hoppers)	2,686	2,841
Long-term fixed-rate investments	2,413	2,154
Deposit agreements	39	14
Other	249	1,084
	<b>5,387</b>	<b>6,093</b>

c) Other financial assets

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

In 2012 this heading includes the fair value of the option for the acquisition of CIE Group's 15.2% shareholding in ICELA Group. Reclassified to short term at 31 December 2013 (see Note 16).

**12. Deferred taxes**

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

	<b>2013</b>		<b>2012</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Intangible assets	3,408	(104,433)	3,280	(122,945)
Property, plant and equipment	17,497	(121)	17,662	(3,122)
Financial investments	1,465	(690)	947	(719)
Exchange differences	-	(163)	-	(163)
Tax credits	19,060	-	21,569	-
Other	8,559	(7,766)	6,303	(7,765)
	<b>49,989</b>	<b>(113,173)</b>	<b>49,761</b>	<b>(134,714)</b>
Deferred tax assets/(liabilities) to be recovered after more than 12 months	20,270	77,762	30,761	(103,856)
Deferred tax assets/(liabilities) to be recovered within 12 months	29,719	(35,411)	19,000	(30,858)
	<b>49,989</b>	<b>(113,173)</b>	<b>49,761</b>	<b>(134,714)</b>

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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

	Thousand euro			
	Balance at 31/12/2012	Charged to profit or loss	Reclassification	Balance at 31/12/2013
<b>FY 2013</b>				
<u>Assets</u>				
Tax credits	21,569	(2,275)	-	19,060
Financial investments	947	518	-	1,465
Intangible assets	3,279	80	56	3,408
Property, plant and equipment	17,662	(220)	-	17,497
Other	6,304	3,106	1,787	8,559
	<b>49,761</b>	<b>1,209</b>	<b>1,843</b>	<b>49,989</b>
<u>Liabilities</u>				
Revaluation of property, plant and equipment	(3,122)	2,728	-	(121)
Financial investments	(719)	21	-	(690)
Exchange differences	(163)	-	-	(163)
Intangible assets	(122,945)	5,624	8,256	(104,433)
Other	(7,765)	(1)	-	(7,766)
	<b>(134,714)</b>	<b>8,372</b>	<b>8,256</b>	<b>(113,173)</b>
<b>Net deferred tax assets (liabilities)</b>	<b>(84,953)</b>			<b>(63,843)</b>

In the Reclassification column, opening balances relating to Mexican entities are adjusted which corresponded to current tax balances but were reported at the end of 2012 under Deferred tax.

	Thousand euro			
	Balance at 31/12/2011	Charged to profit or loss	Business combinations	Balance at 31/12/2012
<b>FY 2012</b>				
<u>Assets</u>				
Tax credits	27,179	(5,659)	9	21,569
Financial investments	857	-	-	947
Intangible assets	1,036	(3,369)	5,392	3,279
Property, plant and equipment	16,724	(2,235)	2,937	17,662
Other	2,739	2,644	708	6,304
	<b>48,535</b>	<b>(8,619)</b>	<b>9,046</b>	<b>49,761</b>
<u>Liabilities</u>				
Revaluation of property, plant and equipment	(3,485)	386	-	(3,122)
Financial investments	(782)	63	-	(719)
Exchange differences	(163)	-	-	(163)
Intangible assets	(82,281)	3,833	(44,499)	(122,945)
Other	(1,562)	(5,963)	(199)	(7,765)
	<b>(88,273)</b>	<b>(1,681)</b>	<b>(44,698)</b>	<b>(134,714)</b>



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

<b>Net deferred tax assets (liabilities)</b>	<b><u>(39,738)</u></b>	<b><u>(84,953)</u></b>
--	------------------------	------------------------

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 Grupo ICELA 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.

**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.

As a result of the impairment analysis carried out at the end of 2013, considering as evidence the facts mentioned in Note 2.a, the Group has written down its assets in the Italian units, Carrasco Nobile and Internet España. The total impairment in December amounted to 32,998 thousand Euros, which has been added to the impairment of 24,330 thousand Euros recognised in Mexico in June 2013. In the case of Italy, this impairment was principally due to the increase in the gaming tax rate in recent years, the reduced proceeds from Type B and VLT gaming machines and reduced sales of bingo cards in the context of the severe macro-economic crisis in Italy in recent years and the higher number of VLT machines in the market. In the case of Carrasco, the impairment derives mainly from a poorer performance of the business than initially expected. The main reason for this is the delay in opening the facilities and the lower than expected presence of major betters. The impairment of Internet España results from the fact that sector regulation in Spain has influenced this unit's development, since it has allowed the legalisation of enterprises that were formerly unlawful without any required adaptation in their operating conditions. This has placed the Codere unit at a competitive disadvantage which will prevent the recovery of the investment in the manner initially envisaged.

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 in each unit for 2014, 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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

specifically approved in the 2014 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 option, 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 currency and the net present value of these cash flows is then translated into euro at the exchange rate prevailing at 31 December 2013.

*Key assumptions*

The key assumptions in respect of gaming operations relate in general to gaming capacity installed (number of gaming halls, casinos, race tracks, betting agencies, gaming machines installed, bingo hall seating capacity, gaming tables, etc.) and the average daily proceeds 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 2013 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 2013 and the final 12 months of the projection period.

<b>Cash-generating unit</b>	<b>Carrying amount of net operating assets<sup>(1)</sup> at 31.12.2013 (€'000)</b>	<b>Asset impairment at 31.12.2013 (€'000)</b>	<b>After-tax discount rate</b>
-----------------------------	--	---	--------------------------------

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Argentina	132,351	-	22.1%
México <sup>(1)(3)</sup>	638,875	(24,330)	10.4%
Spain <sup>(4)</sup>	111,677	-	8.5%
Italy <sup>(5)</sup>	130,261	(16,000)	8.7%
Panama	58,769	-	11.0%
Colombia <sup>(6)</sup>	16,369	-	10.2%
Uruguay HRU	24,167	-	14.7%
Carrasco	51,892	(13,400)	14.7%
España Online	3,642	(3,598)	8.5%
Parent companies and other	(1,300)		
<b>Total</b>	<b>1,166,703</b>	<b>(57,328)</b>	<b>N/A</b>

<b>Cash-generating unit</b>	<b>Organic growth rate for calculating terminal value</b>	<b>CAGR of revenue in local currency<sup>(2)</sup></b>	<b>Change in EBITDA margin (percentage points)<sup>(2)</sup></b>
Argentina	5.0%	13.5%	(0.3p.p.)
México <sup>(1)(3)</sup>	3.0%	2.7%	8.2p.p.
Spain <sup>(4)</sup>	1.2%	4.4%	0.2p.p.
Italy <sup>(5)</sup>	1.5%	0.4%	1.0p.p.
Panama	3.2%	3.8%	0.3p.p.
Colombia <sup>(6)</sup>	3.0%	3.4%	5.9pp
Uruguay HRU	5.0%	10.1%	(4.5p.p.)
Carrasco	5.0%	24.0%	-
España Online	1.2%	-	-
	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

(1) Includes the carrying amount of goodwill, intangible assets and property, plant and equipment and certain operating items in working capital, before impairment losses in the period. In the case of Mexico, assets at 31 December have been reduced due to the asset impairment recognised on 30 June 2013 amounting to €24,330 thousand and reflected under Asset impairment losses at 31 December 2013.

(2) Obtained by comparing the figures for the last year of the projection period with those of the 12 months to 31 December 2013 (as reported quarterly and translated into local currency at average exchange rates).

(3) Includes non-recurring charges of €13.5 million (of which €6.0 relates to tax contingency effects, €2.7 million to restructuring and €9 to business consulting services). Stripping out this item, the 2013 EBITDA margin would have been 3.7.5pp higher.

(4) Deployment of sports betting operations in Madrid, Basque Country, Navarra, Valencia, Aragón, Murcia, Galicia and Castilla la Mancha.

(5) Includes the impact of the first-time consolidation of the companies acquired during the year: Royal Jackpot since 4Q 2013.

(6) The Columbia EBITDA margin was reduced in 2013 by a gaming tax provision of €1.6 million.

**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:

**Variable required to equate value in use to carrying amount**

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

<b>Cash-generating unit</b>	<b>After-tax discount rate</b>	<b>Organic growth rate for calculating terminal value</b>
Argentina	52%	N/A
Mexico	11.9%	0.9%
Spain	9.3%	0.2%
Italy	N/A	N/A
Panama	14.3%	N/A
Colombia	13.2%	N/A
Uruguay HRU	22.1%	-
Carrasco	N/A	N/A
Internet España	N/A	N/A

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-generating units were acquired recently at market value either as a result of significant acquisitions or due to the outcome of impairment testing in prior years.

**14. Inventories**

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Gaming machines	377	329
Spare parts for machines	4,397	5,737
Food and drink	2,409	2,742
Bingo cards	1,021	1,711
Other items	3,769	2,021
	<b>11,973</b>	<b>12,540</b>

The cost of inventories recognised as an expense in 2013 amounted to 44,493 thousand Euros ( 42,136 thousand Euros in 2012).

**15. Accounts receivable**

a) Trade receivables:

At 31 December 2013, "Trade and other receivables" included 3,920 thousand Euros for catering and management services supplied to food and drink establishments in Spain ( 4,021 thousand Euros at 31 December 2012).

There are no provisions for impairment of receivables.

b) Sundry receivables:

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Sundry receivables	77,008	84,592
Receivable from employees	842	1,476
Provisions	(31,116)	(36,371)
	<b>46,734</b>	<b>49,697</b>

At 31 December 2013, "Sundry receivables" includes approximately 26,545 thousand Euros 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 ( 26,803 thousand Euros at 31 December 2012). These advances will be recovered against the takings collected.

"Sundry receivables" also includes at year-end 2013 10,795 thousand Euros due from CIE Group companies, mainly Make Pro, S.A. de C.V., for advertising and sponsorship services ( 14,277 thousand Euros at year-end 2012).

This heading also includes 11,912 thousand Euros receivable by Codere Network S.p.A. from gaming machine operators in Italy ( 13,864 thousand Euros at 31 December 2012). The remaining amount comprises a significant number of receivables of lower value.

The amounts recognised under "Provision for impairment" at 31 December 2013 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:

	<b>Thousand euro</b>
<b>Balance at 31/12/2012</b>	<b>(36,371)</b>
Provision for receivables impairment	(3,423)
Unused amounts reversed	5,262
Amounts derecognised	3,408
Translation differences	8
<b>Balance at 31/12/2013</b>	<b>(31,116)</b>
	<b>Thousand euro</b>
<b>Balance at 31/12/2011</b>	<b>(37,338)</b>
Provision for receivables impairment	(3,320)
Unused amounts reversed	1,546
Amounts derecognised	2,756
Translation differences	(15)
<b>Balance at 31/12/2012</b>	<b>(36,371)</b>

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

c) Tax receivables accrued

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

At 31 December 2013, "Tax receivables accrued" amount to 103,353 thousand Euros ( 106,040 thousand Euros at year-end 2012). This balance includes 71,083 thousand Euros in 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 remaining 32,270 thousand Euros corresponds to taxes due from the tax authorities in the Group's other operating markets.

The carrying amounts of accounts receivable are denominated in the following currencies:

Currency	Thousand euro	
	2013	2012
euro	34,969	36,810
US dollar	15,348	16,401
Argentine pesos	16,564	2,809
Mexican peso	115,552	127,505
Uruguayan peso	4,535	4,153
Colombian peso	2,141	1,459
Brazilian real	468	330
	<b>189,577</b>	<b>189,467</b>

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 collateral as security.

**16. Other current financial assets**

The movements on "Other current financial assets" in 2012 and 2013 are as follows (figures in thousand euro):

<b>FY 2013</b>	<b>Balance at 31/12/2012</b>	<b>Additions</b>	<b>Transfers</b>	<b>Disposals</b>	<b>Translation differences</b>	<b>Balance at 31/12/2013</b>
Short-term investment securities	2,575	-	-	(1,211)	(133)	1,231
Other loans and investments	53,768	8,674	12,533	(39,006)	(838)	35,131
	<b>56,343</b>	<b>8,674</b>	<b>12,533</b>	<b>(40,217)</b>	<b>(971)</b>	<b>36,362</b>

The transfer relates to the Icela purchase option (expiring in June 2014 as explained in Note 6) which has been stated at fair value.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

<b>FY 2012</b>	<b>Balance at 31/12/2011</b>	<b>Additions</b>	<b>Disposals</b>	<b>Provisions</b>	<b>Translation differences</b>	<b>Balance at 31/12/2012</b>
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
	<b>22,021</b>	<b>37,131</b>	<b>(2,139)</b>	<b>-</b>	<b>(670)</b>	<b>56,343</b>

The fair values of current financial assets at 31 December 2013 and 2012 do not differ materially from their carrying amounts.

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

<b>Item</b>	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Short-term loans	15,600	14,237
Deposits and guarantees	18,071	38,526
Short-term deposits	1,460	1,005
	<b>35,131</b>	<b>53,768</b>

"Short-term loans" include amounts receivable from directors and senior managers for loans granted to buy shares in Codere S.A. as detailed in note 25. These loans are guaranteed against said shares. (Note 18).

The decrease in Deposits and guarantees relates mainly to the withdrawal of the 30 million US Dollars deposit made by Codere S.A. to secure loans from credit institutions obtained to renew licences in Argentina. It also includes deposits held by Codere Network, S.p.A. due to the Concession Agreement of Codere Network, S.p.A. under which this company operates, amounting to 9,776 thousand Euros.

The carrying amounts of the items under this heading are denominated in the following currencies:

<b>Currency</b>	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Euro	23,878	25,041
US dollar	4,715	23,879
Argentine pesos	799	5,850
Mexican peso	6,738	1,365
Uruguayan peso	222	148
Colombian peso	10	60
	<b>36,362</b>	<b>56,343</b>

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**17. Equity**

a) Share capital

At 31 December 2013 and 2012 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 Euro each. The Parent's shares have been listed on the Madrid Stock Exchange since 19 October 2007.

At 31 December 2013 and 2012 the Parent Company's shareholder structure was as follows:

Shareholder	Shareholding	
	%	%
	2013	2012
Masampe Holding, B.V.	51.35%	51.35%
Mr. José A. Martínez Sampedro	12.42%	12.42%
Noonday Asset Management, LLP		5.33%
Other shareholders	36.23%	30.90%
	<b>100%</b>	<b>100%</b>

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 2013, 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 managers on the market in 2013 or 2012. Nor did senior management purchase any shares in 2013 or 2012.

b) Share premium

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

c) Treasury shares

At the Annual General Meeting of 27 June 2013, 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 nominal value of the treasury shares acquired and the maximum the market value plus 20% at the acquisition date. This authorisation was granted for a term of five years and is expressly subject to the condition 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 agreement



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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 in Codere S.A. traded on the official stock market.
- 12 months, automatically extended unless otherwise notified by either party.
- Funds transferred to the cash account: 500 thousand Euro, with a further 250 thousand Euros available if the parties consider it necessary pursuant to Rule 2, Point 5 of CNMV Circular 3/2007. At 31 December 2013, the amount paid in totalled 750 thousand Euros.
- 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 2013, the Company holds 250,345 treasury shares (149,611 in 2012) of which 191,345 (90,611 in 2012) had been acquired by Kepler Cheuvreux (formerly Crédit Agricole Cheuvreux, S.A.) , representing less than 10% of the total shares of Codere, S.A., the legally established limit, with an equity value of 319 thousand Euros (551 thousand Euros at 31 December 2012). The average acquisition price was 2.97 Euro per share. These shares are fully paid up.

d) Legal reserve

In accordance with the Spanish Companies Act 2010, 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 2013 and 2012 the legal reserve totalled 2,201 thousand Euros.

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.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

e) Revaluation reserves

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 their acquisition cost. This restatement was recognised directly against equity under the Revaluation reserve heading.

The Revaluation Reserve will be transferred to Retained earnings when the capital gain is realised. The capital gain realised is deemed to be the difference between the depreciation calculated on the restated value of the asset and the depreciation calculated according to its original value.

f) 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.

g) Information by company

Appendix II provides an itemised breakdown of the equity of the Group companies at 31 December 2013.

**18. Provisions**

**18.1. Non-current provisions**

	Thousand euro				
<b>FY 2013</b>	<b>Balance at 31/12/2012</b>	<b>Additions</b>	<b>Disposals</b>	<b>Translation differences</b>	<b>Balance at 31/12/2013</b>
Provision for taxes	14,338	10,192	(6,821)	(1,336)	16,373
Retirement bonuses	7,349	1,367	(817)	(186)	7,713
Other provisions	23,167	2,790	-	(1,691)	24,266
	<b>44,854</b>	<b>14,349</b>	<b>(7,638)</b>	<b>(3,213)</b>	<b>48,352</b>

Thousand euro

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

<b>FY 2012</b>	<b>Balance at 31/12/2011</b>	<b>Business combinations</b>	<b>Additions</b>	<b>Disposals</b>	<b>Translation differences</b>	<b>Balance at 31/12/2012</b>
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
	<b>44,219</b>	<b>2,521</b>	<b>22,094</b>	<b>(24,081)</b>	<b>101</b>	<b>44,854</b>

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 2013 and 2012 of approximately 13,712 thousand Euros and 12,973 thousand Euros, respectively. There have been additions due to new tax contingencies arising during the year in Mexico and Columbia (Note 4.e. ii) amounting to approximately 8,274 thousand Euros and 1,850 thousand Euros, respectively, and disposals due to the reversal of the amount of 6,821 thousand Euros recorded in Mexico as a result of the lapsing of tax contingencies.

b) Retirement bonuses

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

c) Other provisions

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 12,368 thousand Euros and 12,161 thousand Euros at 31 December 2013 and 2012, respectively.

At 31 December 2013, this heading also includes 1,282 thousand Euros 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 (€ 1,028 thousand at year-end 2012).

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

Additions in 2013 mainly relate to provisions for future litigation in Italy and Argentina. In 2012 additions related mainly to provisions for future litigation in Italy and disposals due to lapsing of contingencies or litigation settled in Argentina and 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.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**18.2. Current provisions and other**

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Reserve for options	5,158	4,102
Other financial assets (sale-purchase options on investments)	5,327	21,199
Other	791	-
<b>Total provisions and other</b>	<b>11,276</b>	<b>25,301</b>

At 31 December 2012, the heading Other included provisions for taxes in Mexico totalling 20,463 thousand Euros resulting from the policy laid down by the Tax Administration Service in relation to the Special Tax on Products and Services and other taxes related to gaming activities. This amount was paid during 2013.

This heading includes a provision for the market value of the share sale option offered to a number of senior managers of Codere S.A. One million ordinary shares, formerly held as treasury shares, were sold to senior managers at a price of 7.88 Euro 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 these senior managers totalling 7.88 million Euros, which accrued interest at an annual rate of 2.5% in 2013 and 2012. The interest accrued, amounting to 1,323 thousand Euros, has been provided for in full under Financial expenses.

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 the managers and was valued as such. Changes in the value of this option are recognised directly in equity.

Under this option, the senior managers were entitled to repay the loan to Codere S.A. after 18 months from the acquisition date. This term was since extended to December 2013. 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.

**FY 2013**

	<b>Thousand euro</b>		
	<b>Balance at 31/12/2012</b>	<b>Additions</b>	<b>Disposals</b>
Provision for put option granted to executives	4,102	1,605	(549)
	<u>4,102</u>	<u>1,605</u>	<u>(549)</u>

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**FY 2012**

	<b>Thousand euro</b>			
	<b>Balance at 31/12/2011</b>	<b>Additions</b>	<b>Dispo- sals</b>	<b>Balance at 31/12/2012</b>
Provision for put option granted to executives	<u>2,865</u>	<u>3,200</u>	<u>(1,963)</u>	<u>4,102</u>

In February 2014 the Board of Directors agreed to extend the duration of the loans granted to directors. However, the decision has been taken to provide in full for the interest accruing on the loans as the Company's management regards it as unlikely that they will be collected.

Interest accrued and provided for at 31 December 2013 totalled 1,323 thousand Euros. In addition, for directors still with the Company, the provision for the treasury stock purchase option includes the restatement of the market value of the put option at the year-end for all loans granted to directors which had not matured and for the valuation between the closing price for Codere shares and the repurchase price, set at 7.88 Euros for loans expired at 31 December.

During 2013 and 2012 movements in the provision concern the restatement of the market value of said option at the year end and the acquisition of treasury shares by the Codere Group for 7.88 Euros per share. (Note 17c).

At 31 December 2013 and 2012, 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:

	<b>2013</b>	<b>2012</b>
Strike price	10.597	10.597
Expected volatility	66.638%	44.386%
Annual rate	0.413%	0.321%
Implicit rate	<u>6.8280%</u>	<u>3.8323%</u>
<b>Total price</b>	<b><u>9.92</u></b>	<b><u>6.78</u></b>

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**19. Financial liabilities**

a) Non-current payables

	Thousand euro	
	2013	2012
Bonds issued by Codere Finance (Luxembourg), S.A. and by HRU, S.A.	978,044	985,642
Bank borrowings	102,739	100,591
Other payables	50,070	65,970
Finance lease liabilities	7,076	22,328
	<b>1,137,929</b>	<b>1,174,531</b>

a.1) Bonds issued

On 24 June 2005, Codere Finance (Luxembourg), S.A. issued 335 million Euros of 8.25% bonds due 15 June 2015. On 19 April 2006 this same Group company issued an additional 165 million Euros of bonds and on 7 November 2006 another 160 million Euros. 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 Euros of bonds at an issue price of 94%. This issue, with a coupon of 8.25%, is guaranteed by Codere S.A. and 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 300 million US Dollars of 9.25% bonds due 2019.

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

	Thousand euro					
	Face value	Bond currency	Effective interest rate	Maturity	2013	2012
Bonds issued by Codere Finance (Luxembourg), S.A.	335,000	euro	8.76%	15/06/2015	332,536	330,882
Bonds issued by Codere Finance (Luxembourg), S.A.	165,000	euro	8.23%	15/06/2015	165,048	165,080
Bonds issued by Codere Finance (Luxembourg), S.A.	160,000	euro	7.96%	15/06/2015	160,636	161,074
Bonds issued by Codere Finance (Luxembourg), S.A.	100,000	euro	10.71%	15/06/2015	96,523	94,208
Bonds issued by Codere Finance (Luxembourg), S.A.	217,533	US dollar	10.20%	15/02/2019	211,881	220,637
Marketable debentures issued by HRU, S.A.	2,900(*)	US dollar	4.02%	28/11/2022	1,262	1,431
Marketable debentures issued by HRU, S.A.	5,801(*)	US dollar	5.02%	28/11/2018	1,879	2,460
Marketable debentures issued by HRU, S.A.	14,502(*)	US dollar	4.90%	28/11/2021	6,539	7,437
Marketable debentures issued by HRU, S.A.	7,251(*)	US dollar	6.40%	28/11/2017	1,740	2,433
					<b>978,044</b>	<b>985,642</b>

(\*) 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). On 30 November 2012, HRU completed new issues of marketable debentures in amounts of USD8 million and USD4 million.

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

### **NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**

#### **(Thousand euro)**

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.
- 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 300 million US Dollars 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%).

The guarantors at 31/12/2013 are:

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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

(\*) 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 2013, the interest accrued and not yet paid amounted to 41,452 thousand Euros (10,441 thousand Euros at year-end 2012). The increase is due to the non-payment of the coupon that matured on 15 December due to the application of the one-month grace period by Codere. Once that period elapsed on 15 January 2014, Codere did not pay the interest due (Note 28).

a.2) Non-current bank borrowings

	Average effective interest rate	Maturity	Thousand euro	
			2013	2012
Group in Spain	3.88%	2015 - 2026	1,051	1,560
Group in Italy	3.88%	2015 - 2017	1,451	2,788
Group in Mexico	TIIE + 2.27%-3.5%	2015-2017	55,365	64,051
Group in Panama	3M Libor + 3.50% (Floor 6.75%)	2016	7,281	11,921
Group in Colombia	DTF TA + 5.05%	2017	2,068	2,574
Uruguay (C Nobile)	8.35%	2016	35,523	17,697
			<b>102,739</b>	<b>100,591</b>

The items recognised under this heading correspond principally to debt contracted locally to finance expansion of the Group's activities in these countries. The most significant is the debt held by ICELA Group to finance investments in the Banamex Centre, the Hipódromo and the Sala Royal. The main decrease relates to Codere Mexico due to the reclassification of the debt to short term.

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.

a.3) Other non-current payables

The amounts recognised under "Other payables" within "Other non-current payables" at 31 December 2013 and 2012, totalling 50,070 thousand Euros and 65,970 thousand Euros , respectively, correspond principally to long-term payables recognised by Spanish companies for



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

acquisitions and to payments outstanding on exclusivity rights in amounts of approximately 5,790 thousand Euros and 10,452 thousand Euros at year-end 2013 and 2012, respectively.

It also includes 24,739 thousand Euros and 25,613 thousand Euros at 31 December 2013 and 2012, 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 regions 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) at 31 December 2013 and 2012 in the amount of 12,896 thousand Euros and 12,474 thousand Euros, respectively.

**a.4) Finance lease liabilities**

The breakdown of the minimum payments due on finance leases at 31 December 2013 and 2012 is as follows:

	<b>Gross liabilities</b>		<b>Thousand euro Present value</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
No later than 1 year	17,696	23,048	17,371	19,719
Later than 1 year and no later than 5 years	8,751	25,273	7,076	22,328
	<b>26,447</b>	<b>48,321</b>	<b>24,447</b>	<b>42,047</b>
Less:				
Future finance charges on finance lease liabilities	(2,000)	(6,273)		
Recognised as:				
Non-current finance lease liabilities			<b>7,076</b>	<b>22,328</b>
Current finance lease liabilities			<b>17,371</b>	<b>19,719</b>

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 2013 and 2012.

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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

<b>Currency</b>	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
euro	804,902	807,276
US dollar	254,293	272,503
Argentine pesos	1,596	7,461
Mexican peso	58,809	83,821
Uruguayan peso	16,203	-
Colombian peso	2,126	3,470
	<b>1,137,929</b>	<b>1,174,531</b>

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

<b>Year</b>	<b>Thousand euro</b>					
	<b>2013</b>			<b>2012</b>		
	<b>Bank borrowings</b>	<b>Other non-current payables</b>	<b>Total</b>	<b>Bank borrowings</b>	<b>Other non-current payables</b>	<b>Total</b>
2014				14,970	33,102	48,072
2015	60,498	778,688	839,186	72,237	792,574	864,811
2016	39,525	15,106	54,631	11,967	5,172	17,139
2017	572	3,042	3,614	8	4,326	4,334
2018	8	4,955	4,963			
Beyond	2,136	233,399	235,535	1,409	238,766	240,175
	<b>102,739</b>	<b>1,035,190</b>	<b>1,137,929</b>	<b>100,591</b>	<b>1,073,940</b>	<b>1,174,531</b>

b) Current liabilities

b.1) Bank borrowings

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Short-term loans	26,482	57,347
Trade discount lines and credit facilities	95,000	17,079
Interest accrued	872	1,507
	<b>122,354</b>	<b>75,933</b>
Total undrawn	-	42,452
Total limit	<b>122,354</b>	118,385

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Short-term loans

The items recognised under this heading at 31 December 2013 included principally short-term debts with credit entities held by various companies in Grupo Codere México, S.A. de C.V of 5,117 thousand Euros, the ICELA Group of 11,091 thousand Euros, the Group in Italy of 2,271 thousand Euros, the Group in Panama of 4,130 thousand Euros and the Group in Uruguay of 3,216 thousand Euros .

The main decrease is in the credit facilities in Argentina which were applied for to fund the renewal of gaming licenses negotiated in 2012 and included an 200 million ARP credit line of which 100 million ARP is secured by a standby letter of credit issued in Spain (note 16); 30 million ARP is secured by public securities, leaving 70 million ARP unsecured.

The items recognised under this heading at 31 December 2012 included principally short-term debts with credit entities held by Group companies in Argentina amounting to 30,297 thousand Euros, Codere México, S.A. de C.V of 5,306 thousand Euros, the ICELA Group of 11,671 thousand Euros, the Group in Italy of 3,073 thousand Euros, the Group in Panama of 4,298 thousand Euros and the Group in Uruguay of 2,329 thousand Euros.

Trade discount lines and credit facilities

This heading also includes a credit line drawn down by 95 million Euros at 31 December 2013 (18 million Euros at year-end 2012). In October 2007, the Company obtained a senior credit line of 100 million Euros for a maximum of three years conceded by Barclays Bank plc as agent. The facility comprised a revolving credit line of 60 million Euros bearing nominal annual interest at Euribor +1.75% and 40 million Euros to secure sureties. The issuer established certain annual compliance ratios (covenants). These principally limited the Company's indebtedness levels and require it to meet certain financial coverage ratios.

The senior credit line was last renewed on 15 June 2010 for three years. The new Senior Financing Agreement (multi-currency and multi-lender) increased the drawable amount to 120 million Euros, extendable to 180 million Euros, at an interest rate of Euribor/Libor +4.5% over three years.

On 5 July 2013 the Senior credit line was renewed to 5 January 2014 after the former creditors had ceded their positions in favour of Canyon Capital Finance Sarl and various funds managed by GSO Capital Partners LP. The new Senior Financing Agreement lays down a ceiling of 98.56 million Euros of which up to 60 million Euros consists of credit available in cash and the remainder of guarantee instruments. The applicable interest rate is set at the higher of the Euribor +8.5% or Libor +7.5% and an inception fee of 5%. Due to this renewal, of the annual compliance ratios (covenants) were eliminated and the payment of interest due on 15 August 15 2013 associated with bond issuances made by Codere Finance Luxembourg, S.A. was established as a reason for early maturity.

On 13 September 2013, an agreement was reached with creditors of the Senior credit line to change the conditions of that credit line by increasing the total maximum available in cash by 35 million Euros, up to a total of 95 million Euros. The applicable interest rate is set at the higher of the Euribor +8.0% or Libor 7.0% and an inception fee of €1,069 thousand. In addition, interest may be paid accruing on the bond issues effected by Codere Finance Luxembourg, S.A. which should have been paid after the grace period expired on 15 September 2013. The maturity date of the senior debt is maintained as 5 January 2014.

On 9 January 2014 the extension of the maturity of the Senior credit line facility until 5 February 2014 was agreed, with an option for a further extension to 15 April 2014 subject to fulfilment of

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

certain agreed conditions linked to the completion of a debt restructuring plan that is accepted by 50% of the bondholders and that may be implemented before 15 April 2014. Since at 6 February 2014, no agreement with bondholders was reached, the senior credit line expired on that date (see Note 28).

The balances drawn (in thousand euro), their maturities and the interest rates applicable at 31 December 2013 and 2012 are as follows:

<b>2013</b>	<b>Interest rate</b>	<b>Maturity date</b>
60,000	7.68%	06/01/2014
20,000	7.18%	06/01/2014
15,000	7.23%	06/01/2014
95,000		
<b>2012</b>	<b>Interest rate</b>	<b>Maturity date</b>
10,000	4.612%	14/01/2013
3,000	4.613%	31/01/2013
4,548	4.714%	31/01/2013
17,548		

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**

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Payable to tax authorities	158,269	135,735
Gaming taxes deferred	33,641	24,896
Payable to employees	23,207	23,538
Other payables	54,656	91,488
	<b>269,773</b>	<b>275,657</b>

**b.2.1) Payable to tax authorities**

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 applied for and approved which fall due within less than 12 months from the reporting date.

**b.2.3) Other payables**

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

This heading includes:

- Current finance lease obligations on gaming machines in the amount of 17,371 thousand Euros at 31 December 2013 (19,719 thousand Euros at 31 December 2012).
- Payables for exclusivity rights and to suppliers of fixed assets to Spanish gaming machine companies in the amount of 3,765 thousand Euros at 31 December 2013 ( 4,088 thousand Euros at 31 December 2012).
- Bills payable in the short term by Spanish companies totalling 2,194 thousand Euros at 31 December 2013 ( 1,322 thousand Euros at 31 December 2011).
- Payables related to the renewal of licences in Argentina: 13,806 thousand Euros at 31 December 2013 (24,928 thousand Euros at 31 December 2013).
- Payments outstanding on the acquisition of companies in Italy in the amount of €1,804 thousand at 31 December 2013 (4,173 thousand Euros at 31 December 2012).
- Payables on the acquisition of betting terminals in Spain in the amount of 2,552 thousand Euros at 31 December 2013 (5,162 thousand Euros at 31 December 2012).

b.3) Disclosure on deferral of payments to suppliers. Additional Provision 3 Disclosure requirement Law 15/2010:

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.

In compliance with Law 15/2010 the following data is reported at 31 December 2013 concerning Spanish entities within the consolidation scope:

**2013**

	<b>Thousand euro</b>	<b>% of total</b>
Paid within the legally-mandated maximum term	72,778	80.10%
Other	18,079	19.90%
Total payments in the year	90,857	
Weighted average days past due (*)	56	
Trade payables past due by more than the legally-mandated maximum term at the reporting date	2,489	

**2012**

	<b>Thousand euro</b>	<b>% of total</b>
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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

c) Loans secured by the Group

In addition to the shares of various Group companies pledged at 31 December 2013 and 2012 as described in paragraph a.1) above, debt totalling 73,699 thousand Euros was secured by fixed assets belonging to several Group companies (debt of 75,779 thousand Euros at year-end 2012) (Note 22).

d) Current liabilities by currency

Currency	Thousand euro	
	2013	2012
euro	246,181	124,959
US dollar	88,785	92,102
Argentine pesos	70,055	118,249
Mexican peso	147,765	161,338
Uruguayan peso	15,090	13,008
Colombian peso	6,676	8,106
Chilean peso	89	106
Brazilian real	2,446	2,299
	<b>577,087</b>	<b>520,167</b>

**20. Derivative transactions**

During 2013, no operations were carried out involving own shares. In 2012 the Group contracted new 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 were recognised in profit or loss. The impact on the income statement for 2012 was a loss of 3,800 thousand Euros.

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, 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, are as follows:

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**FY 2012**

Monetary units in thousands				
				Euro
Argentine pesos	US dollar	Exchange rate locked in	Maturity	Losses 31.12.2012
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)
<b>569,014</b>	<b>118,000</b>		<b>Total</b>	<b>(3,800)</b>

**21. Tax matters**

Codere S.A. is subject to Corporate Income Tax in Spain and since 1 January 2000 has filed under the special tax rules established in Section VIII of Part VII of Royal Decree 4/2004 of March 5, approving the Revised Text of the Law on Corporate Income Tax.

The companies forming the Spanish consolidated tax group in 2013 were:

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

**Spanish Tax Group 2013:**

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.
	Codere Apuestas Castilla la Mancha, S.A. (*)
	Codere Servicios Compartidos, S.A. (*)

(\*) These companies were added to the scope of consolidation in 2013.

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

- Codere, S.A., as Tax Group Parent and beneficiary.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

- And the following subsidiaries:

**Spanish Tax Group 2012:**

Cartaya, S.A.	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.
Codere Apuestas Galicia S.A.U. (*)	J.M. Quero Asociados, S.A.U.
Codere Apuestas Murcia S.A.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 Internacional Dos, S.A.U.	Sigirec, S.L.

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

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 each of these groups in 2013 and 2012 are as follows:



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**Italian tax group in 2013**

Codere Italia S.p.A.	Operbingo Italia S.p.A.
Cristaltec Service S.r.l.	Codere Interattiva S.r.l.
Seven Cora Service S.r.l.	Bintegral S.p.a.
Vasa e Azzena Service S.r.l.	Gestioni Marconi S.r.l.
Codere Network S.p.A.	Giomax S.r.l.
Codematica S.r.l.	Palace Bingo S.r.l.
Codere Gaming Italia S.r.l.	Parisiene S.r.l.
FG Slot Service S.r.l.	Vegas S.r.l.
Gap Games, S.r.l.	King Slot S.r.l.
Gaming Re, S.r.l.	King Bingo S.r.l.
DP Service, S.r.l.	

**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.	Parisiene 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.

The other companies file individual corporate income tax returns.

Companies domiciled in Spain are subject to a statutory income tax rate of 30% in 2013. 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 2013, the Group recorded €8 million in the income statement as a result of tax inspection being carried out on Codere Mexico and some of its subsidiaries. At 31 December 2012, 4.5 million Euros was recorded in the 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 basis of reports by its legal counsel, the Group's directors consider that the amount provisioned at 31 December 2013 is adequate.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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:

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Consolidated profit/(loss) before tax	(159,742)	(95,781)
Tax at statutory rate of 30%	(47,922)	(28,734)
Tax effects of rates applicable in other countries	3,366	6,862
Tax effect of tax losses and permanent differences for which deferred tax assets were not recognised	79,382	92,290
Tax losses capitalised/derecognised	2,105	(2,011)
Cost associated with tax inspections	8,600	4,500
<b>Corporate Income Tax expense taken to the consolidated income statement</b>	<b>45,531</b>	<b>72,907</b>

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 2013 and 2012 to consolidated profit/(loss) before tax and applying the rates prevailing in each country. The amounts of 3,366 thousand Euros and 6,862 thousand Euros in 2013 and 2012, 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 2013 and 2011, principally in Spain and Brazil, in the amount of approximately €48 million (€56 million in 2012).
- The tax effect of the tax charge estimated in Mexico, principally due to the so-called flat corporate rate (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 2013 with an effect of approximately 13 million Euros (24 million Euros in 2012).
- Permanent differences: differences arising from the application by Group companies of the statutory tax rate in the corresponding country.
- 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.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

The heading Capitalisation/derecognition of tax losses in 2012 recorded mainly the capitalisation of part of the tax losses in Carrasco Nobile, S.A. In 2013, this asset was derecognised due to the low expectation of recovery.

Costs associated with tax inspections relates to the tax inspections in Mexico explained above.

Corporate income tax expense for 2013 was calculated as follows:

	<b>2013</b>	<b>Thousand euro 2012</b>
<b>Consolidated profit/(loss) before tax</b>	<b>(159,742)</b>	<b>(95,781)</b>
Permanent differences	233,436	240,829
Temporary differences	29,663	(34,452)
Use of previously unrecognised tax losses	<u>(2,652)</u>	<u>(22,200)</u>
<b>Tax base (taxable income)</b>	<b><u>100,705</u></b>	<b><u>88,396</u></b>

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.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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

<b>Consolidated Income Statement</b>	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Current tax		
- Current income tax expense (*)	41,338	31,037
- Foreign taxes and other adjustments to current tax	13,773	31,570
Deferred tax		
- Relates to increases and decreases in temporary differences (Note 12)	(11,685)	12,311
Other adjustments to income tax expense		
- Capitalisation/derecognition of tax losses during the year (Note 12)	2,105	(2,011)
<b>Corporate income tax expense</b>	<b>45,531</b>	<b>72,907</b>

(\*) Includes cost of tax inspections

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 unused tax losses of the Codere Group at 31 December 2013 and 2012 after factoring in tax expense for both periods is as follows:

<b>Company</b>	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Codere, S.A. (Tax Group)	354,372	344,774
Rest of Spain	20,604	20,604
Italy	24,335	29,486
Mexico	58,206	58,394
Argentina	1,839	2,548
Panama	3,118	8,094
Uruguay	20,330	9,163
Brazil	27,980	33,114
Colombia	17,160	20,699
<b>Total</b>	<b>527,944</b>	<b>526,876</b>

Unrecognised deferred tax assets amount to 137,800 thousand Euros at 31 December 2013 (136,585 thousand Euros at year-end 2012).

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

The tax credit which may be generated by unused tax losses in respect of income tax in the years to come is not recognised in the Group's consolidated balance sheet, except for capitalised tax credits totalling 19,060 thousand Euros corresponding mainly to Codere S.A. (8,446 thousand Euros), certain Italian companies (5,189 thousand Euros) and certain Mexican companies (3,223 thousand Euros).

The deadlines for utilisation of these tax losses as from the end of 2013 are as follows (thousand euro):

Year	Thousand euro			
	2013		2012	
	Spain	Other countries	Spain	Other countries
2012	-	-	-	1,979
2013	-	-	-	3,127
2014	-	3,760	-	3,228
2015	30	2,500	30	3,868
2016	54	7,387	54	7,941
2017	1,064	8,775	1,064	9,465
2018	1,576	16,424	1,576	2,983
2019	5,374	4,973	5,374	731
2020	3,917	14,750	3,917	14,942
2021	14,279	5,689	14,279	10,966
2022	38,858	10,477	38,858	21,758
2023	39,223	10,833	39,223	-
2024	84,239	-	84,239	-
Subsequent periods	186,362	-	176,764	-
Indefinite	-	67,400	-	79,203
<b>Total</b>	<b>374,976</b>	<b>152,968</b>	<b>365,378</b>	<b>160,191</b>

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

The amount of unused tax credits of the Codere Group at year-end and their expiry dates at 31 December 2013 and 2012 are as follows:

<u>Expiration date</u>	<u>2013</u>	<u>2012</u>
2013	606	840
2014	936	936
2015	807	807
2016	1,512	1,513
2017	1,799	1,799
2018	4,107	4,107
2019	6,844	6,601
2020	1,786	1,882
2021	5,344	8,339
2022	30	30
2023	25	24
2024	14	13
2025	97	1
2026	125	-
2027	6,897	13,570
2028	8,274	-
<b>Total</b>	<b>39,203</b>	<b>40,462</b>

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.

The breakdown of sureties and bank guarantees at 31 December 2013 and 2012 is as follows:

	<b>Thousand euro</b>	
<b>Sureties and guarantees</b>	<b>2013</b>	<b>2012</b>
Sureties and guarantees for gaming	114,018	103,211
Other guarantees	78,175	17,061
	<b>192,193</b>	<b>120,272</b>

Sureties and guarantees for gaming

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

The most significant sureties and guarantees for gaming operations at 31 December 2013 and 2012 correspond to suretyship policies 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 19,858 thousand Euros at 31 December 2013 and 2012. It should be noted that these suretyship policies are external to the senior loan agreement and therefore are not covered by the package of guarantees related to the senior credit line agreement. This guarantee is partly provided for as explained in Notes 4.e. and 18.

Codere S.A. also uses suretyship insurance policies to guarantee its obligations to the Spanish National Gaming Commission in respect of general and individual gaming licenses totalling 12,003 thousand Euros at 31 December 2013 and 12,003 thousand at 31 December 2012. Suretyship insurance policies amounting to 12 million Euros were entered into on 25 November 2013. These new policies, which came into effect on 29 January 2014, were remitted to the Madrid regional government to replace the existing policies in the same amount which had been issued in relation to the senior credit line guarantee facility. It should be noted that these new policies are external to the senior credit line and are therefore not covered by that line's guarantee package.

These figures include 32 million Euros corresponding to the guarantee lines which the Group has utilised when drawing down part of the senior financing as mentioned in Note 3.c.3).

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 Euros, 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.

The increase in "Other guarantees in 2013 is mainly due to the guarantees associated with the deferral of taxes in Spain and the guarantees associated with tax contingencies in Mexico.

In management's opinion, these guarantees should not give rise to significant liabilities beyond the amounts provided for.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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:

	Thousand euro		
	31 December 2013		
	Land and buildings	Machines	Total
Codere Madrid, S.A.U.	-	52,501	52,501
Operibérica, S.A.	1,557	213	1,770
Codere Barcelona, S.A.	4,557	-	4,557
Recreativos Mae, S.L.	1,278	-	1,278
Gistra, S.L.	144	-	144
J.M.Quero S.A.	1,083	-	1,083
J.P.V.Matic 2005, S.L.	871	-	871
Codere Valencia, S.A.	-	6,087	6,087
Codere Girona, S.L	5,408	-	5,408
Codere Alicante, S.L.	218	-	218
	<b>15,116</b>	<b>58,801</b>	<b>73,917</b>

(\*) 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 revenue**

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. Since 2013, the revenues from the lease of the Banamex centre are included.

### **b) Consumables and other external expenses**

This heading corresponds to food and drink consumables, principally in Mexico, Argentina, Spain and Panama.



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**c) Other operating expenses**

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Gaming levies and other taxes	514,154	538,457
Machine rentals and other leases	120,086	127,531
Supplies, repair and maintenance	80,665	113,101
Professional services and other expenses	266,510	215,223
	<b>981,415</b>	<b>994,312</b>

**d) Employee benefit expense**

The breakdown of consolidated employee benefit expense in 2013 and 2012 is as follows:

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Wages, salaries and similar expenses	238,501	256,565
Social security costs	58,232	67,547
Other welfare expenses	9,995	3,746
<b>Total</b>	<b>306,728</b>	<b>327,858</b>

"Wages, salaries and similar expenses" includes termination benefits in the amount of 9,270 thousand Euros in 2013 (7,584 thousand Euros in 2012).

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**e) Headcount**

	2013		2012	
	Number of employees		Number of employees	
	Men	Women	Men	Women
Senior managers	148	27	148	35
Middle management	821	265	668	216
Specialists	318	165	444	189
Administrative staff	1,109	961	1,187	938
Clerical assistants	609	452	819	530
Sales staff	2,037	1,592	2,625	2,067
Collectors	622	381	829	444
Mechanics	584	11	560	46
Other staff	4,934	3,277	5,387	3,302
Other	0	1	470	278
<b>Total</b>	<b>11,182</b>	<b>7,132</b>	<b>13,137</b>	<b>8,045</b>

The decrease in the number of employees is due to the Group's restructuring processes carried out in 2013, particularly in Mexico and Panama.

**f) Earnings per share**

*Basic earnings per share*

Profit/(loss) for the year (€'000)	Average number of shares	2013	Loss for the year (Thousand euro)	Average number of shares	2012
		Loss per share			Loss per share
(205,273)	54,885,363	(3.74)	(168,688)	54,923,256	(3.07)

*Basic earnings/loss per share attributable to owners of the parent*

Loss for the year (€'000)	Average number of shares	2013	Loss for the year (Thousand euro)	Average number of shares	2012
		Loss per share			Loss per share
(173,616)	54,885,363	(3.16)	(146,941)	54,923,256	(2.68)

*Basic earnings/(loss) per share from continuing operations attributable to owners of the parent*

Loss for the year (€'000)	Average number of shares	2013	Loss for the year (Thousand euro)	Average number of shares	2012
		Loss per share			Loss per share
(173,616)	54,885,363	(3.16)	(146,941)	54,923,256	(2.68)

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

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

ordinary shares were issued, if this took place during the period concerned. At 31 December 2013 and 2012 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 54,885,363 in 2013 (54,923,256 in 2012).

**g) Finance income and costs**

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
<b>Finance costs</b>		
Contractual interest expense	(141,363)	(115,040)
Provisions and other liabilities: unwinding of discount	(825)	(51,368)
Other finance costs	-	(14)
<b>Total</b>	<b>(142,188)</b>	<b>(166,422)</b>
<b>Finance income</b>		
Interest income	2,735	5,001
Income from securities, loans and other assets	2,293	1,516
Other finance income	62	1,040
<b>Total</b>	<b>5,090</b>	<b>7,557</b>
<b>Net foreign exchange gains/(losses)</b>	<b>(10,056)</b>	<b>416</b>
<b>Net finance costs</b>	<b>(147,154)</b>	<b>(158,449)</b>

*Contractual interest expense*

This heading reflects interest expense on borrowings from third parties. The year-on-year increase in 2013 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 borrowing costs associated with the renewal of the senior debt facility in Codere.

*Change in provision for financial investments*

The decrease in this heading in 2013 results from the fact that in 2012 it reflected €51,368 thousand relating mainly to 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 11,505 thousand Euros.
- An impairment loss on the outstanding loans extended by the Joint Opcos to the Caliente Group in the amount of 29,675 thousand Euros.
- Losses on the sale-purchase of Argentine government bonds in the amount of 10,188 thousand Euros.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

*Net foreign exchange gains/(losses)*

In 2013 this heading is the net result of 85,461 thousand Euros of exchange gains and 95,514 thousand Euros of exchange losses. In 2012 this heading is the net result of 81,481 thousand Euros of exchange gains and 81,065 thousand Euros of exchange losses.

**24. Additional information on the consolidated cash flow statement**

**Breakdown of cash and cash equivalents**

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Cash equivalents	24,491	2,890
Cash at bank and in hand	78,137	81,957
	<b>102,628</b>	<b>84,847</b>

	<b>Thousand euro</b>	
<b>Currency</b>	<b>2013</b>	<b>2012</b>
Euro	52,558	30,019
US dollar	14,590	12,387
Argentine pesos	26,519	20,497
Mexican peso	5,418	11,947
Uruguayan peso	1,012	7,357
Colombian peso	2,133	2,372
Sterling	2	4
Chilean peso	199	86
Brazilian real	197	178
	<b>102,628</b>	<b>84,847</b>

**Additional information on cash flows from investing activities**

For the year ended 31 December 2013, the main transactions not involving movements of cash were profits on sales of fixed assets (353 thousand Euros), operating income (768 thousand Euros), losses on disposals or sales of fixed assets (6,842 thousand Euros) and operating expenses (9,250 thousand Euros)

The heading Other under changes in working capital includes the effect of exchange rate fluctuations on operating activities and the variation in time-period adjustments due to prepaid expenses and deferred income.

With regard to cash applied to investing activities in the year ended 31 December 2013, payments were made for fixed-asset acquisitions totalling 120,943 thousand Euros and 207 thousand Euros was earned on sales of fixed assets. In addition, 1,279 thousand Euros was received from long-term loans consisting of: a net reduction of 866 thousand Euros in loans to the owners of hotel and catering businesses in Spain (loans paid out of 1,523 thousand Euros net of receipts of 2,389 thousand Euros) and 413 thousand Euros received on long-term loans granted to the owners of premises in Italy (loans paid out of 21,534 thousand Euros net of receipts of 21,947 thousand Euros). Cash paid in respect of acquisitions of companies (net of the cash acquired) totalling 2,822

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

thousand Euros that includes the acquisition of machine and bingo operators in Italy for 2,379 thousand Euros, a 459 thousand Euros payment for the acquisition of operators in Spain and 16 thousand Euros in cash due to the full consolidation of a machine operator in Italy.

Regarding the cash used in financing activities in 2013, Other repayment of borrowings includes returns of bonds issued by HRU amounting to 1,789 thousand Euros. Increases in cash due to bank loans of 23,845 thousand Euros relate to loans obtained mainly in Uruguay. The 41,644 thousand Euros in bank loan repayments relate to Argentina, Mexico, Panama, Spain and Italy. Changes in other financial debt include funds obtained due to the deferral of fees of 8,509 thousand Euros and funds applied in the payment of renewal expenses for the senior credit facility totalling 9,288 thousand Euros, as well as expenses associated with the bank loans granted in Argentina amounting to 1,334 thousand Euros.

The heading "Other cash flows due to the impact of exchange rates on cash receipts and payments" records applications of funds amounting to 9,845 thousand Euros.

For the same period in 2012 the main transactions not involving movements of cash were profits on sales of fixed assets (11,637 thousand Euros which includes the effect of the business combination with Icela), operating income (930 thousand Euros), losses on disposals or sales of fixed assets (4,438 thousand Euros) and operating expenses (29,880 thousand Euros)

With regard to cash applied to investing activities, payments were made for fixed-asset acquisitions totalling 235,822 thousand Euros and 8,264 thousand Euros was earned on sales of fixed assets. In addition, 55 thousand Euros was received from long-term loans consisting of: a net reduction of 896 thousand Euros in loans to the owners of hotel and catering businesses in Spain (loans paid out of 2,857 thousand Euros net of receipts of 3,753 thousand Euros) and 841 thousand Euros received on long-term loans granted to the owners of premises in Italy (loans paid out of 22,794 thousand Euros net of receipts of 21,953 thousand Euros). Cash paid in respect of acquisitions of companies (net of the cash acquired) totalling 157,924 thousand Euros includes the payment for the additional 35.8% acquired in ICELA Group for 158,046 thousand Euros, a deferred payment of 5,576 thousand Euros on the acquisition of non-controlling interests in Argentina, 5,143 thousand Euros for the acquisition of machine and bingo operators in Italy, a €150 thousand payment for the acquisition of operators in Spain and 10,991 thousand Euros of cash consolidated upon the full consolidation of the ICELA Group.

Regarding the cash used in financing activities in 2012, other utilisations of borrowings includes 4,666 thousand Euros for new bonds in Hriou and reimbursements due to the returns of those bonds of 1,226 thousand Euros. The increases in cash due to bank loans of 58,458 thousand Euros relate to loans obtained mainly in Argentina and Uruguay. The 14,614 thousand Euros in bank loan repayments relate mainly to loans in Mexico and Italy. Changes in other financial debt include funds obtained due to the deferral of fees of 19,713 thousand Euros and funds applied in the payment of renewal expenses for the senior credit facility totalling 321 thousand Euros, as well as expenses associated with the bond in US dollars of 7,713 thousand Euros and with bank loans granted in Argentina amounting to 2,406 thousand Euros.

The heading "Other cash flows due to the impact of exchange rates on cash receipts and payments" records new positive flows of 1,713 thousand Euros.

**25. Related party disclosures**

Transactions with related parties not belonging to the Group at 31 December 2013 and 2012 and year-end balances resulting from related party transactions were as follows:

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

<b>2013</b>	<b>Nature of relationship</b>	<b>Thousand euro</b>	
		<b>Loans</b>	<b>Services provided</b>
Encarnación Martínez Sampedro	Executive/Director	503	-
Luis Javier Martínez Sampedro	Executive/Director	1,006	-
Robert Gray	Adviser to the Board	2,183	43
Fernando Ors	Senior Manager	151	-
Jaime Estalella	Senior Manager	101	-
José Ramón Romero	Member of the Board	503	500
Pedro Vidal	Senior Manager	151	-
Adolfo Carpena	Senior Manager	101	-
		<b>4,699</b>	<b>543</b>

<b>2012</b>	<b>Nature of relationship</b>	<b>Thousand euro</b>	
		<b>Loans</b>	<b>Services provided</b>
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	Member of the Board	493	504
Pedro Vidal	Executive	148	-
Adolfo Carpena	Executive	99	-
		<b>5,104</b>	<b>535</b>

The interest expense accrued on loans to related parties amounted to 136 thousand Euros at year-end 2013 (110 thousand Euros at year-end 2012). No balances were pending payment to related parties at either year-end.

The transactions carried out with related parties were at arm's length. At 31 December 2013, interest accrued on loans to directors amounting to 1,323 thousand Euros has been provided for in full. No provisions are recorded for doubtful balances receivable from related parties at 31 December 2012.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

a) 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:

	<b>Thousand euro</b>	
	<b>2013</b>	<b>2012</b>
Directors' remuneration	761	734
Services rendered (*)	500	504
Fixed and variable remuneration	1,746	1,746
	<b>3,007</b>	<b>2,984</b>

(\*) This balance includes fees of 500 thousand Euros and 504 thousand Euros paid in 2013 and 2012, respectively, to the legal firm of director Mr. José Ramón Romero in respect of legal counsel provided to the Codere Group.

The fixed remuneration received by the Group's executive directors in 2013 was as follows:

<b>Gross amounts paid (thousand euro)</b>				
<b>Director</b>	<b>Fixed remuneration</b>	<b>Fixed remuneration as director</b>	<b>Remuneration for attending Board meetings</b>	<b>Total</b>
<b>Mr. José Antonio Martínez Sampedro</b>	903	32	27	<b>962</b>
<b>Mr. Luis Javier Martínez Sampedro</b>	641	32	22	<b>695</b>
<b>Ms. Encarnación Martínez Sampedro</b>	202	32	25	<b>259</b>
<b>Total</b>	<b>1,746</b>	<b>96</b>	<b>74</b>	<b>1,916</b>

The fixed remuneration paid to the Company's non-executive directors in 2013 for their membership of the Board of Directors and its various committees (the Audit Committee, Compliance Committee and Corporate Governance Committee) was as follows:

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Gross amounts paid (thousand 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
Masampe S.L. (1)	32	25	31	-	7	6	101
Mr. José Ignacio Cases Méndez	32	26	-	-	7	6	71
Mr. Joseph Zappala	32	19	-	8	1	-	60
Mr. José Ramón Romero Rodríguez	32	26	-	8	6	-	72
Mr. Eugenio Vela Sastre	32	27	-	10	-	5	74
Mr. Juan José Zornoza Pérez	32	25	-	10	-	5	72
Mr. Juan Junquera Temprano	32	26	70	-	7	6	141
<b>Total</b>	<b>224</b>	<b>174</b>	<b>101</b>	<b>36</b>	<b>28</b>	<b>28</b>	<b>591</b>

(1) Represented by Mr. Fernando Lorente Hurtado.

The remuneration paid to senior management in 2013 was 4,030 thousand Euros (3,463 thousand Euros at 31 December 2012). Termination benefits amounting to 275 thousand Euros were paid to senior executives in 2013. 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 Euros at 31 December 2013 and 31 December 2012.

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 managers 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.



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

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.

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.

b) Balances with the Caliente Group

Certain Mexican companies hold receivables against Caliente Group companies (Mexico minority shareholder) that have not been acquired in the amount of 28,417 thousand Euros (29,675 thousand Euros at 31 December 2012), the amount of which is provided for in full at 31 December 2013 (Note 11).

c) Balances with the CIE Group

The Codere Group has an account receivable of 10,795 thousand Euros at 31 December 2013 (11,460 thousand Euros at 31 December 2012) with the CIE Group (minority shareholder in Mexico) company Make Pro, S.A. de C.V. relating to advertising and sponsorship.

**26. Auditor remuneration**

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

	Thousand euro		
	<u>PricewaterhouseCoopers Auditores, S.L.</u>	<u>Other PwC group companies</u>	<u>Total</u>
<b><u>FY 2013</u></b>			
Audit services	311	1,585	1,896
Other assurance services	132	273	405
Tax advisory services	-	169	169
Other services	34	52	86
	<u>477</u>	<u>2,079</u>	<u>2,556</u>
<b><u>FY 2012</u></b>	-		
Audit services	309	1,575	1,884
Other assurance services	40	51	91
Tax advisory services	-	20	20
Other services	70	71	141

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

<u>419</u>	<u>1,717</u>	<u>2,136</u>
------------	--------------	--------------

**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 2013 or 2012.

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.

**28. Events after the balance sheet date**

**Non-payment of senior credit line**

On 7 January 2014 (CNMV reference 198380), Codere S.A. and the entities involved in the Senior Credit Contract agreed to an amendment and extension to the contract, the main terms thereof being the following:

(i) extension of the maturity of the Senior credit line until 6 February 2014, with an option for a further extension to 15 April 2014 subject to fulfilment of certain agreed conditions linked to the completion of a debt restructuring plan that is accepted by 50% of the bondholders and that may be implemented before 15 April 2014.

(ii) The amount of the renewed credit line will not change from the previous contract, remaining at 127.1 million Euros.

(iii) The payment of an inception fee of (A) 0.5% of the funds utilised from the Working Capital Loan and (B) 1% of the amounts utilised from Sureties and Guarantees (as defined in the Senior Credit Agreement). If an extension to the initial term to 15 April 2014 takes place, an equivalent additional fee will be applied on the date of commencement of the extension.

(iv) A mark-up of 1% per annum of the applicable interest rate.

On 6 February 2014, due to the failure to achieve a debt restructuring plan by that date which was accepted by 50% of the bondholders, the Senior Credit Agreement expired and had not been repaid at the date of the present consolidated annual accounts. Default interest of the Euribor plus 12% is applicable as from the expiration date.

**Coupon Maturity**

On 14 January 2014, Codere, S.A. issued a Relevant Fact statement to the effect that "as the grace period notified on 12 December 2013 has elapsed and on the basis of the Company's current circumstances and the negotiations under way, the decision has been taken not to provide Finance Luxembourg, S.A. with the funds necessary to pay the interest due on the bonds in euro maturing in 2015, and therefore the payment of said interest falling due on 15 January 2014 shall not take place."

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

This constitutes a default event which entitles the bondholders to accelerate redemption of all bonds issued by the Group. At the date of these consolidated financial statements, the Company has not received any notification concerning the accelerated redemption of bonds by their owners.

On 14 February 2014, the Board of Directors of Codere, S.A. resolved not to provide Codere Finance Luxembourg S.A. with the necessary funds to pay the interest payable by it on 15 February 2014 in relation to the US dollar bond issue, applying the grace period of thirty days expressly provided for in the terms and conditions of said instrument.

**Article 5.bis of the Spanish Insolvency Act**

On 2 January 2014, the Company's Board of Directors agreed, in view of the analysis of its financial situation and short-term cash forecast, and in the face of the difficulties in meeting forthcoming debt maturities, to file the notification envisaged in Article 5 bis of the Spanish Insolvency Act with the Commercial Court of Madrid, and to continue negotiations with creditors to secure the refinancing of the Company's debt.

On 7 February 2014, the subsidiaries Codere América, S.A.U., Colonder, S.A.U., Nididem, S.L.U., Codere Internacional Dos, S.A.U. and Codere Internacional, S.L.U., filed the notification envisaged in Article 5 bis of the Spanish Insolvency Act with the Commercial Court of Madrid, in the same terms as Codere, S.A.

As stated in the Spanish Insolvency Act, once four months elapse as from the notification to the Court, the debtor, whether or not a refinancing agreement or out-of-court settlement has been achieved, or the requisite acceptances have been obtained for the admission of an early agreement proposal, must petition for a declaration of bankruptcy within the following month, unless the bankruptcy mediator had already petitioned for the same, or the debtor is no longer in a state of insolvency.

**Current financial situation and feasibility of the Codere Group**

The non-payments reported above in this Note mean that the Group is in a default situation and therefore all the bonds can be called in. The Group has not received any notification of any request for the acceleration of bond redemption by their holders. Neither has it received any notification regarding the initiation of proceedings by creditors to enforce the guarantees granted by the Group.

The management and directors of Codere, S.A. consider that the company is viable to the extent that it has generated and is expected to continue generating positive cash flows from its operating activities in the coming years. These flows have been undermined in recent quarters by the following events:

- Higher than expected expenses (both financial and advisory) as a result of financial restructuring
- Smoking ban in gaming arcades in Argentina
- Temporary closure of halls in Mexico
- Tax increases in Italy, Argentina, Panama and Mexico
- The profitability following the opening of Hotel Casino Carrasco in Uruguay has not been as initially expected and additional investments have been required.

The budget for 2014 of the Codere Group continues to generate positive cash flows in most of its businesses, generating sufficient cash to meet the operational needs of Codere, S.A. and its new

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

business opportunities. Nevertheless, Codere's management and the directors consider the future viability of the Group will depend on reaching an agreement on restructuring its debt with bondholders that includes an agreement with the creditors of the Senior Credit Line.

The Group is in the process of negotiating, supported by its legal and financial advisors, the different alternatives that could enable it to meet all its financial and contractual obligations in the most adequate manner possible. If an agreement is not reached within the deadlines established by Article 5. bis of the Insolvency Act, the Company (and the subsidiaries mentioned above) will be declared insolvent, as already explained.

On 17 February 2014 the Company issued a response addressed to the bondholders' representatives in connection with the so-called "final offer" presented to Codere, S.A. on 2 February. In that reply Codere states that cannot accept the proposal because it includes changes in the structure and ownership of share capital and should therefore be sent to the Company's shareholders for their appraisal. The response also mentions that in its current terms the offer contains certain items that render it unacceptable from a legal viewpoint. However, the Company has indicated its willingness to continue negotiating to reach an agreement, by 2 May 2014 if possible.

Due to the circumstances described above, the management and directors consider that there is significant uncertainty as to the Group's capacity to continue in business if the outcome of the above negotiations is not positive.

**Fluctuations in the exchange rate of the Argentinian peso**

The Argentinian peso has depreciated significantly in the early weeks of 2014. On 17 February it traded at 11.18 pesos/euro, compared with 9.01 pesos/euro at 31 December 2013 and the annual average for 2013 of 7.32 pesos/euro. If 2013 sales by the Argentina CGU had been converted at the current exchange rate, the revenue figure would be reduced by over 30%.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

**APPENDIX I**  
**Companies owned by Codere Group at 31 December 2013 and 2012**

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
SPAIN:						
CARTAYA, S.A.U.						
Avda. de Bruselas, 26						
28108 Alcobendas (Madrid)						
C-F8, S.L.	Bingo hall operation	Full consol.	100.00%	CODERE ESPAÑA, S.L.U.	100.00%	CODERE ESPAÑA, S.L.U.
Avda. de Bruselas, 26						
28108 Alcobendas (Madrid)						
CODERE ALICANTE, S.L.U.	Gaming machine operation	Full consol.	75.00%	CODERE MADRID, S.A.U.	75.00%	CODERE MADRID, S.A.U.
Avda. Alquería de Moret, 19-21						
Picanya (Valencia)	Gaming machine operation	Full consol.	100.00%	CODERE ESPAÑA, S.L.U.	-	-
CODERE APUESTAS, S.A.						
Avda. de Bruselas, 26						
28108 Alcobendas (Madrid)						
CODERE APUESTAS ARAGÓN, S.L.U.	Sports betting	Full consol.	100.00%	CODERE APUESTAS ESPAÑA, S.L.U.	100.00%	CODERE APUESTAS ESPAÑA, S.L.U.
José Pellicer, 33						
(Zaragoza)						
CODERE APUESTAS ESPAÑA, S.L.U.	Sports betting	Full consol.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.
Avda. de Bruselas, 26						
28108 Alcobendas (Madrid)						
CODERE APUESTAS GALICIA, S.L.U.	Sports betting	Full consol.	100.00%	CODERE, S.A.	100.00%	CODERE, S.A.
Edificio "Palacio de la Opera" Glorieta de América s/n local E, 15004 La Coruña	Sports betting					

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
15004 A Coruña		Full consol.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS MURCIA, S.L.U. Alicante nº 170, 30007 Murcia	Sports betting	Full consol.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS NAVARRA S.A. Polígono Plazaola, Manzana D, Nave 10, Aizoain -31195 Barrioplano (Navarra)	Sports betting	Full consol.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS VALENCIA S.A.U. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Sports betting	Full consol.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.	100.00%	CODERE APUESTAS ESPAÑA S.L.U.
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 DOS S.A.U.
CODERE BARCELONA, S.A.U. Mercaders, 1. Pol. Ind. Riera de Caldes Palau de Plegamans (Barcelona)	Gaming machine operation	Full consol.	94.72%	CODERE VALENCIA, S.A.	94.72%	CODERE VALENCIA, S.A.
CODERE DISTRIBUCIONES, S.L.U. Mercaders, 1. Pol. Ind. Riera de Caldes	Gaming machine operation	Full consol.	100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.
	Gaming machine operation, distribution and marketing		100%	CODERE BARCELONA, S.A.U.	100%	CODERE BARCELONA, S.A.U.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Palau de Plegamans (Barcelona)						
CODERE ESPAÑA, S.L.U.		Full consol.				
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						
Picanya (Valencia)						
CODERE GIRONA, S.A.	Gaming machine operation	Full consol.	-	-	50%	CODERE ESPAÑA, S.L.U.
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	Holding company					



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
28108 Alcobendas (Madrid) CODERE INTERACTIVA, S.L. Avda. de Bruselas, 26		Full consol.	100%	CODERE INTERNACIONAL S.L.U.	100%	CODERE INTERNACIONAL S.L.U.
28108 Alcobendas (Madrid) CODERE LOGROÑO, S.L. Piqueras 133.3 Arrubal (La Rioja)	Television, internet and telephony gaming	Full consol.	90%	CODERE, S.A.	90%	CODERE, S.A.
	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.
CODERE ONLINE S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming organisation, marketing and operation	Full consol.	100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.
Codere Servicios Compartidos, S.A. (*) Avda. de Bruselas, 26 28108 Alcobendas (Madrid)						
	Financial services	Full consol.	100%	CODERE, S.A.		
CODERE SERVICIOS S.L.U. Avda. de Bruselas, 26	Advisory, intermediary and real-estate development and management services					

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
28108 Alcobendas (Madrid)						
CODERE VALENCIA, S.A.		Full consol.	100%	JPV MATIC 2005, S.L.		
Avda. Alquería de Moret, 19-21						
Picanya (Valencia)						
CODERE, S.A.	Gaming machine operation	Full consol.	94.72%	CODERE ESPAÑA, S.L.U.	94.72%	CODERE ESPAÑA, S.L.U.
Avda. de Bruselas, 26						
28108 Alcobendas (Madrid)						
COLONDER, S.A.U.	Financial services	Full consol.	100%	-	100%	-
Avda. de Bruselas, 26						
28108 Alcobendas (Madrid)						
	Holding company	Full consol.	100%	CODERE INTERNACIONAL DOS S.A.U.	100%	CODERE INTERNACIONAL DOS S.A.U.
COMERCIAL YONTXA, S.A.						
C/Nicolás Alcorta, 1						
48003 Bilbao						
	Gaming machine operation	Full consol.	51%	OPERIBERICA, S.A.U.	51%	OPERIBERICA, S.A.U.
DESARROLLO ONLINE JUEGOS REGULADOS, S.A.U.						
C/ Manises nº 33						
28224 Pozuelo de Alarcón (Madrid)						
EL PORTALÓN, S.L.	Online gaming activities	Full consol.	100%	CODERE, S.A.	100%	CODERE, S.A.
Avda. de Bruselas, 26						
28108 Alcobendas (Madrid)						
GARAIPEN VICTORIA APUSTUAK, S.L.	Gaming machine operation	Full consol.	50%	CODERE MADRID, S.A.U.	50%	CODERE MADRID, S.A.U.
C/ Nicolás Alkorta, 1						
	Sports betting		73.70%	CODERE APUESTAS ESPAÑA, S.L.U. and COMERCIAL YONTXA S.A.	50.00%	CODERE APUESTAS ESPAÑA, S.L.U. and COMERCIAL YONTXA S.A.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
48003 Bilbao		Full consol.				
GISTRA, S.L.U.						
C/ Velázquez, 18						
46018 Valencia	Premise leasing	Full consol.	47.36%	RECREATIVOS RUAN, S.A.	47.36%	RECREATIVOS RUAN, S.A.
J.M. QUERO Y ASOCIADOS, 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.
JPVMATIC 2005, S.L.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.
MISURI, S.A.U.						
Avda. de Bruselas, 26						
28108 Alcobendas (Madrid)	Bingo gaming	Full consol.	100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.
J.M. QUERO Y ASOCIADOS, 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.
JPVMATIC 2005, S.L.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.
MISURI, S.A.U.						
Avda. de Bruselas, 26	Bingo gaming		100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
28108 Alcobendas (Madrid)		Full consol.				
NIDIDEM, S.L.U.						
Avda. de Bruselas, 26						
28108 Alcobendas (Madrid)	Management of controlled investees	Full consol.	100%	CODERE INTERNACIONAL DOS S.A.U.	100%	CODERE INTERNACIONAL DOS S.A.U.
OPERIBÉRICA, 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.
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.						
Crta. Palma – Alcudia, km. 19400	Gaming machine operation		100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Consell (Mallorca)		Full consol.				
RECREATIVOS OBELISCO, S.L.						
Huercal de Almería. C/ San Rafael-73. Polígono Industrial San Rafael						
Almería						
RECREATIVOS POPULARES, S.L.	Gaming machine operation	Full consol.	60.61%	OPERIBÉRICA, S.A.U.	60.61%	OPERIBÉRICA, S.A.U.
C/ Puente de la Reina, 26- Bajo						
Valladolid						
RECREATIVOS RUAN, S.A.	Gaming machine operation	Full consol.	75%	OPERIBÉRICA, S.A.U.	75%	OPERIBÉRICA, S.A.U.
C/Velázquez, 18						
Valencia						
RED AEAM, S.A.U.	Gaming machine operation	Full consol.	47.36%	CODERE VALENCIA, S.A.	47.36%	CODERE VALENCIA, S.A.
Avda. de Bruselas, 26						
28108 Alcobendas (Madrid)						
RESTI Y CIA, S.L.	Bingo gaming	Full consol.	100%	MISURI, S.A.U.	100%	MISURI, S.A.U.
Avda. de Bruselas, 26						
28108 Alcobendas (Madrid)						
RESUR CÁDIZ, S.L.	Gaming machine operation	Full consol.	50%	CODERE MADRID, S.A.U.	50%	CODERE MADRID, S.A.U.
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)		Full consol.				

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
	Gaming machine operation		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.
<b>ARGENTINA</b>						
BINGOS DEL OESTE, S.A.						
Av. Del Libertador 1068, P 9º						
Buenos Aires (Argentina)						
BINGOS PLATENSES, S.A.	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
Av. Del Libertador 1068, P 9º						
Buenos Aires (Argentina)						
CODERE ARGENTINA, S.A.	Bingo hall operation	Full consol.	100%	CODERE ARGENTINA, S.A. and COLONDER S.A.U.	100%	CODERE ARGENTINA, S.A. and CODERE AMERICA S.A.U.
Av. Del Libertador 1068, P 9º						
Buenos Aires (Argentina)						
IBERARGEN, S.A.	Holding company	Full consol.	100%	CODERE AMÉRICA, S.A.U.,NIDIDEM S.L.U. and IBERARGEN, S.A.	100%	CODERE AMÉRICA, S.A.U.,NIDIDEM S.L.U. and IBERARGEN, S.A.
Av. Del Libertador 1068, P 9º						
Buenos Aires (Argentina)						
INTERBAS, S.A.	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.
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.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
INTERJUEGOS, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)						
	Lotteries and bingo	Full consol.	100%	CODERE ARGENTINA, S.A. and COLONDER S.A.U.	100%	CODERE ARGENTINA, S.A. and CODERE AMÉRICA, S.A.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 COLONDER S.A.U.	80%	CODERE ARGENTINA, S.A. and CODERE AMÉRICA, S.A.U.
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.
<b>BRAZIL:</b>						
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.A.U. and NIDIDEM, S.L.U.

**CHILE:**

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
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.A.U. and NIDIDEM, S.L.U.
Santiago de Chile (Chile)						
			2013		2012	
COLOMBIA:						
BINGOS CODERE, S.A.						
Calle 72 No.7 – 64, Edif. Acciones y Valores, T. A – Pisos 6 y 10	Bingo hall operation	Full consol.	99.99%	NIDIDEM, S.L.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A. and CODERE AMÉRICA S.A.U.	99.99%	NIDIDEM, S.L.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A. and CODERE AMÉRICA S.A.U.
Bogotá (Colombia)						
CODERE COLOMBIA, S.A.	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 S.L.U., CODERE AMÉRICA, S.A.U. and CODERE INTERNACIONAL S.L.U.
Calle 72 No.7 – 64, Edif. Acciones y Valores, T. A – Pisos 6 y 10						
Bogotá (Colombia)						
INTERSARE, S.A.	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.
Transversal 95 Bis A No. 25 D – 41						
Bogotá (Colombia)						
ITALIA:						
BINGOS OASIS, S.R.L.						
Via Cornellia, 498	Bingo hall operation	Full consol.			100%	OPERBINGO ITALIA, S.P.A.
Rome						



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
BINGO RE, S.R.L.						
Via Cornellia, 498						
Rome						
BINTEGRAL, S.P.A.	Bingo hall operation	Full consol.			100%	OPERBINGO ITALIA, S.P.A.
Via Cornellia, 498						
Rome						
CODERE GAMING 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						
CODERE ITALIA, S.P.A.	Holding company	Full consol.	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
Via Cornellia, 498						
Rome						
CODEMATICA, S.R.L.	Provision of advisory services	Full consol.	100%	CODERE INTERNACIONAL, S.L.U.	100%	CODERE INTERNACIONAL, S.L.U.
Via Cornellia, 498						
Rome						
CODERE INTERATTIVA ITALIA S.R.L.	Gaming machine operation	Full consol.	100%	CODERE GAMING ITALIA, S.R.L.	100%	CODERE GAMING ITALIA, S.R.L.
Via Cornellia, 498						
Rome						
CODERE NETWORK, S.P.A.	Television, online and telephony gaming	Full consol.	95.10%	OPERBINGO ITALIA S.P.A.	95.10%	CODERE INTERATTIVA S.L. and OPERBINGO ITALIA S.P.A.
Via Cornellia, 498						
Rome						
CODESTRADA, S.R.L.	Bingo hall operation	Full consol.	100%	CODEMATICA, S.R.L.	100%	CODEMATICA, S.R.L.
Via Cornellia, 498						
	Gaming machine operation					CODERE ITALIA, S.P.A.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Rome		Full consol.			100%	
CRISTALTEC 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.
DP SERVICE S.R.L.						
Via Cornelia 498						
Rome	Gaming machine operation	Full consol.	60%	CODERE ITALIA, S.P.A.	60%	CODERE ITALIA, S.P.A.
FG SLOT SERVICE S.R.L.						
Via Cornellia, 498						
Rome	Gaming machine operation	Full consol.	55%	CODERE ITALIA, S.P.A.	55%	CODERE ITALIA, S.P.A.
GAMING NEW, S.R.L.						
Via Cornellia, 498						
Rome	Gaming machine operation	Full consol.			100%	CODERE ITALIA, S.P.A.
GAMING RE S.R.L.						
Via Cornellia, 498						
Rome	Gaming machine operation	Full consol.	75%	CODERE ITALIA, S.P.A.	75%	GAMING SERVICE S.R.L.
GAMING SERVICE S.R.L.						
Via Cornellia, 498						
Rome	Gaming machine operation	Full consol.			75%	CODERE ITALIA, S.P.A.
GAP GAMES S.R.L.						
Via Cornellia, 498						
Rome	Gaming machine operation	Full consol.	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
GESTIONI MARCONI, S.R.L.	Bingo hall operation		100%	OPERBINGO ITALIA, S.P.A.	100%	BINGO RE, S.R.L.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Via Cornellia, 498						
Rome		Full consol.				
GIOMAX, 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.
Via Strada Statale Sannitica, 265. km.25,800						
Maddaloni (Ce), Italy						
	Bingo hall operation	Full consol.	75%	OPERBINGO ITALIA, S.P.A.	75%	OPERBINGO ITALIA, S.P.A.
KING BINGO, S.R.L.						
Via Strada Statale Sannitica, 265. km.25,800						
Maddaloni (Ce), Italy						
	Bingo hall operation	Full consol.	75%	OPERBINGO ITALIA, S.P.A.	75%	OPERBINGO ITALIA, S.P.A.
MAXIBINGO, S.R.L.						
Via Cornellia, 498						
Rome						
NEW JOKER S.R.L.	Bingo hall operation	Full consol.			100%	OPERBINGO ITALIA, S.P.A.
Via della Magliana, 279a						
Rome						
OPERBINGO ITALIA, S.P.A.	Bingo hall operation	Prop. consol.	30%	OPERBINGO ITALIA, S.P.A.	30%	OPERBINGO ITALIA, S.P.A.
Via Cornellia, 498						
	Bingo hall operation		100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Rome						
OPERGAMES, S.R.L.		Full consol.				
Via Cornellia, 498						
Rome						
OPERGIOCHI ITALIA, S.R.L.	Bingo hall operation	Full consol.			100%	OPERBINGO ITALIA, S.P.A.
Via Cornellia, 498						
Rome						
OPERINVESTMENTS, S.R.L.	Gaming machine operation	Full consol.	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
Via Cornellia, 498						
Rome						
OPERSLOTS ITALIA, S.R.L.	Bingo hall operation	Full consol.			100%	OPERBINGO ITALIA, S.P.A.
Via Cornellia, 498						
Rome						
	Bingo hall operation	Full consol.			100%	OPERBINGO ITALIA, S.P.A.
PALACE BINGO, S.R.L.						
Via Cornellia, 498						
Rome						
	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	WINNER BET S.R.L.
ROYAL JACKPOT, S.R.L.						
Via Cornellia, 498						
Colleferro (RM)						
SEVEN CORA SERVICE, S.R.L.	Bingo hall operation	Full consol.	51%	CODERE ITALIA, S.P.A.		
Via Cornellia, 498						
	Gaming machine operation		60%	CODERE ITALIA, S.P.A.	60%	CODERE ITALIA, S.P.A.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Rome						
VASA & AZZENA SERVICE, S.R.L.		Full consol.				
Via Cornellia, 498						
Rome						
VEGAS, S.R.L.	Gaming machine operation	Full consol.	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
Via Cornellia, 498						
Rome						
WINNER BET, S.R.L.	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	BINGO RE, S.R.L.
Via Cornelia, 498						
Rome						
PARISIENNE, S.R.L.	Bingo hall operation	Full consol.			100%	OPERBINGO ITALIA, S.P.A.
Via Cornelia, 498						
Rome						
	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	WINNER BET, S.R.L.
<b>LUXEMBOURG:</b>						
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.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
MEXICO:						
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V Palmas 1005 Desp 714, Col. Lomas Chapultepec	Operation, administration and development of racetracks and sports events	Full consol.	84.8%	O	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. Y SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V.						
ASOCIACIÓN EN PARTICIPACIÓN						
Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Operation, administration and development of 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.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V. and ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO II, S.A. DE C.V Palmas 1005 Desp 714, Col. Lomas Chapultepec	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. Y ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	43.66%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., JUEGAMAX DE LAS AMÉRICAS S.A. DE C.V. Y ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO III, S.A. de C.V Palmas 1005 Desp 714, Col. Lomas Chapultepec	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. Y ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	43.65%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. Y ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO IV, S.A. de C.V Palmas 1005 Desp 714, Col. Lomas Chapultepec	Operation, administration and development of racetracks and sports events	Full consol.	43.25%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. Y ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	43.25%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. Y ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
CALLE DEL ENTRETENIMIENTO, S.A. de C.V.						
Av Del Conscripto 311 Acc 4 Caballeriza 6D-102						
Lomas de Sotelo	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 ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL, 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%	CODERE AMÉRICA, S.A.U. and CODERE S.A. Y NIDIDEM, S.L.U.	100%	CODERE AMÉRICA, S.A.U. and CODERE S.A. Y NIDIDEM, S.L.U.
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.	84.8%	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						
DET. 512 Mexico						
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	Operation of legally-permitted games	Full consol.	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. Y ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. Y ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.
Av Del Conscripto 311 Acc 4 Caballeriza 6D-101						
Lomas de Sotelo	Development, construction, organisation, operation, acquisition of and equity investing in companies	Full consol.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. Y CENTRO DE CONVENCIONES LAS AMÉRICAS S.A. DE C.V.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. Y 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	Prop. consol.	67.30%	CODERE MÉXICO, S.A.	67.30%	CODERE MÉXICO, S.A.
GRUPO INVERJUEGO, S.A.P.I. DE C.V.						

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Blub. Manuel Ávila Camacho, 40						
Lomas de Chapultepec						
HOTEL ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V.	Gaming	Prop. consol.	67.30%	CODERE MÉXICO, S.A.	67.30%	CODERE MÉXICO, S.A.
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. Y SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. Y SERVICIOS ADMINISTRATIVOS 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 hall management	Full consol.	43.25%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	43.25%	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.	84.8%	CODERE MÉXICO, S.A. DE C.V.
JUEGAMAX DE LAS AMÉRICAS S.A. DE CV						
Av Del Conscripto 311 Acc 4 Caballeriza 6D-102 Lomas de Sotelo	Gaming hall operation	Full consol.	43.25%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	43.25%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.
JOMAHARHO S.A.P.I. DE C.V.						
Blvd. Agua Caliente 12027						
67.30% Hipódromo, Tijuana, B.C	Organisation of all manner of games, bets and draws	Full consol.	67.30%	CODERE MÉXICO, S.A.	67.30%	CODERE MÉXICO, S.A.
MIO GAMES, S.A. DE C.V.						
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%	PROMOJUEGOS DE MÉXICO, S.A. DE C.V. and GRUPO INVERJUEGO, S.A.P.I. DE C.V.
LIBROS FORANEOS S.A. DE C.V.						
Blvd. Agua Caliente 12027	Organisation of all manner of games, bets and draws			GRUPO CALIENTE S.A.P.I. DE C.V. and JOMAHARHO S.A.P.I. DE C.V.		GRUPO CALIENTE S.A.P.I. DE C.V. and JOMAHARHO S.A.P.I. DE C.V.



**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
67.30% Hipódromo, Tijuana, B.C.		Full consol.	67.30%		67.30%	
OPERADORA CANTABRICA S.A. DE C.V. Blvd. Agua Caliente 12027						
67.30% Hipódromo Tijuana, B.C.	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 FORANEOS S.A. DE C.V.	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 FORANEOS S.A. DE C.V.
OPERADORA DE ESPECTÁCULOS DEPORTIVOS S.A. DE C.V. Blvd. Agua Caliente 12027						
67.30% 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.
PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V. Reforma 905, Col Lomas de Chapultepec 110000 Mexico D.F	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. DE C.V. and NIDIDEM S.L.U.
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%	GRUPO INVERJUEGO, S.A.P.I. DE C.V. and MIO GAMES, S.A. DE C.V.
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.	100%	CODERE MÉXICO, S.A. and PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.
SECOFACH, S.A. DE C.V.	Provision of staff administration,		84.8%	SERVICIOS ADMINISTRATIVOS	84.8%	SERVICIOS ADMINISTRATIVOS DEL

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Av Del Conscripto 311 Acc 4 Caballeriza 6D-101 Lomas de Sotelo	hiring, advisory and assistance services, including payroll services	Full consol.		DEL HIPÓDROMO, S.A. DE C.V. and ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V.		HIPÓDROMO, S.A. DE C.V. and ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V.
SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-101 Lomas de Sotelo	Provision of staff administration, hiring, advisory and assistance services, including payroll services	Full consol.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and CENTRO DE CONVENCIONES LAS AMÉRICAS S.A. DE C.V.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and CENTRO DE CONVENCIONES LAS AMÉRICAS S.A. DE C.V.
COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V. Av Del Conscripto 311 Acc 4 Caballeriza 6D-110 Lomas de Sotelo	Other business support services	Full consol.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL S.A. DE C.V.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO VIRTUAL S.A. DE C.V.
<b>PANAMA:</b>						
ALTA CORDILLERA, S.A. Urbanización El Cangrejo Edificio 27 Ciudad de Panamá	Full casino operation	Full consol.	75%	CODERE CHILE, LTDA. CODERE AMÉRICA, S.A.U.	75%	CODERE CHILE, LTDA. CODERE AMÉRICA, S.A.U.
HÍPICA DE PANAMÁ, S.A. Vía José Agustín Arango, Corregimiento de Juan Díaz, Apdo 1, Zona 9ª Panama	Racetracks and slot machines	Full consol.	75%	ALTA CORDILLERA, S.A.	75%	ALTA CORDILLERA, S.A.
COMPAÑÍA DE RECREATIVOS DE PANAMÁ, S.A. C/ 50 y Elvira Méndez, Torre Financial Center, Piso 40 y 41	Financial services		100%	CODERE AMÉRICA S.A.U.		

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

Name	Business	Consolidation method	2013		2012	
			%		%	
			Shareholding	Holding company	Shareholding	Holding company
Panama		Full consol.				

**PUERTO RICO:**

CODERE PUERTO RICO, Inc.

Puerto Rico	Holding company	Full consol.	99.99%	CODERE AMÉRICA S.A.U.	99.99%	CODERE AMÉRICA S.A.U.
-------------	-----------------	--------------	--------	-----------------------	--------	-----------------------

**URUGUAY:**

CODERE URUGUAY, S.A.

C/ Juncal 1327 Apto. 2201

Montevideo (Uruguay)	Installation, administration and operation of bingo halls and complementary services	Full consol.	100%	COLONDER, S.A.U. and CODERE AMÉRICA, S.A.U.	100%	COLONDER, S.A.U. and CODERE AMÉRICA, S.A.U.
HÍPICA RIOPLATENSE URUGUAY, S.A.						
José María Guerra 3540 – Montevideo – Uruguay	Racetracks and slot machines	Prop. consol.	50%	CODERE URUGUAY, S.A.	50%	CODERE URUGUAY, S.A.
CARRASCO NOBILE, S.A.						
Costa Rica 1571 – Montevideo	Operation, administration and management of hotels, casinos, gaming halls, slot machines and related	Full consol.	51%	CODERE MÉXICO, S.A. DE C.V.	51%	CODERE MÉXICO, S.A. DE C.V.

**CODERE, S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS**  
**(Thousand euro)**

				2013		2012	
Name	Business	Consolidation method		%		%	
				Shareholding	Holding company	Shareholding	Holding company
	activities						

Legend:

Full consol: Full consolidation method

Prop. consol: Proportionate consolidation method

% Shareholding: Direct and indirect method

**APPENDIX II**  
**Reserves and retained earnings by company**  
**at 31 December 2013**

The breakdown of the reserve and retained earnings accounts by company at 31 December 2013 (in thousand euro) is as follows:

Company	Share capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
CODERE APUESTAS CASTILLA LA MANCHA, S.A.	(500)	-	-	1	-	(499)
ALTA CORDILLERA, S.A.	(21,681)	-	(13,920)	4,667	-	(30,934)
RED AEAM S.A.	(60)	-	-	(2)	-	(62)
ASOCIACION EN PARTICIPACION	(14,119)	-	(12,065)	(4,090)	-	(30,274)
CODERE APUESTAS GALICIA S.L.	(2,000)	-	1	(25)	-	(2,024)
ADMINIST.MEXICANA HIPODROMO II S.A. C.V.	(1,525)	-	(35)	(468)	-	(2,028)
ADMINIST.MEXICANA HIPODROMO III S.A. C.V.	(1,577)	-	636	68	-	(873)
ADMINIST.MEXICANA HIPODROMO IV S.A. C.V.	(2,920)	-	86	805	-	(2,029)
ADMINIST.MEXICANA HIPODROMO S.A. C.V.	(116,658)	(8,923)	(59,794)	(11,116)	-	(196,491)
CODERE APUESTAS MURCIA S.L.	(1,000)	-	(5)	293	-	(712)
CODERE ARGENTINA S.A.	(208)	(1,144)	(9,503)	(2,650)	-	(13,505)
BINGOS CODERE S.A.	(2,755)	-	318	2,108	-	(329)
BINGOS DEL OESTE S.A.	(63)	-	(3,064)	272	-	(2,855)
BINGOS PLATENSES S.A.	-	-	(10,293)	(3,029)	-	(13,322)
BINTEGRAL S.P.A.	(300)	-	(13,455)	(252)	-	(14,007)
PALACE BINGO , SRL	(60)	(280)	(145)	(691)	-	(1,176)
CODERE APUESTAS ARAGÓN, S.L.	(1,000)	-	90	72	-	(838)
CODERE APUESTAS ESPAÑA, S.L.	(662)	(32,286)	25,879	1,211	-	(5,858)
CODERE AMÉRICA S.A.	(83,154)	-	(55,947)	(36,242)	-	(175,343)
CODERE APUESTAS NAVARRA, S.A.	(2,000)	-	1,329	369	-	(302)
CARRASCO NOBILE, S.A.B DE C.V	(38,224)	-	6,419	17,922	-	(13,883)
OPERADORA CANTABRIA, S.A. C.V.	(26,546)	-	67,345	20,995	-	61,794
CARTAYA S.A.	(120)	-	2,764	3	-	2,647
CODERE APUESTAS, S.A.	(60)	-	35,810	5,207	-	40,957
CODERE ASESORÍA S.A.	(60)	-	(3,475)	(16)	-	(3,551)
CODERE APUESTAS VALENCIA, S.A.	(2,000)	-	1,439	1,532	-	971
CODERE BARCELONA S.A.	(1,382)	-	(59,478)	(1,595)	-	(62,455)

CODERE BRASIL LTDA.	(5,572)	3,399	31,461	9,810	-	39,098
CODERE COLOMBIA S.A.	(13,119)	(20,597)	5,069	1,363	-	(27,284)
CENT.CONVENC.AMERICAS, S.A. DE C.V.	(3)	-	-	3	-	-
CODERE DISTRIBUCIONES S.L.	(3)	-	3,571	37	-	3,605
CODERE ONLINE,S.A.	(100)	-	104	80	-	84
CODERE SERVICIOS, S.L.U	(3)	-	-	-	-	(3)
CALLE DEL ENTRETENIMIENTO, S.A. DE C.V.	(67)	-	17,802	(1,099)	-	16,636
CODERE ESPAÑA S.L.	(2,613)	(5,185)	165,119	4,979	-	162,300
CODERE FILIAL 8 S.L.	(60)	-	(113)	(32)	-	(205)
CODERE FINANCE (LUXEMBURG), S.A.	(35)	-	(2,409)	12,144	-	9,700
CODERE GAMING ITALIA SRL.	(10)	-	253	(22)	-	221
CODERE GIRONA S.A.	(126)	-	(10,886)	(198)	-	(11,210)
CODERE GUADALAJARA S.A.	(120)	-	94	(160)	-	(186)
CODERE CHILE LTDA.	(15,910)	-	(7,835)	28	-	(23,717)
CODERE HUESCA S.L.	(5)	-	(327)	(85)	-	(417)
CODERE INTERATIVA ITALIA SRL.	(10)	-	-	(17)	-	(27)
CODERE INTERNACIONAL DOS, S.A.U	(436)	-	(49,613)	(30,432)	-	(80,481)
CODERE INTERNACIONAL S.L.	(84,397)	-	(78,148)	302	-	(162,243)
CODERE ITALIA SPA.	(16,173)	-	(39,384)	29,990	-	(25,567)
CODERE INTERACTIVE, INC.	(7)	-	242	538	-	773
CODERE INTERACTIVA, S.L.	(30)	-	648	226	-	844
CODERE LOGROÑO	(6)	-	(6)	16	-	4
CODERE MADRID S.A.	(90)	-	(36,700)	75	-	(36,715)
CODEMÁTICA SRL.	(10)	-	58	160	-	208
CODERE MÉXICO S.A.	(179,479)	(29)	(227,988)	30,347	-	(377,149)
CODERE S.A.	(11,007)	(231,280)	(33,913)	245,156	-	(31,044)
COLONDER S.A.	(9,761)	-	(434,488)	(2,581)	-	(446,830)
COMERCIAL YONTXA S.A.	(481)	-	(6,356)	(1,389)	-	(8,226)
CODERE PUERTO RICO INC.	(725)	-	725	-	-	-
CODERE SERVICIOS COMPARTIDOS, S.A.	(60)	-	-	-	-	(60)

CRISTALTEC SERVICE SRL	(10)	-	(1,147)	(259)	-	(1,416)
CODERE URUGUAY S.A.	(13,336)	-	3,295	(2,115)	58	(12,098)
CODERE VALENCIA S.A.	(130)	-	(3,691)	(827)	-	(4,648)
DESARROLLO ONLINE JUEGOS REGULADOS, S.A.	(1,753)	-	5,988	3,309	-	7,544
DP SERVICE S.R.L.	(90)	(315)	(2,433)	(500)	-	(3,338)
ENTRETENIMIENTO RECREATIVO S.A.	(52,974)	-	(17,271)	(2,482)	-	(72,727)
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	(25,182)	-	(54,324)	(1,003)	-	(80,509)
FG SLOT SERVICES S.R.L.	(116)	-	480	(236)	-	128
GAP GAMES, S.R.L.	(21)	-	(1,499)	(1,018)	-	(2,538)
GAMING RE, S.R.L.	(10)	-	2,784	(128)	-	2,646
GARAIPEN VICTORIA APUSTAK, S.L.	(12,229)	-	13,004	2,393	-	3,168
GRUPO CALIENTE. S.A. C.V.	(13)	-	(19,346)	11	-	(19,348)
GRUPO INVERJUEGO, S.A.	(2,465)	-	223	394	-	(1,848)
GIOMAX S.R.L.	(69)	-	(28,369)	1,543	-	(26,895)
GISTRA S.L.	(270)	-	62	(126)	-	(334)
GESTION MARCONI S.R.L.	(11)	-	(3,854)	450	-	(3,415)
HOTEL ENTRET.AMH S.A. C.V.	(3)	-	3	1	-	1
HIPICA DE PANAMA, S.A.	-	-	6,974	(1,156)	-	5,818
HÍPICA RIOPLATENSE URUGUAY S.A.	(12,878)	-	(4,597)	(5,081)	-	(22,556)
IBERARGEN S.A.	(5,507)	-	(45,269)	(8,125)	-	(58,901)
IMPULSORA CENTR.ENTR.AMERICAS, S.A.C.V.	(181,011)	(6,284)	(40,059)	(18,548)	-	(245,902)
INTERSARE S.A.	(512)	-	(1,381)	(121)	-	(2,014)
IMPULSORA RECREATIVA AMH,S.A. C.V.	(5)	(1,577)	274	7	-	(1,301)
ITAPOAN S.A.	(540)	-	(1,057)	(29)	-	(1,626)
JUEGAMAX DE LAS AMERICAS, S.A.DE C.V.	(5)	(1,525)	935	(648)	-	(1,243)
JOMAHARHO. S.A. C.V.	(8,512)	-	(142)	4	-	(8,650)
J.M.QUERO S.A.	(97)	-	3,717	293	-	3,913
JPVMATIC 2005 S.L.	(3)	-	(3,458)	(793)	-	(4,254)
KING BINGO S.R.L.	(10)	-	(85)	693	-	598
KING SLOT S.R.L.	(100)	(452)	(1,051)	(558)	-	(2,161)



LIBROS FORANEOS, S.A. C.V.	(12,167)	-	68,837	14,918	-	71,588
MIO GAMES S.A. DE C.V.	(884)	-	5,280	953	-	5,349
MISURI S.A.	(2,542)	-	6,286	1,257	-	5,001
NEW JOKER, S.R.L.	(110)	-	(1,116)	1,320	-	94
NIDIDEM S.L.	(380)	-	(2,438)	(3,477)	-	(6,295)
OPERBINGO ITALIA S.P.A.	(10,180)	-	37,378	18,223	-	45,421
OPERAD.ESPECTACULOS DEPORTIV. S.A. C.V.	(2,535)	-	20,080	4,948	-	22,493
OPEROESTE S.A.	(204)	-	(474)	(139)	-	(817)
OPERIBÉRICA S.A.	(2,104)	-	(9,488)	14	-	(11,578)
OPER SHERKA S.L.	(1,049)	-	(862)	(166)	-	(2,077)
PARISIENNE, SRL	(10)	-	(117)	(863)	-	(990)
PROMOJUEGOS DE MEXICO, S.A.	(322)	-	16,178	6,440	-	22,296
EL PORTALÓN S.L.	(3)	-	(170)	(57)	-	(230)
PROM. REC. MEXICANAS S.A.	(1,875)	-	5,114	6,181	-	9,420
RECREATIVOS ACR, S.L.	(24)	-	29	(155)	-	(150)
RECREATIV.CODERE S.A. DE C.V.	(3)	-	10	5	-	12
COMPAÑIA RECREATIVOS DE PANAMA, S.A.	(3,148)	-	-	-	-	(3,148)
RESTI Y Cía. S.L.	(3)	-	(58)	(87)	-	(148)
RESUR CÁDIZ S.L.	(30)	-	15	78	-	63
RETE FRANCO ITALIA S.P.A.	(2,000)	-	(16,494)	(9,712)	-	(28,206)
RECREATIVOS MAE, S.L.	(294)	-	(4,966)	(334)	-	(5,594)
RECREATIVOS MARINA, S.A.	(3)	-	54	478	-	529
RECREATIVOS OBELISCO S.L.	(37)	(703)	191	151	-	(398)
ROYAL JACKPOT SRL	(20)	-	-	51	-	31
RECREATIVOS POPULARES S.L.	(24)	-	(416)	(9)	-	(449)
RECREATIVOS RUAN S.A.	(72)	-	(1,784)	(171)	-	(2,027)
SERVICIOS ADMINIST.HIPODROMO, S.A. DE C.V.	(3)	-	1,334	(752)	-	579
SECOFACH, S.A. DE C.V.	(3)	-	1,054	291	-	1,342
SEVEN CORA, SRL.	(20)	-	(2,196)	404	-	(1,812)
SIGIREC S.L.	(96)	-	(370)	(45)	-	(511)

SAN JAIME S.A.	(137)	-	(127)	179	-	(85)
SORTIJUEGOS, S.A. DE C.V.	(31)	-	(6,708)	513	-	(6,226)
INTERBAS S.A.	(964)	(5,277)	(31,541)	(6,903)	-	(44,685)
INTERJUEGOS S.A. (ARG)	(3)	(2,187)	(9,169)	(3,118)	-	(14,477)
INTERMAR BINGOS S.A.	(11)	-	(1,218)	(2,530)	-	(3,759)
VASA E AZZENA SERVICE S.R.L.	(10)	-	(1,378)	(188)	-	(1,576)
VEGAS S.R.L.	(10)	-	(3,721)	742	-	(2,989)

**APPENDIX III**  
**DIRECTOR STATEMENTS 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 2013:

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.			25.737
José Antonio Martínez Sampedro	Francomar Investments S.A.	Chairman CEO (acting joint and severally)	52.000	
José Antonio Martínez Sampedro	Magic Recreativos S.L.U.			51.475
José Antonio Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.	Director (acting joint and severally)		26.000
José Antonio Martínez Sampedro	Planet Bowling España S.A. (in liquidation)			51.475
José Antonio Martínez Sampedro	Promobowling S.A.		0.124	51.351
José Antonio Martínez Sampedro	Promobowling Levante S.A.U.			51.475
José Antonio Martínez Sampedro	Sunset Bowllins S.L.U.			51.475
José Antonio Martínez Sampedro	Tui Play S.L. (in liquidation)			20.222
José Antonio Martínez Sampedro	Zarabowling S.A.			51.475
José Antonio Martínez Sampedro	Itapoan S.A.			9.464
José Antonio Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.			26.522
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 CEO (acting joint and severally)		
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		

Director/Related party	Entity	Post/Duty	Direct shareholding %	Indirect shareholding %
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 CEO (acting joint and severally)		
José Antonio Martínez Sampedro	Nididem S.L.U.*	Chairman CEO (acting joint and severally)		
Luis Javier Martínez Sampedro	Codere, S.A.*	Director		2.537
Luis Javier Martínez Sampedro	Centros de Ocio Familiar S.L.			5.987
Luis Javier Martínez Sampedro	Francomar Investments S.A.	CEO (acting joint and severally)	12.000	
Luis Javier Martínez Sampedro	Magic Recreativos S.L.U.			11.974
Luis Javier Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.			6.000
Luis Javier Martínez Sampedro	Planet Bowling España S.A. en liquidación			11.974
Luis Javier Martínez Sampedro	Promobowling S.A.		0.124	11.850
Luis Javier Martínez Sampedro	Promobowling Levante S.A.U.			11.974
Luis Javier Martínez Sampedro	Sunset Bowllins S.L.U.			11.974
Luis Javier Martínez Sampedro	Tui Play S.L. (in liquidation)			4.667
Luis Javier Martínez Sampedro	Zarabowling S.A.			11.850
Luis Javier Martínez Sampedro	Itapoan S.A.	Chairman		2.184
Luis Javier Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.			6.120
Luis Javier Martínez Sampedro	Intersare S.A.		0.100	
Luis Javier Martínez Sampedro	Recreativos Metropolitano S.L.	Director (acting joint and severally)	100.000	
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 (acting joint and severally)		
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		

Director/Related party	Entity	Post/Duty	Direct shareholding %	Indirect shareholding %
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 <sup>ra</sup> Carmen Martínez Sampedro	Codere, S.A.*		1.817	
M <sup>ra</sup> Carmen Martínez Sampedro	Centros de Ocio Familiar S.L.			5.987
M <sup>ra</sup> Carmen Martínez Sampedro	Francomar Investments S.A.	CEO (acting joint and severally)	12.000	
M <sup>ra</sup> Carmen Martínez Sampedro	Magic Recreativos S.L.U.	Sole director		11.974
M <sup>ra</sup> Carmen Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.			6.000
M <sup>ra</sup> Carmen Martínez Sampedro	Planet Bowling España S.A. (in liquidation)			12.598
M <sup>ra</sup> Carmen Martínez Sampedro	Promobowling S.A.	Sole director	0.748	11.850
M <sup>ra</sup> Carmen Martínez Sampedro	Promobowling Levante S.A.U.	Sole director		12.598
M <sup>ra</sup> Carmen Martínez Sampedro	Sunset Bowllins S.L.U.	Sole director		12.598
M <sup>ra</sup> Carmen Martínez Sampedro	Tui Play S.L. (in liquidation)			4.667
M <sup>ra</sup> Carmen Martínez Sampedro	Zarabowling S.A.	Sole director		12.598
M <sup>ra</sup> Carmen Martínez Sampedro	Itapoan S.A.			2.184
M <sup>ra</sup> Carmen Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.			6.120
Ángel Martínez Sampedro	Centros de Ocio Familiar S.L.			1.050
Ángel Martínez Sampedro	Francomar Investments S.A.		2.000	
Ángel Martínez Sampedro	Magic Recreativos S.L.U.			2.101
Ángel Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.			1.000
Ángel Martínez Sampedro	Planet Bowling España S.A. (in liquidation)			2.101
Ángel Martínez Sampedro	Promobowling S.A.		0.126	1.975
Ángel Martínez Sampedro	Promobowling Levante S.A.U.			2.101
Ángel Martínez Sampedro	Sunset Bowllins S.L.U.			2.101
Ángel Martínez Sampedro	Tui Play S.L. (in liquidation)			0.777
Ángel Martínez Sampedro	Zarabowling S.A.			1.975
Ángel Martínez Sampedro	Itapoan S.A.			0.364
Ángel Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.			1.014

Director/Related party	Entity	Post/Duty	Direct shareholding %	Indirect shareholding %
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.			5.987
Encarnación Martínez Sampedro	Francomar Investments S.A.	Secretary and CEO (acting joint and severally)	12.000	
Encarnación Martínez Sampedro	Magic Recreativos S.L.U.			11.974
Encarnación Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.			6.000
Encarnación Martínez Sampedro	Planet Bowling España S.A. (in liquidation)			11.974
Encarnación Martínez Sampedro	Promobowling S.A.		0.124	11.850
Encarnación Martínez Sampedro	Promobowling Levante S.A.U.			11.974
Encarnación Martínez Sampedro	Sunset Bowlings S.L.U.			11.974
Encarnación Martínez Sampedro	Tui Play S.L. (in liquidation)			4.667
Encarnación Martínez Sampedro	Zarabowling S.A.			11.850
Encarnación Martínez Sampedro	Itapoan S.A.			2.184
Encarnación Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.			6.120
Encarnación Martínez Sampedro	Bintegral, S.P.A.*	Sole director		
Encarnación Martínez Sampedro	Cartaya, S.A.U.*	Sole director		
Encarnación Martínez Sampedro	C-F 8, S.L.*	Director (acting joint and severally)		
Encarnación Martínez Sampedro	Codemática, S.R.L.*	Sole director		
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 Castilla-La Mancha, S.A.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 Valencia, S.A.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Apuestas, S.A.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Barcelona, S.A.U.*	Sole director		

Director/Related party	Entity	Post/Duty	Direct shareholding %	Indirect shareholding %
Encarnación Martínez Sampedro	Codere Distribuciones, S.L.U.*	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 Gandia SA	Director (acting jointly)		
Encarnación Martínez Sampedro	Codere Girona, S.A.*	Director (acting joint and severally)		
Encarnación Martínez Sampedro	Codere Guadalajara, S.A.*	Director/Board Secretary		
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.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Network, S.P.A.*	Chairman of the Board		
Encarnación Martínez Sampedro	Codere Online, S.A.U.*	Sole director		
Encarnación Martínez Sampedro	Codere Valencia, S.A.*	Sole director		
Encarnación Martínez Sampedro	Colonder, S.A.U.	CEO		
Encarnación Martínez Sampedro	El Portalón, S.L.*	Director (acting jointly)		
Encarnación Martínez Sampedro	Gestioni Marconi, S.R.L.*	Sole director		
Encarnación Martínez Sampedro	Giomax, S.R.L.*	Sole director		
Encarnación Martínez Sampedro	Jpvmatic 2005, S.L.U.*	Sole director		
Encarnación Martínez Sampedro	Misuri, S.A.U.*	Sole director		
Encarnación Martínez Sampedro	Nididem, S.L.U.	CEO (acting joint and severally)		
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		
Encarnación Martínez Sampedro	Operibérica, S.A.U.*	Sole director		
Encarnación Martínez Sampedro	Palace Bingo, S.R.L.*	Sole director		
Encarnación Martínez Sampedro	Parisienne, S.R.L.*	Sole director		
Encarnación Martínez Sampedro	Recreativos Mae, S.L.U.*	Sole director		
Encarnación Martínez Sampedro	Recreativos Obelisco, S.L.*	Chairman/CEO		
Encarnación Martínez Sampedro	Recreativos Populares, S.L.*	Director (acting jointly)		
Encarnación Martínez Sampedro	Red Aeam, S.A.U.*	Director (acting joint and severally)		



<b>Director/Related party</b>	<b>Entity</b>	<b>Post/Duty</b>	<b>Direct shareholding %</b>	<b>Indirect shareholding %</b>
Encarnación Martínez Sampedro	Resti y Cia, S.L.*	Director (acting jointly)		
Encarnación Martínez Sampedro	Sigirec, S.L.*	Chairman of the Board		
Encarnación Martínez Sampedro	Vegas, S.R.L.*	Sole director		
Jose Ramón Romero Rodríguez	Codere, S.A.*	Director	0.091	
Jose Ramón Romero Rodríguez	Codere Interactiva S.L.*	Director		
Joseph Zappala	Codere S.A.*	Director	0.506	
Joseph Zappala	Tucson Greyhound Park	Chairman	80	
Carmen Ferrer Palasí	Codere S.A.*		0.038	

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

## **CONSOLIDATED DIRECTORS' REPORT FOR 2013**

### ***Codere Group's business performance***

During 2013, EBITDA decreased for the following reasons: in Argentina, due to the ban on smoking and the constant devaluation of the Argentine peso against the euro; in Italy, due to the increase in taxes and in Mexico, to a lesser extent, because of the temporary closure of gaming arcades; and in Uruguay due to the opening of Hotel Casino Carrasco. This decline has been partially offset by improvements in Spain resulting from the restructuring efforts which are under way. In constant currency terms, EBITDA amounted to 234.3 million Euros in 2013, a decrease of 19.5% against 2012.

Investments in 2013 totalled 76.3 million Euros compared with 447.9 million Euros in 2012, of which 45.7 million Euros corresponded to maintenance and 30.6 million to Euros investment in growth.

Highlights of the year include the following:

- *Closure of arcades in Mexico*

Eight of our arcades are closed due to actions taken by certain local authorities. The Cumbres and Valle Oriente arcades have been closed since 27 February, Sendero since 13 March, Zapopan since 17 February, Tuxtla since 30 January and Jacales, Gonzalitos and Valle Oriente since 27 February. The San Luis Potosí arcade closed on 27 May but reopened on 20 June.

At the date of preparation of these financial statements, the Group is taking all pertinent measures in order to reopen the arcades. Our local team of lawyers have confirmed that Codere is in a strong position as regards these procedures.

- *Ruling pending by the Court of Auditors*

In October 2013, in accordance with Italian law, the Italian government offered the network concessionaires an agreement to resolve the process under way with the Court of Auditors. Six of the ten concessionaires have accepted the agreement and have deposited 20% of the amounts claimed. On 11 November 2013 the Court of Auditors questioned the government's authority on this matter for constitutional reasons and offered a resolution to the proceedings consisting of the payment of 30% of the amounts claimed. It is hoped that the Court of Auditors will clarify their position and decide on the procedure to be followed in the coming days. Codere continues to believe that it is in a strong position, and will continue with the legal proceedings.

- *Impairment testing of assets*

In the fourth quarter of 2013 assets relating to operations in Italy, Carrasco and Internet España were impaired in the amounts of 16.1 million Euros, 13.4 million Euros and 3.6 million Euros, respectively, accumulating a total of 33.1 million Euros according to the asset impairment test. These charges were mainly triggered, in the case of Italy, by successive tax rises and the macroeconomic conditions of the country, which has led to a decline in average takings per machine. In the case of Carrasco, the main cause is the delay in opening and the lack of major players, while in Internet España the main reason has been that the regulation of the industry carried out in Spain has affected the development of that unit, since it has been placed in a clearly disadvantageous position in relation to its competitors. This adjustment has affected goodwill in the case of Italy, while in the remaining units it has caused a decrease in fixed assets. The impairment recorded in the Mexico unit during the second quarter, amounting to 24.3 million Euros, has to be added to these figures. The goodwill impairment loss does not imply a cash outlay: even though it is charged against EBIT, it does not affect the Group's liquidity, operating cash flow or debt service capacity.

- Gaming taxes in Columbia

In the second half of 2009 the Company made a payment of approximately COP1,700 million (approx. 0.6 million Euros at the current exchange rate) to the local tax authorities of Bogota (Colombia) in order to settle an existing tax claim concerning certain gaming taxes, under an assessment agreement. On 12 May 2010, the Constitutional Court of Colombia declared that the law under which Congress had authorised the ruling based on the payment of the amounts agreed with the local tax authorities was unconstitutional.

Without issuing any notification to Codere, the Colombian Council of State decided to reopen the legal proceedings, and on 26 September 2013 it issued a judgment against Codere Colombia S.A.. In September 2013, the Colombian Council of State reopened the process and on 19 December 2013, Codere Colombia brought an extraordinary appeal for review with the Council of State requesting the annulment of the ruling against Codere Colombia. Based on the opinion of the Company's legal advisers, a provision has been recorded to cover this potential risk in the amount of 4,300 million Colombian pesos (equivalent to 1.6 million Euros at 31 December 2013).

### ***The Group's financial results***

#### Operating income

Operating income decreased by 117.2 million Euros (7.0%), to 1,546.7 million Euros, mainly due to the fall in income from Argentina (69.1 million Euros) and Mexico (54.8 million Euros) partially offset by an increase in Uruguay revenues (15.0 million Euros).

#### Operating expenses

Expenses decreased by 55.7 million Euros (3.5%), to 1,552.7 million Euros. This decrease in costs could mainly be observed in Spain (80.7 million Euros), Mexico (20.9 million Euros), and Argentina (20.8 million Euros), and was partially offset by increased costs in Uruguay (31.8 million Euros) and Italy (28.6 million Euros).

#### ***Gain/(loss) on disposals of assets***

Fixed asset disposals generated a loss of 6.5 million Euros, compared to a gain of 7.2 million Euros recorded in 2012. This loss was mainly attributable to the derecognition of machines in Colombia and Spain and disposals of assets associated with arcades closed in Mexico.

#### ***Operating profit***

Operating profit (EBIT) declined by 75.3 million Euros (119.8%) to a loss of 12.6 million Euros in 2013. The EBIT margin narrowed from 3.8% in 2012 to (0.8%) in 2013.

#### ***EBITDA***

EBITDA decreased by 81.1 million Euros (28.2%) to 206.2 million Euros, mainly due to the decrease in Argentina (49.8 million Euros) and Italy (13.6 million Euros), and to a lesser extent in

Mexico. The EBITDA margin decreased to 13.3% compared with 17.3% for the comparable period in 2012.

### ***Financial income***

Financial income declined by 2.5 million Euros in 2013 (32.9%) to 5.1 million Euros, compared to 7.6 million Euros in 2012. Lower revenues in Codere Mexico were offset to a lesser extent by the improved financial income in Argentina, in the ICELA Group, in Italy, and in Spain, thanks to a favourable decision of the Supreme Court concerning a tax appeal from previous years.

### ***Financial expenses***

Financial expenses increased by €26.3 million in 2013 (22.9%) to 141.3 million Euros, compared to 115 million Euros in 2012. The increase is mainly due to the larger draw-down on the Senior Credit Line during the period, and to a lesser extent, to the proportional accrual on the new bond issue of 300 million US Dollars in February 2012, the financing obtained in Argentina for the payment of gaming licenses, the financing obtained in Uruguay for the subsidiary Carrasco Nobile S.A., and changes in the fair value of the call of 15.2% of Icela.

### ***Variations in financial asset provisions***

The change in provisions for financial assets has generated a loss of 0.8 million Euros compared with a loss of 51.4 million Euros in 2012, as a result of the absence, in 2013, of the losses associated with the provision for financial assets in Codere Mexico's business and losses related to transactions in Argentinian bonds.

### ***Corporate income tax***

Corporate income tax in 2013 has decreased by 27.4 million Euros (37.1%) to 45.5 million Euros primarily due to the decrease in pre-tax profits in Argentina.

### ***Profit/(loss) attributable to non-controlling interests***

The profit attributable to non-controlling interests decreased in 2013 by 9.9 million Euros to (31.6) million Euros compared with (21.7) million Euros in 2012. This decrease is mainly due the larger losses incurred by Casino Carrasco in 2013, offset by lower losses generated by the Joint Opcos in that period.

### ***Profit /(loss) attributable to the Parent Company***

As a result of the above factors, losses incurred totalled 173.6 million Euros, compared with a loss of 146.9 million Euros in 2012.

### ***Treasury shares***

As mentioned in Note 28, the shareholders, at general meeting 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 nominal value of the treasury shares acquired and the maximum the market value plus 20% at the acquisition date. The Board of Directors is empowered to execute this power. (See Note 17 Liquidity Agreement)

### ***Outlook for the Group***

For 2014, the Group intends to continue implementing financial measures designed to boost free cash flow generation. In addition, Note 28 of the consolidated notes to the accounts describes the circumstances in relation to the Group's financial situation and other events after the 2013 year end which have significantly influenced the expected development of the Group's operations.

### ***The Group's key risk factors***

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

See the corresponding sections in the Notes to the Annual Consolidated Financial Statements for a more detailed description of the Company's principal risks.

## **CORPORATE GOVERNANCE REPORT FOR 2013**

## ANNEX I MODEL

### CORPORATE GOVERNANCE ANNUAL REPORT FOR PUBLIC LISTED COMPANIES

ISSUER ID

YEAR END DATE 31/12/2013

CORPORATE TAX ID A-82110453

Corporate Name: **CODERE, S.A.**

Registered Office: AVDA. DE BRUSELAS, 26  
28108-ALCOBENDAS, MADRID



## CORPORATE GOVERNANCE ANNUAL REPORT FOR PUBLIC LISTED COMPANIES

### A OWNERSHIP STRUCTURE

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

Date of most recent change	Share Capital (€)	Number of shares	Number of voting rights
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:

Yes ☐ No ☒

Class	Number of shares	Nominal Unit	Unitary number of voting rights	Different rights
--	--	--	--	--

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	Indirect voting rights		% of total voting rights
		Direct shareholder	Number of voting rights	
MASAMPE HOLDING BV	28,259,088			51.346

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

Name of shareholder	Date of the transaction	Description of the operation
ANCHORAGE ADVISORS MANAGEMENT LLC	03/06/2013	Acquisition of shares exceeding 5% of indirect voting rights.
ANCHORAGE ADVISORS MANAGEMENT LLC	25/09/2013	Transfer of shares exceeding 3% of indirect voting rights.
NOONDAY ASSET MANAGEMENT LLP	22/05/2013	Transfer of shares exceeding 3% of indirect voting rights.

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	Indirect voting rights		% of total voting rights
		Direct shareholder	Number of voting rights	
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	6,838,261	MASAMPE HOLDING BV	28,259,088	63.771
LUIS JAVIER MARTÍNEZ SAMPEDRO	0	SOLGIM INVERSIONES SICAV	100,000	0.182
		M LUXEMBOURG SIF-GLOBAL ASSETS BRISA	1,296,035	2.355
ENCARNACIÓN MARTÍNEZ SAMPEDRO	1,202,000			2.184
JOSEPH ZAPPALA	278,738			0.506
JOSE RAMÓN ROMERO RODRÍGUEZ	50,000			0.091
EUGENIO VELA SASTRE	0	CARMEN FERRER PALASÍ	20,718	0.038

Complete the following tables regarding members of the Board of Directors holding company share rights:

Name of Director	Number of direct rights	Indirect Rights		Number of share equivalents	% of total voting rights
		Direct holder	Number of voting rights		
--	--	--	--	--	--

- A.4 Indicate, if applicable, any family, commercial, contractual or corporate relations existing between the significant shareholders, to the extent to which the company is aware of them, unless said relations are insignificant or are the result of ordinary business activity:

Name of related parties	Type of relation	Brief description
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CORPORATE	Jose Antonio is the majority shareholder of MASAMPE HOLDING BV
MASAMPE HOLDING BV		

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

Name of related parties	Type of relation	Brief description
MASAMPE HOLDING BV	CORPORATE	Maximum shareholder of the Company

- A.6 Indicate whether or not the company has been informed of any quasi-corporate agreement affecting it, pursuant to articles 530 and 531 of the Spanish Capital Companies Act. If so, briefly describe such pacts and list the shareholders related through the agreement:

Yes ☐

No ☒

Parties to the quasi-corporate agreement	% of share capital affected	Brief description of the agreement
--	--	--

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

Yes ☐

No ☒

Parties to concerted action	% of share capital affected	Brief description of the action
--	--	--

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 ☒

No ☐

Name or company name
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
Comments
Through MASAMPE HOLDING BV

- 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
250,345	0	0.455

(\*) Held through:

Name or corporate name of the direct shareholder	Number of direct shares
--	--
Total	--

Describe any significant changes, according to the provisions of Royal Decree 1362/2007, during the year:

Date of notification	Total direct shares acquired	Total indirect shares acquired	Total % of share capital
13/01/2014	288,906	0	0.525

**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 27 June 2013 approved point four 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 nine of the agenda of the General Meeting of Shareholders held on 10 May 2012, 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 purchase price or consideration will be the face value of the own shares acquired, and the maximum will be the result of increasing by 20% the market value of the shares on their purchase date. This authorisation will be granted for a term of five years, counted as of the date of this Meeting, and is expressly subject to a limitation consisting of the face value of the own shares acquired pursuant to this authorisation, to be added to the value of those already held by Codere, S.A. and any of its subsidiaries, and in no event being able to exceed the maximum allowed by law at the purchase date.

It is expressly noted that this authorisation may be used wholly or partially for the purchase of own shares to be delivered or transmitted to employees or directors of the company, or upon exercise of stock options held thereby.

2. Empower the Board of Directors, in the widest terms possible, in order to exercise the authorisation conferred by this resolution and to carry out the remaining provisions foreseen therein; said powers may be delegated by the Board of Directors to any Director, to the Secretary or Vice Secretary of the Board of Directors, or to any other person whom the Board of Directors expressly empowers for this purpose.

**A.10 Indicate, if applicable, any legal or statutory restrictions in regard to the exercise of voting rights. In particular, report the existence of any restrictions that may impede the acquisition of control of the company through the purchase of shares in the market.**

Yes ☐

No ☒

Description of the restrictions

- 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.

Yes ☐

No ☒

If 'yes', explain the measures approved and the terms in which the restrictions will become ineffective:

- A.12 Indicate whether the company has issued securities that are not traded on an EU regulated market.

Yes ☐

No ☒

Where applicable, indicate the different classes of shares and, for each class of shares, the rights and obligations conferred.

## **B** GENERAL MEETING OF SHAREHOLDERS

- B.1 Indicate, and, if applicable, explain any differences regarding the minimum quorum levels for the holding of shareholder meetings established in the Spanish Capital Companies Act (LSC)

Yes ☐

No ☒

	% difference to the quorum established in Article 193 of the LSC for general cases	% difference to the quorum established in Article 194 of the LSC for special cases
Quorum required at first call	--	--
Quorum required at second call	--	--

Description of the differences
--

- B.2 Indicate, and, if applicable, explain any differences regarding the adoption of corporate resolutions with respect to the system provided for in the Spanish Capital Companies Act (LSC):

Yes ☒

No ☐

Describe how this differs from the system provided for in the LSC.

	Different qualified majority from that established under Article 201.2 LSC in those cases specified in Article 194.1 of the LSC	Other cases of qualified majority
% established by the company for adoption of resolutions	75	
Describe the differences		
In those cases specified in Article 194 of the Spanish Capital Companies Act require the favourable 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 (reinforcing the requirement of the favourable 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 201.2 of the Capital Companies Act )		

**B.3 State the rules applicable to the amendment of the corporate bylaws. In particular, indicate the majorities needed for the amendment of the corporate bylaws and, where appropriate, the rules laid down for the protection of the rights of the shareholders in the modification of the said bylaws.**

Art. 19 of the Corporate Bylaws provides 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 pre-emption 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 favourable 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 the Company 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 the company 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 pre-emption 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 favourable 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."

As for the voting on resolutions, Article 3. b) of the Rules of Procedure of the General Meeting of Shareholders states that "In the case of the amendment of the bylaws, each item or group of items that are materially different" shall be voted on separately.

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

**B.4 Indicate the attendance data for the general meetings held during the year of reference of the present report and those for the previous year:**

	Attendance Data				
Date of General Meeting	% of those Physically Present	% of Proxy Holders	% of Remote Vote		Total
			Electronic Vote	Other	
14/08/2013	16.611	62.282	0	1.734	78.893
27/06/2013	16.575	61.396	0	0.827	77.972
10/05/2012	15.826	63.230	0	0	79.056

**B.5 Indicate whether the Bylaws contain any restriction regarding the minimum number of shares required in order to attend the General Meeting:**

Yes ☒ No ☐

Number of shares required to attend the General Meeting	100
---	-----

- B.6 Indicate if certain decisions involving a structural modification of the Company ("affiliation" sale of key operating assets, operations equivalent to the liquidation of the company...) must be submitted to the approval of the general meeting of shareholders, although not expressly required under company law.

Yes ☐

No ☒

- B.7 Indicate the address and means of access to the company website for information on corporate governance and other information on general meetings to be made available to shareholders via the website of the Company.

The website address of the Company is [www.codere.com](http://www.codere.com), where shareholders can access information on general meetings and corporate governance through the section titled "Investor Relations" which contains the content relating to Corporate Governance and includes information on general meetings.

## C COMPANY ADMINISTRATION STRUCTURE

### C.1 Board of Directors

#### C.1.1 Maximum and minimum number of directors provided for in the Bylaws:

Maximum number of directors	15
Minimum number of directors	4

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

Name of Director	Representative	Position on Board	Date of first appointment	Date of last appointment	Procedure for appointment
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
ENCARNACIÓN MARTÍNEZ SAMPEDRO	—	DIRECTOR	17/06/1999	25/06/2009	GENERAL MEETING VOTE
EUGENIO VELA SASTRE	—	DIRECTOR	17/06/1999	25/06/2009	GENERAL MEETING VOTE
JOSEPH ZAPPALA	—	DIRECTOR	20/11/2002	25/06/2009	GENERAL MEETING VOTE
JOSE IGNACIO CASES MÉNDEZ	—	DIRECTOR	17/06/1999	25/06/2009	GENERAL MEETING VOTE
JOSÉ RAMÓN ROMERO RODRÍGUEZ	—	DIRECTOR	17/06/1999	25/06/2009	GENERAL MEETING VOTE
JUAN JOSÉ ZORNOZA PÉREZ	—	DIRECTOR	17/06/1999	25/06/2009	GENERAL MEETING VOTE
JUAN JUNQUERA TEMPRANO	—	DIRECTOR	10/05/2012	10/05/2012	GENERAL MEETING VOTE
LUIS JAVIER MARTÍNEZ SAMPEDRO	—	DIRECTOR	07/05/1999	25/06/2009	GENERAL MEETING VOTE

Total number of directors	10
---------------------------	----

Indicate any resignations or dismissals from the Board of Directors produced during the period:

Name of Director	Status of the director at the time of termination	Date of resignation
--	--	--

C.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
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CORPORATE GOVERNANCE COMMITTEE	CHAIRMAN AND CEO
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CORPORATE GOVERNANCE COMMITTEE	DIRECTOR
LUIS JAVIER MARTÍNEZ SAMPEDRO	CORPORATE GOVERNANCE COMMITTEE	DIRECTOR CODERE AMERICA

Total number of executive directors	3
% of total board	30

#### 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.	CORPORATE GOVERNANCE COMMITTEE	JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
JOSE IGNACIO CASES	CORPORATE GOVERNANCE COMMITTEE	JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
JOSÉ RAMÓN ROMERO RODRÍGUEZ	CORPORATE GOVERNANCE COMMITTEE	JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
Total number of external nominee directors		3
% of total board		30

#### EXTERNAL INDEPENDENT DIRECTORS

Name of director	Profile
EUGENIO VELA SASTRE	Holds a degree in Economics and Business Administration and Industrial Engineering from the Complutense University and Polytechnic University of Madrid. Chairman of the Cosien S.A. Group and LMV, S.A.
JOSEPH ZAPPALA	Former U.S. ambassador to Spain (1989-1992) President of Joseph Zappala Investments.
JUAN JOSÉ ZORNOZA PÉREZ	Department Chair of Finance and Tax Law at the Carlos III University of Madrid.  PhD in Law from the Madrid Autonomous University

JUAN JUNQUERA TEMPRANO	Former Secretary of State for Telecommunications and the Information Society CEO of Innersum, S.L.
------------------------	---

Total number of independent directors	4
Total % of Board	40

Indicate whether any director qualified as an independent director of the company or its group, receives any amount or benefit other than for the concept of directors fees, or holds or has held a business relationship with the company or any group company during the last financial year, either on their own behalf or as a significant shareholder, director or senior manager of a company that has or has had such a relationship.

In this case, provide a reasoned statement of the board on the reasons why it considers that the director can perform his or her functions as an independent director.

Name of Director	Description of the relationship	Reasoned statement
--	--	--

#### OTHER EXTERNAL DIRECTORS

Name of director	Committee which proposed the appointment
--	--
Total number of other independent directors	--
Total % of Board	--

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.

Name of Director	Reasons	Company, executive or shareholder maintaining the link
--	--	--

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

Name of Director	Date of change	Previous status	Current status
--	--	--	--
--	--	--	--

C.1.4 Complete the following table with information on the number of female directors for the past 4 years, and the nature of such directors:

	Number of female directors				% of total of each type of director			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	1	1	1	1	10	10	10	10
Nominee	0	0	0	0	0	0	0	0
Independent	0	0	0	0	0	0	0	0
Other External	0	0	0	0	0	0	0	0



Total	1	1	1	1	10	10	10	10
-------	---	---	---	---	----	----	----	----

- C.1.5 Explain the measures, if any, which have been taken to seek to include a number of women on the Board to achieve a balanced representation of women and men.

Explanation of the measures
In the case of any vacancy on the Board, the Company has sought the presence, among the candidates in the search process of directors and under the same conditions, at least one woman for each vacancy that meets the desired experience and professional profile.

- C.1.6 Explain the measures, if any, agreed by the appointments committee to ensure that the selection procedures are not implicitly biased against the selection of female directors and that the company makes a conscious effort to include potential female candidates which meet the desired professional profile:

Explanation of the measures
The Regulations of the Board of Directors of the Company empowers the Corporate Governance Committee to assess the skills, knowledge and experience required on the Board and to define the roles and capabilities required of the candidates to fill each vacancy and evaluate the time and dedication needed to perform their duties. To cover new vacancies, pursuant to the Rules of the Board of directors, the Corporate Governance Committee ensures that the selection procedures are not implicitly biased against the selection of female directors and makes a conscious effort to include potential female candidates which meet the desired professional profile.

When, despite the measures, if any, taken there are few or no female directors, explain the reasons why:

Explanation of reasons
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 and, therefore, women represent 10% of the members of the Board.
Keep in mind that although Codere, S.A. is a listed company, it is a family business and the percentage participation of women on the Board is similar to the average of listed Spanish companies and superior to other companies with similar capitalization. The latest available statistics relating to 2011 show that the percentage participation of women on Boards of Directors of listed Spanish companies was 10.4%, which implies one woman per board (about 1.19 women on average), while the percentage among company with similar capitalization to Codere, S.A. was 9.6%.

C.1.

Explain the form of representation of significant shareholders on the Board of Directors.

The company Masampe Holding, BV, owner of 51.346% of the shares of the Company, is represented on the Board of Directors by the Executive Director Mr Jose Antonio Martínez Sampedro.

Meanwhile, Mr Jose Antonio Martínez Sampedro, holder of 12.425% of the shares of the Company, is represented on the Board of Directors by Masampe, S.L., Nominee Director and Vice Chairman of the Board, which is represented by Mr Fernando Lorente Hurtado.

- C.1.8 Explain, if applicable, the reasons for appointing nominee directors at the request of shareholders holding less than 5% of the share capital:

Name of shareholder	Justification
--	--

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

Yes ☐

No ☐

Name of shareholder	Explanation
--	--

C.1.9 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:

C.1.10 Indicate, if applicable, the powers delegated to the CEOs:

Name of Director	Reason for resignation
--	--

Name of Director	Brief description
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	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.

C.1.11 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	Name of group company	Position
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	C-F 8, S.L.	JOINT AND SEVERAL DIRECTOR
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE AMÉRICA, S.A.U.	CHAIRMAN/JOINT AND SEVERAL DIRECTOR
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE DISTRIBUCIONES, S.L.U.	JOINT AND SEVERAL DIRECTOR
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE ESPAÑA, S.L.U.	JOINT AND SEVERAL DIRECTOR
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE INTERACTIVA, S.L.	CHAIRMAN OF THE BOARD
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL, S.L.U.	JOINT AND SEVERAL DIRECTOR
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL DOS, S.A.U.	CHAIRMAN/JOINT AND SEVERAL DIRECTOR
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE SERVICIOS COMPARTIDOS, S.A.U.	JOINT AND SEVERAL DIRECTOR
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	COLONDER, S.A.U.	CHAIRMAN/JOINT AND SEVERAL DIRECTOR
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	NIDIDEM, S.L.U.	CHAIRMAN/JOINT AND SEVERAL DIRECTOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	BINTEGRAL, S.P.A.	SOLE ADMINISTRATOR

ENCARNACIÓN MARTÍNEZ SAMPEDRO	CARTAYA, S.A.U	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	C-F 8, S.L.	JOINT AND SEVERAL DIRECTOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODEMÁTICA, S.R.L.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE ALICANTE, S.L.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE AMÉRICA, S.A.U.	JOINT AND SEVERAL CEO
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS ARAGÓN, S.L.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS CASTILLA-LA MANCHA, S.A.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS ESPAÑA, S.L.U	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS GALICIA, S.L.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS MURCIA, S.L.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS NAVARRA, S.A.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS VALENCIA, S.A.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE APUESTAS, S.A.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE ASESORÍA, S.A.U.	JOINT AND SEVERAL DIRECTOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE BARCELONA, S.A.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE DISTRIBUCIONES, S.L.U.	JOINT AND SEVERAL DIRECTOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE ESPAÑA, S.L.U.	JOINT AND SEVERAL DIRECTOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE GAMING ITALIA, S.R.L.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE GIRONA, S.A.	JOINT AND SEVERAL DIRECTOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE GUADALAJARA, S.A.	DIRECTOR/SECRETARY TO THE BOARD OF DIRECTORS
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE INTERATTIVA ITALIA, S.R.L.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL DOS, S.A.U.	JOINT AND SEVERAL CEO
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL, S.L.U.	JOINT AND SEVERAL DIRECTOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE ITALIA, S.P.A.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE LOGROÑO, S.L.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE MADRID, S.A.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE NETWORK, S.P.A.	CHAIRMAN OF THE BOARD
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE ONLINE, S.A.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE SERVICIOS COMPARTIDOS, S.A.U.	JOINT AND SEVERAL DIRECTOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE SERVICIOS, S.L.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE VALENCIA, S.A.	JOINT AND SEVERAL DIRECTOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	COLONDER, S.A.U.	JOINT AND SEVERAL CEO

ENCARNACIÓN MARTÍNEZ SAMPEDRO	EL PORTALÓN, S.L.	JOINT ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	GESTIONI MARCONI, S.R.L.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	GIOMAX, S.R.L.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	JPVMATIC 2005, S.L.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	MISURI, S.A.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	NIDIDEM, S.L.U.	JOINT AND SEVERAL CEO
ENCARNACIÓN MARTÍNEZ SAMPEDRO	OPERBINGO ITALIA, S.P.A.	CHAIRMAN OF THE BOARD
ENCARNACIÓN MARTÍNEZ SAMPEDRO	OPERIBÉRICA, S.A.U	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	PALACE VINGO, S.R.L.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	PARISIENNE, S.R.L.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	RECREATIVOS MAE, S.L.U.	SOLE ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	RECREATIVOS OBELISCO, S.L.	CHAIRMAN OF THE BOARD AND CEO
ENCARNACIÓN MARTÍNEZ SAMPEDRO	RECREATIVOS POPULARES, S.L.	JOINT ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	RED AEAM, S.A.U.	JOINT AND SEVERAL DIRECTOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	RESTI Y CIA, S.L.	JOINT ADMINISTRATOR
ENCARNACIÓN MARTÍNEZ SAMPEDRO	SIGIREC, S.L.	CHAIRMAN OF THE BOARD
ENCARNACIÓN MARTÍNEZ SAMPEDRO	VEGAS, S.R.L.	SOLE ADMINISTRATOR
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.	JOINT AND SEVERAL CEO
LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE ARGENTINA, S.A.	CHAIRMAN
LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL DOS, S.A.U.	JOINT AND SEVERAL CEO
LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL, S.L.U.	JOINT AND SEVERAL DIRECTOR
LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE MÉXICO, S.A. DE C.V.	TREASURER
LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE SERVICIOS COMPARTIDOS, S.A.U.	JOINT AND SEVERAL DIRECTOR
LUIS JAVIER MARTÍNEZ SAMPEDRO	COLONDER, S.A.U.	JOINT AND SEVERAL CEO
LUIS JAVIER MARTÍNEZ SAMPEDRO	COMPAÑÍA DE RECREATIVOS DE PANAMÁ, S.A.	CHAIRMAN
LUIS JAVIER MARTÍNEZ SAMPEDRO	DESARROLLO ONLINE DE JUEGOS REGULADOS, S.A.U.	CHAIRMAN OF THE BOARD AND CEO
LUIS JAVIER MARTÍNEZ SAMPEDRO	HÍPICA DE PANAMÁ, S.A.	CHAIRMAN
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	ITAPOAN, S.A.	CHAIRMAN
LUIS JAVIER MARTÍNEZ SAMPEDRO	NIDIDEM, S.L.U.	JOINT AND SEVERAL CEO
LUIS JAVIER MARTÍNEZ SAMPEDRO	SAN JAIME, S.A.	CHAIRMAN
JOSE RAMÓN ROMERO RODRÍGUEZ	CODERE INTERACTIVA, S.L.	DIRECTOR

C.1.12 Detail, if applicable, the company directors who are members of the Board of Directors of other listed companies in Spain other than those of your Group, which have been reported to the company:

Name of Director	Name of the listed company	Position
--	--	--

C.1.13 Indicate, and, if applicable, explain, if the company has established rules on the number of boards its directors may form part of:

Yes ☒ X

No ☐

Explanation of rules
Article 4.1.b) of the Rules of Procedure of the Board of Directors establishes that the Directors may not, except when expressly authorized by the Board, after a report by the Corporate Governance Committee, form part of more than 8 boards, excluding (i) the Boards of Companies forming part of the same group as that of the Company (ii) the Boards of familial or holding companies of the Directors or their families and (iii) the Boards which they are members of owing to their professional relation.

C.1.14 Indicate the general policies and strategies the approval of which the plenum of the Board has reserved for itself:

	Yes	No
<b>The investment and financing policies</b>	X	
<b>The definition of the structure of the corporate group</b>	X	
<b>The corporate governance policy</b>	X	
<b>The corporate social responsibility policy</b>	X	
<b>The strategic or business plan and the annual budget and management objectives</b>	X	
<b>Compensation Policy and Evaluation of Senior Management Performance</b>	X	
<b>Risk Management and Control, as well as Periodic Monitoring of Internal Information and Control Systems</b>	X	

<b>Dividend Policy, as well as Treasury Stock Policy, especially the limits thereof</b>	X	
---	---	--

C.1.15 Indicate the total remuneration of the members of the Board:

Remuneration of the board of directors (thousands of euros)	2,507
Amount of the remuneration corresponding to the benefits accrued by the directors on pensions (thousands of euros)	0
Total remuneration of the board of directors (thousands of euros)	2,507

C.1.16 Identify any senior management who are not executive directors, and indicate total compensation payable to them during the year:

Name or company name	Position
ANGEL CORZO UCEDA	ECONOMIC FINANCIAL MANAGER
PEDRO CARLOS ECHEVARRÍA ARNAIZ	ASSISTANT DIRECTOR TO THE CHIEF EXECUTIVE
FELIPE LUDENA MUÑOZ	INFORMATION SYSTEMS MANAGER
BERNARDO CHENA MATHOV	GENERAL MANAGER FOR ARGENTINA
ADOLFO CARPENA MANZO	INTERNAL AUDIT MANAGER
ALEJANDRO PASCUAL GONZÁLEZ	OPERATIONS MANAGER FOR ITALY
ANTONIO PARA ANDRADE	PRODUCT MANAGER FOR SPAIN
FERNANDO ORS VILLAREJO	BUSINESS DEVELOPMENT DIRECTOR
ITALO DURAZZO	MARKETING AND COMMUNICATIONS MANAGER
JAIME ESTALELLA CARVAJAL	EUROPEAN OPERATIONS MANAGER
MASSIMO RUTA	GENERAL MANAGER FOR ITALY
RAFAEL LÓPEZ-ENRÍQUEZ CHILLÓN	HUMAN RESOURCES MANAGER
SERAFÍN GÓMEZ RODRÍGUEZ	SECURITY AND COMPLIANCE MANAGER
Total senior management compensation (in thousands of euros)	4,030

C.1.17 Indicate, if applicable, the identity of the members of the Board who are, in turn, members of the Board of Directors of companies having significant shareholdings and/or in companies belonging to its group:

Name of Director	Corporate Name of Significant Shareholder	Position
JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	MASAMPE HOLDING B.V.	MANAGING DIRECTOR

Describe, if any, other than those referred to in the previous section, the members of the Board of Directors with links to significant shareholders and/or the companies thereof:

Related Director Name or Corporate Name	Related Significant Shareholder Name or Corporate Name	Description of the relationship
MASAMPE, S.L.	JOSÉ ANTONIO MARTÍNEZ	MASAMPE, S.L. is a company fully

	SAMPEDRO	owned by Mr. José Antonio Martínez Sampedro
ENCARNACIÓN MARTÍNEZ SAMPEDRO	MASAMPE HOLDING, B.V.	Ms. Encarnación Martínez Sampedro is a shareholder of Masampe Holding B.V.
ENCARNACIÓN MARTÍNEZ SAMPEDRO	JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	Blood relation (brothers).
LUIS JAVIER MARTÍNEZ SAMPEDRO	MASAMPE HOLDING, B.V.	Mr. Luis Javier Martínez Sampedro is a shareholder of Masampe Holding B.V.
LUIS JAVIER MARTÍNEZ SAMPEDRO	JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	Blood relation (brothers).

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

Yes ☐

No ☒

Description of changes
--

C.1.19 Indicate the procedures for selection, appointment, re-election, 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:

- Selection:

The Rules of Procedure of the Board of Directors of the Company empower the Corporate Governance Committee to make recommendations to the Board regarding its duties, appointments or nominations regarding the structure of the Board and its Committees. To this end the Rules of Procedure empower the said Committee to assess the skills, knowledge and experience required on the Board and to define the roles and capabilities required of the candidates to fill each vacancy and evaluate the time and dedication needed to perform their duties. In particular, the Corporate Governance Committee shall ensure that the selection procedures for new vacancies are implicitly unbiased against the selection of female directors. (Articles 16.2. and 1.16 of the Rules of Procedure of the Board of Directors).

- 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).

- Re-election:

The Directors shall perform their duties for the term of six years, being eligible for re-election for further terms of the same duration.

As in the case of appointment, re-election must be preceded either by a proposal (in the case of Independent Directors) or by a report from the 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. 3.1 Rules of Procedure of the Board of Directors).

C.1.20 Indicate whether the board has proceeded during the year to conduct an assessment of their activity:

Yes X

No ☐

In such a case, explain the extent to which the self-evaluation has led to major changes in its internal organization and the procedures applicable to its activities:

Description of changes
--

C.1.21 Indicate the cases in which directors are required to resign.

Nominee Directors are required to tender their resignation when the shareholder whom they represent sells its entire shareholding or when said shareholder reduces its holding to a level which requires a reduction in the number of Nominee Directors (art. 3.3 Rules of Procedure of the Board of Directors).

The Board shall not propose the resignation of any Independent Director prior to compliance with the statutory period for which said Director was appointed, unless the Board considers that there is just cause for so doing, after a report by the Corporate Governance Committee. In particular, 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 which prevent him from being classified as independent (art. 3.4 Rules of Procedure of the Board of Directors).

The dismissal of Independent Directors may also be proposed as a result of Takeover Bids, mergers or other similar corporate operations entailing a change in the corporate capital structure when said changes in the structure of the Board are made owing to the criterion of proportionality indicated in article 1.9 of these Rules (article 3.5 of the Rules of Procedure of the Board of Directors).

Directors are required to tender their resignation in those cases in which they may harm the trustworthiness and reputation of the Company (art. 3.6 Rules of Procedure of the Board of Directors).

When, whether as a result of resignation or for any other reason, a director leaves his or her position before the term thereof finalizes, said director explains the reasons in a letter to be sent to all of the members of the Board (article 3.7 of the Rules of Procedure of the Board of Directors).



- C.1.22 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 X

No ☐

Measures aimed at limiting risks
<p>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 competencies, 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.</p> <p>Pursuant to the Rules of Procedure of the Board of Directors, the Chairman 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.</p> <p>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.</p> <p>Furthermore, in order to adopt certain resolutions, the reports and proposals of the various company Committees must be first obtained.</p> <p>It is also important to point out that the Chairman does not have a casting vote on the Board of Directors.</p>

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 X

No ☐

Explanation of rules
<p>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 Independent Director, 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.</p> <p>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.</p>

- C.1.23 Are reinforced majorities, other than the legal ones, required for any type of decision?:

Yes ☐

No X

Where applicable, describe the differences.

Description of the differences

- C.1.24 Explain whether there are any specific requirements other than those pertaining to directors, in order to be appointed Chairman.

Yes ☐

No ☒

Description of the requirements

- C.1.25 Indicate whether the Chairman has a casting vote:

Yes ☐

No ☒

Matters on which a casting vote exists

- C.1.26 Indicate whether the bylaws or the Rules of Procedure of the Board of Directors stipulate an age limit for directors:

Yes ☐

No ☒

Age Limit for Chairman ☐

Age limit for CEO ☐ Age limit for Directors ☐

- C.1.27 Indicate whether the bylaws or the Rules of Procedure of the Board of Directors stipulate a limited term of office for independent directors:

Yes ☐

No ☒

Maximum number of years in office	

- C.1.28 Indicate whether the corporate bylaws or rules of procedure of the Board of Directors establish any formal processes for proxy voting on the Board of Directors., in particular regarding the maximum number of proxies a director may hold and whether it is required for proxies to be the same type of director. If so, briefly explain the rules.

Article 24.13 of the Bylaws provides that the Directors may delegate in writing their attendance and voting to any other Director.

Also, article 4.1.d. of the Rules of Procedure of the Board of Directors, establishes that Directors, notwithstanding their duty to attend the meetings of the organs which they form part of, and to reduce their absences to only the most essential instances, may delegate proxies to attend on their behalf, provided that said proxy is essential and is granted to another member of the Board in writing, is addressed to the Chairman of the Board, contains instructions and is exclusively for the meeting in question.

- C.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: This calculation shall consider proxies without specific instructions as cases of non-attendance:

Number of Board meetings	18
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	14
Number of meetings of the Appointments and Compensation Committee	0
Number of meetings of the Appointments Committee	0
Number of meetings of the Compensation Committee	0
Number of meetings of the Compliance Committee	9
Number of meetings of the Corporate Governance Committee	8

- C.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:

Attendance by directors	10
% of attendance with respect to total votes during the year	55.56

- C.1.31 Indicate whether the individual and consolidated annual accounts submitted for approval by the Board have been previously certified:

Yes ☒ No ☐

Identify, if applicable, the person/s who has/have certified the individual and consolidated annual accounts of the company, for the drafting thereof by the Board:

Name	Position
RICARDO MORENO WARLETA	ECONOMIC FINANCIAL MANAGER

- C.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 endeavoured that the annual accounts drafted by the Board will be verified by the auditors without a qualified opinion. In the case whereby such qualified opinions are unavoidable, the Board, the Chairman of the Audit Committee and the auditors shall explain with clarity to the shareholders the content and scope of the reservations.

The report of the external auditor PriceWaterhouseCoopers corresponding to the year 2013 did not contain a qualified opinion. It included an emphasis made by the company on operations.

- C.1.33 Is the Secretary of the Board of Directors a Director?

Yes ☐ No ☒

- C.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
<p>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 (article 11.6).</p> <p>In compliance with the provisions of the said Rules, the Corporate Governance Committee of Codere, SA, at its meeting in April 2012, reported favourably on the appointment of the current Secretary Mr Luis Argüello Álvarez, following the resignation of his predecessor and his appointment was subsequently unanimously approved by the Board of Directors at its meeting held in May of the same year.</p>

	Yes	No
Does the Appointments Committee report the appointment?	X	
Does the Appointments Committee report the dismissal?	X	
Does the plenum of the Board approve the appointment?	X	
Does the plenum of the Board approve the dismissal?	X	

Does the Secretary of the Board have the special duty to oversee compliance with the recommendations of good governance?

Yes X

No ☐

Comments

- C.1.35 Indicate the mechanisms, if any, established by the company to preserve the independence of the external auditors, the financial analysts, the investment banks and the rating agencies.

- With regard to the independence of the external auditors:

Pursuant to art. 9.4 of the Rules of Procedure of the Board of Directors, the relations of the Board with the external auditors of the company, which are to be 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

Also, the Rules of Procedure of the Board of Directors establishes, among other tasks entrusted thereto, that the Audit Committee shall elevate the following to the Board of Directors: the selection, appointment, reappointment and removal of the external auditor, and the terms of their employment and receive regular information from the external auditor on the audit plan and the results of its execution, and verify that senior management are acting on its recommendations (Article 14.3.2, a) and b)).

Lastly, art. 14.3.2 c) of the Rules of Procedure of the Board of Directors stipulates that it corresponds to the Audit Committee to ensure the independence of the external auditor, being required for said purpose to ensure that the Company communicates the change in auditor as a relevant fact to the Spanish Securities Commission (together with a declaration on the eventual existence of disagreements between the incoming and outgoing auditor), ensure that the Company and the auditor respect the regulations in effect regarding the provision of services other than auditing services, the limits on the concentration of the business of the auditor, and examine any circumstances which may have led to the resignation of the external auditor.

- With regard to the 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 endeavoured 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.

- C.1.36 Indicate whether during the year the Company has changed its external auditor. If so, identify the incoming and the outgoing auditor:

Yes ☐ No ☒

Outgoing Auditor	Incoming Auditor

In the event of any disagreement with the outgoing auditor, explain:

Yes ☐ No ☐

Explanation of disagreements

- C.1.37 Indicate whether the auditing firm does any work other than auditing for the company and/or its group, and, if this be the case, state the fees received for said work and the percentage this entails of the fees invoiced to the company and/or its group:

Yes ☒ No ☐

	Company	Group	Total
Amount of work other than auditing (thousands of euros)	166	494	660
Amount of work other than auditing / Total amount invoiced by the auditing firm (as a %)	35%	24%	26%

- C.1.38 Indicate whether the audit report of the Annual Accounts for the preceding year shows any reservation or qualified opinion. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of said reservations or qualified opinions:

Yes ☐ No ☒

Explanation of reasons

- C.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	5	5

	Company	Group
Number of years audited by the current auditor firm /no. of years that the company has been audited (as a %)	31.25	31.25

- C.1.40 Indicate whether there is any procedure allowing directors to have access to external consultancy, and if so, give details:

Yes ☒

No ☐

Detail of Procedure
<p>Under Article 5.1 of the Rules of Procedure of the Board of Directors of Codere, SA, the Directors, in addition to access to all services of the company and to seek information and advice they need to perform their duties, shall be entitled to propose to the Board of Directors to hire external financial, legal, technical, commercial advisors or any other measures deemed necessary in the interests of company. 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, in addition to the power to call for the attendance and collaboration of Company managers and employees, to contract external advisors when required by the Chairman of the Board. Managers, employees and outside consultants report directly to the Committee seeking their services.</p>

- C.1.41 Indicate and if so, detail whether there is any procedure allowing directors to have access to the information required to prepare the meetings of the organs of administration sufficiently in advance:

Yes ☒

No ☐

Detail of 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 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.</p> <p>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.</p> <p>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.</p>

- C.1.42 Indicate, and if applicable, detail whether the company has established any rules requiring directors to report to the company any cases which may harm the trustworthiness and reputation of the company and, where appropriate, to resign:

Yes ☒

No ☐

Explain the Rules
Article 3.6 of the Rules of Procedure of the Board of Directors stipulates that Directors are required to resign in those cases which may harm the trustworthiness and reputation of the Company, and likewise to report to the Board any criminal action brought against them, as well as the subsequent procedural outcome. If a Director is prosecuted or is brought to trial for any of the crimes indicated in article 213 of the Capital Companies Act, the Board will examine the case as soon as possible and in view of the specific circumstances, will decide whether or not the Director should remain in his post. The Board will report on the matter in the Annual Corporate Governance Report.

- C.1.43 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 213 of the Capital Companies Act:

Yes ☐ No ☒

Name of Director	Criminal proceedings	Comments
--	--	--

Indicate whether the Board of Directors has analyzed the case. If so, give a reasoned explanation of the decision taken as to whether or not it is advisable for the director to remain in his or her position.

Yes ☐ No ☒

Decision / action taken	Reasoned explanation
—	--

- C.1.44 Detail the significant agreements entered into by the company and which will enter into force, be amended or concluded in the case of a change in the control of the company as the result of a takeover bid, and the effects thereof.

1.- Senior Credit Line: On July 5, 2013, Codere, S.A. signed the novation of Senior Credit Facility dated 19 October 2007, initially maturing in June 2013 and was finally extended by agreement with the lenders until 5 July 2013. The new agreement extended the maturity by six months from the signature, setting the maximum amount available at €98,560,385, of which up to sixty million in available credit in cash and the rest in security instruments, the applicable interest rate being the greater of the following: (a) 8.50% per annum or (b) LIBOR plus 7.50% per annum. An arrangement fee of 5% of the amount made available and a facility fee of 3.25% per annum is applied on the amount available.

On 13 September 2013, Codere, S.A. signed a new agreement with the creditors of the Senior Credit Agreement by which it was agreed to increase the total amount to the maximum amount available of €35 million, with the applicable interest rate on the amounts drawn under this new credit tranche being the greater of (a) LIBOR plus 7.00% per annum or (b) 8.00% per annum, maturing on 5 January 2014. Similarly, a commitment fee of €1,069,444 and a commission of 3.25% on availability is applied.

On 9 January 2014, Codere, S.A. and the participants in the Senior Credit Agreement dated October 19, 2007 signed a new agreement for modification and extension of the Senior Credit Agreement, pursuant to which the date of maturity was extended to February 6, 2014, with an option for a further extension of maturity until April 15, 2014 subject to fulfilment of certain conditions, without changing the amount of credit renewed, reaching 127.1 million euros, with an increase of 1% per annum on the interest rate applicable to each of the financial instruments.

Said Senior Credit Agreement dated October 19, 2007, amended the terms described above, provides an early termination in the event of a change of control of the company Codere, S.A. and all amounts due thereunder shall, where applicable, be immediately paid within two business days. In any case, the maturity date of the said Senior Credit Agreement occurred on February 6, 2014 without meeting the requirements for further extension, so the significance if a change of control occurred in the Company's is very relative.

2.- Bond Issue for 760 million Euros: The Codere, S.A. subsidiary, Codere Finance SA (Luxembourg), has issued bonds maturing in 2015 (different dates from June 2005) for an aggregate nominal amount 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 February 1, 2012, the subsidiary of Codere, S.A., Codere Finance SA (Luxembourg) issued bonds maturing in 2019, for a nominal amount of USD 300 million, which was fully subscribed on the 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.

- C.1.45 Identify in aggregate and specify, in detail, the agreements between the company and its directors and executives or employees providing for compensation, indemnity or guarantees, if they resign or are made redundant without valid reason or if the contractual relationship comes to an end as a result of a public takeover bid or other corporate operations.

Number of beneficiaries	5
Type of beneficiary	Description of the agreement:
EXECUTIVES	<ul style="list-style-type: none"> <li>In three of the contracts the guarantee is compensation for dismissal equivalent to one year of salary;</li> <li>Another case is for severance pay equal to 18 months, and</li> <li>In the last case, the clause provides for a severance payment equal to one year, unless the termination occurs following a change of management due to a change in significant shareholders. In this case, the compensation shall be equal to two years' salary.</li> </ul>

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:

	Board of Directors	General Meeting of Shareholders
Organ authorizing the contracts	X	

	YES	NO
Was the General Meeting of Shareholders informed of the contracts?		X

## C.2 Board of Directors' Committees

- C.2.1 Detail all of the Committees of the Board of Directors as well as the independent and nominee members thereof:

### AUDIT COMMITTEE

Name	Position	Type
JUAN JOSÉ ZORNOZA PÉREZ	CHAIRMAN	INDEPENDENT
EUGENIO VELA SASTRE	MEMBER	INDEPENDENT
JOSEPH ZAPPALA	MEMBER	INDEPENDENT
JOSÉ RAMÓN ROMERO RODRÍGUEZ	MEMBER	NOMINEE

% of executive directors	0%
% of nominee directors	25%
% of independent directors	75%
% of other external directors	0%



#### COMPLIANCE COMMITTEE

Name	Position	Type
JOSE IGNACIO CASES MÉNDEZ	CHAIRMAN	NOMINEE
JOSÉ RAMÓN ROMERO RODRÍGUEZ	MEMBER	NOMINEE
JOSEPH ZAPPALA	MEMBER	INDEPENDENT
JUAN JUNQUERA TEMPRANO	MEMBER	INDEPENDENT
MASAMPE, S.L.	MEMBER	NOMINEE

% of executive directors	0%
% of nominee directors	60%
% of independent directors	40%
% of other external directors	0%

#### CORPORATE GOVERNANCE COMMITTEE

Name	Position	Type
JUAN JUNQUERA TEMPRANO	CHAIRMAN	INDEPENDENT
EUGENIO VELA SASTRE	MEMBER	INDEPENDENT
JUAN JOSÉ ZORNOZA PÉREZ	MEMBER	INDEPENDENT
JOSE IGNACIO CASES MÉNDEZ	MEMBER	NOMINEE
MASAMPE, S.L.	MEMBER	NOMINEE

% of executive directors	0%
% of nominee directors	40%
% of independent directors	60%
% of other external directors	0%

C.2.2 Complete the following table with information on the number of directors comprising the committees of the board during the last four years:

	Number of directors							
	Year t		Year t-1		Year t-2		Year t-3	
	Number	%	Number	%	Number	%	Number	%
Audit Committee		0%		0%		0%		0%
Corporate Governance Committee		0%		0%		0%		0%
Compliance Committee		0%		0%		0%		0%

C.2.3 Indicate whether the following functions correspond to the Audit Committee:

	Yes	No
<b>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.</b>	X	
<b>Periodically revise the internal control and risk management systems, in</b>	X	

	Yes	No
<b>order that the principle risks may be adequately identified, managed and disclosed;</b>		
<b>Monitor the independence and efficiency of the internal audit process; propose the selection, appointment, re-election and dismissal of the person in charge of the internal audit system; propose the budget for this service; receive periodical information on its activities; and verify that senior management take into consideration the conclusions and recommendations of its reports.</b>	X	
<b>Set up and supervise a mechanism allowing employees to report confidentially, and where appropriate, anonymously, any irregularities which they observe in the company and which may have repercussions, especially in regard to financial and accounting matters.</b>		X
<b>Submit to the Board proposals regarding the selection, appointment, re-election and replacement of the external auditor, as well as the auditor's contract conditions;</b>	X	
<b>Receive on a regular basis from the external auditor information regarding the audit plan and the results of its implementation, and verify that senior management take into consideration the recommendations thereof.</b>	X	
<b>Ensure the independence of the external auditor</b>	X	

**C.2.4 Describe the rules of procedure regarding the organization and operation, as well as the responsibilities, of each Board committee.**

**AUDIT COMMITTEE**

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, and especially the Chairman, 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 re-election 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 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.
- (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)** Once a year draft an annual report containing the activities carried out by the Committee

In particular, the Audit Committee shall:

1. In relation to the information and internal control systems:

- a)** 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.
- b)** Periodically revise the internal control and risk management systems, in order that the principle risks may be adequately identified, managed and disclosed;
- c)** See to it that the internal audit function is run independently and efficiently; propose the selection, appointment, re-election and dismissal of the person in charge of the internal audit system; propose the budget for this service; receive periodical information on its activities; and verify that senior management take into account the conclusions and recommendations contained in its reports;
- d)** Report, at least once a year, to the Board of Directors in regard to matters of risk control and any malfunctions detected, if applicable, in the internal audit reports or in the exercise of the above listed functions.

In relation to the external auditor:

- a)** Submit to the Board proposals regarding the selection, appointment, re-election 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 implementation, and verify that senior management take into consideration the recommendations thereof.
- 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)** Favour 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 internal control identified in the performance of the audit.
- f) Establish appropriate relationships with the auditors or audit firms to receive information on any issues that might jeopardize their independence, for consideration by the Committee or any others related to the performance of the audit process, as well as other communications provided for in audit legislation and auditing standards. In any case, the Audit Committee shall receive annually from the auditors or audit firms written confirmation of their independence from any directly or indirectly related entity or entities thereof, and information of any additional services of any class provided to said entities by said auditors or audit firms, or by persons or entities linked to them in accordance with the provisions of Law 19/1988 of 12 July, on Account Auditing.
- g) Annually issue, prior to issuance of the audit report, a report which will express an opinion on the independence of the auditors or audit firms. This report shall, in any case, report on the provision of additional services as referred to above.

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) 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.

#### COMPLIANCE COMMITTEE:

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.

#### CORPORATE GOVERNANCE COMMITTEE:

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.
- (l) 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.

C.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:

#### AUDIT COMMITTEE:

The organization and operation of the Audit Committee is regulated in detail in article 14 of the Rules of Procedure of the Board of Directors and under article 26 of the Corporate Bylaws. Said regulations, which have not been changed during the year, are available on the Codere website ([www.codere.com](http://www.codere.com)).

The Audit Committee has presented a report to the Board of Directors on the activities it has carried out during 2013.

#### CORPORATE GOVERNANCE COMMITTEE:

The organization and operation of the Corporate Governance Committee is regulated in detail in article 16 of the Rules of Procedure of the Board of Directors. Said regulation, which has not been changed during the year, is available on the Codere website ([www.codere.com](http://www.codere.com)).

The Corporate Governance Committee has presented a report to the Board of Directors on the activities it has carried out during 2013.

#### COMPLIANCE COMMITTEE:

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 regulation, which has not been changed during the year, is available on the Codere website ([www.codere.com](http://www.codere.com)).

The Compliance Committee has presented a report to the Board of Directors on the activities it has carried out during 2013.

C.2.6 Indicate whether the composition of the management or executive committee reflects the participation in the Board of the various directors in terms of their type of directorship:

Yes ☐

No ☒

If "NO", explain the composition of your Executive Committee
The company does not have an Executive Committee

## **D** RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

- D.1 Identify and explain, if appropriate, competent body and the procedure for approval of related-party and intra-group transactions.

Body responsible for approving related-party transactions
BOARD OF DIRECTORS

Procedure for the approval of related-party transactions
<p>Article 7 of the Rules of Procedure of the Board of directors of Codere, S.A. states that related-party transactions must be approved by the Board of Directors following a favourable report of the Audit Committee. The Directors affected by these transactions can neither exercise nor delegate their votes, should be absent from the meeting while the Board deliberates and votes.</p> <p>However, authorization of the Board is not required for related-party transactions that simultaneously meet the following three conditions:</p> <ul style="list-style-type: none"> <li>(i) They are conducted under contracts whose terms are standardized and apply en masse to many customers;</li> <li>(ii) That they be carried out at prices or rates generally established by the supplier of the good or service in question;</li> <li>(iii) The amount does not exceed 1% of the annual revenue of the Company.</li> </ul>

Explain whether the approval of transactions with related parties has been delegated, indicating, where appropriate, the body or persons to which it has been delegated.

The Board has reserved that power and it has not been delegated to any other body or person.

- D.2 Detail the transactions which are significant due to the amount or subject matter between the company or entities of its group, and the significant shareholders of the company:

Significant Shareholder Name or Corporate Name	Name of company or entity of its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
--	--	--	--	--

- D.3 Detail the transactions which are significant due to the amount or subject matter between the company or entities of its group, and the directors or management of the company:

Name of director or manager	Related party name or corporate name	Relationship	Nature of the operation	Amount (thousands of euros)
ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE, S.A.	DIRECTOR	AGREEMENTS FOR FINANCING LOANS AND CAPITAL CONTRIBUTIONS	503
LUIS JAVIER MARTÍNEZ	CODERE, S.A.	DIRECTOR	AGREEMENTS FOR	1,006

SAMPEDRO			FINANCING LOANS AND CAPITAL CONTRIBUTIONS	
JOSE RAMÓN ROMERO RODRÍGUEZ	CODERE, S.A.	DIRECTOR	AGREEMENTS FOR FINANCING LOANS AND CAPITAL CONTRIBUTIONS	503
JOSE RAMÓN ROMERO RODRÍGUEZ	CODERE, S.A.	DIRECTOR	PROVISION OF SERVICES	500
ADOLFO CARPENA MANZO	CODERE, S.A.	EXECUTIVE	AGREEMENTS FOR FINANCING LOANS AND CAPITAL CONTRIBUTIONS	101
JAIME ESTALELLA CARVAJAL	CODERE, S.A.	EXECUTIVE	AGREEMENTS FOR FINANCING LOANS AND CAPITAL CONTRIBUTIONS	101
FERNANDO ORS VILLAREJO	CODERE, S.A.	EXECUTIVE	AGREEMENTS FOR FINANCING LOANS AND CAPITAL CONTRIBUTIONS	151

- D.4 Detail the significant transactions carried out by the company with other companies belonging to the same group, provided that these are not eliminated in the process of drafting the consolidated financial accounts and do not form part of the normal business activity of the company in regard to their object and conditions.

In any case, report any intra-group transaction carried out with entities established in countries or territories considered as a tax haven:

Name of group company	Short description of operation	Amount (thousands of euros)
--	--	--

- D.5 Indicate the amount of transactions with other related parties.

There were no transactions of this type.

- D.6 Detail the mechanisms established in order to detect, determine and resolve any possible conflict of interest between the company and/or its group, and its directors, management or significant shareholders.

Among the duties of Directors stipulated in Article 4 of the Rules of Procedure of the Board of Directors of Codere, S.A. is the duty of loyalty to company interests and, in said regard, paragraph 4.d thereof states that: The Directors are required to communicate to the Board of Directors any situation of direct or indirect conflict which they may enter into with respect to Company interests. In the case of conflict, the affected Director shall refrain from taking part in the transaction which is the object of conflict. Situations of conflict of interests shall be reported in the annual report.

Article 16 of the said Rules, when regulating the composition, functioning and competences of the 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 persons 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.

**D.7 Does the Group have more than one listed company in Spain?**

Yes ☐

No ☒

Identify the listed subsidiaries:

Listed subsidiaries
--

Have 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 been expressly publicly announced:

Yes ☐

No ☐

Define any business dealings between the parent company and the listed subsidiary, and between it and the other group companies
--

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve potential conflicts of interest
--

## **E RISK CONTROL AND MANAGEMENT SYSTEMS**

**E.1 Explain the scope of the Risk Management System of the company.**

The Risk Management System exists at the business area level or for specific projects but does not consolidate information at the corporate or group level.

During 2012, the Board of Directors approved the Risk Control and Management General Policy as well as the Risk Tolerance Document for the year 2014.

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 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.

#### E.2 Identify the organs of the company responsible for the development and implementation of the Risk Management System.

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 15.3 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.

#### E.3 Describe the main risks that may affect the achievement of business objectives.

The Risk Control and Management General Policy includes the identification and definition of the typology of risks which are significant for the Group, and which, in general terms, are listed below:

- 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.
- **Technological Risk:** refer to the negative impacts that may occur in the Group as a result of losses caused by interruption, failure or damage arising from the information systems and technology platforms game.
- **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.

#### E.4 Identify whether the company has a level of risk tolerance.

The general risk management and control policy of the Codere Group provides that the Board of Directors of Codere, S.A. is responsible for defining the Group's risk tolerance.

The definitions of tolerance and risk levels are regularly updated and communicated to the rest of the organization by establishing a framework of policies, guidelines and limits, as well as the corresponding mechanisms for the approval, which will contribute effectively to ensuring that Risk management is conducted in accordance with the risk tolerance of the Company.

To this end, the Company has established a scale with five levels of risk tolerance. For each of the types of risks to which the Group is subject a value of this scale is assigned, thereby establishing the risk tolerance by type of risk.

The risk analysis is decentralized to the heads of each business unit and/or department, who are responsible for understanding and managing each of the risks that affect them. Annually, in accordance with said analysis, the principal risks, especially those exceeding the limits established by the Board of Directors must be reported.

#### E.5 Indicate which risks have materialized during the year.

##### **Operational risks:**

Circumstances giving rise to the risk: These risks are intrinsic to the business model, to Group activity and to the markets in which it operates, and therefore exist and are materialized throughout each business year.

How the control systems functioned: The internal control systems established by the Group have been functioning correctly throughout the year; consequently, they have had no significant effect on the Group financial statements.

##### **Regulatory risk:**

Circumstances giving rise to the risk: During the year there were some exceptional factors driven by regulatory changes made by different regulators where the Group operates and have generated significant liquidity problems in the group. These factors include: Payment for early renewal of gaming licenses in the province of Buenos Aires, the introduction of the smoking ban in Argentina, closing 8 arcades in Mexico and increases in the tax burden on the sector in several countries where we operate.

How the control systems functioned: As soon as these threats and risks are identified, we apply suitable mitigation plans through both the Group's interest in the relevant industry associations, and through the activity of institutional relationship and by establishing process optimization plans and improving the efficiency of operations sufficient to recover the levels of margins initially planned.

#### **Fiscal Risks:**

Circumstances giving rise to the risk: Due to the clarification from the Mexican Tax Agency on the criteria related to gaming taxes, Mexican companies have had to make a payment to regularize the tax situation.

How the control systems functioned: Established control mechanisms had identified potential risks and contingencies, allowing the correction mechanisms in the extent to which they were provided.

#### **Indebtedness Risk:**

Circumstances giving rise to the risk: Due to liquidity problems suffered by the Group during the year, and motivated by different factors, the Group has been in a deficit cash position and given the January 5, 2014 maturity of the senior debt SFA amounting to 127.1 million euros, Codere, S.A. has submitted the communication provided for in Article 5 bis of the Bankruptcy Act before the Commercial Court in Madrid, requesting Pre-bankruptcy protection.

How the control systems functioned: The Group maintains continuous contact with its major creditors as soon as the first liquidity strains were revealed, entering into negotiations with creditors as well as the search for new sources of funding to resolve these tensions. Despite the pre-bankruptcy situation these negotiations continue.

#### **Country risk:**

Circumstances giving rise to the risk: Sociopolitical instability in Argentina has resulted in difficulties and restrictions in repatriating funds to Spain, as well as the impact of the devaluation of the Argentine currency against the euro.

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.

### **E.6 Explain the response plans and supervision for all major risks of the company.**

#### **Specific control of Regulatory, Operational and Reputational Risks under the Code of Ethics and Conduct**

The General Risks Map of GRUPO CODERE highlights the potential impact of specific risks emanating from **Regulatory Frameworks** affecting the gaming sector in all geographic areas, especially on **the Prevention of Money Laundering** (RG. 1. c .) and proper compliance with the

many regulations affecting the opening and operation of the gaming halls of various types and the game elements and systems included.

In parallel, the protection from **Reputational and Operational Risks** that may affect the Codere Group is approached from different perspectives designed to ensure the adequacy of third parties, customers, suppliers and our own staff so that the standards of **Ethical Conduct** and prior knowledge of possible causes of appropriateness, are achieved by various processes ensuring adequate Due Diligence and compliance with KYC rules. At the same time, the above is enhanced with a tool for effective channelling of complaint through a **Whistleblower Channel**, confidentially, for employees, third parties and customers in all matters affecting the protection of their professional and personal interests derived from their work as well as the economic interests of the Codere Group in any geographic area in which it operates.

All this is included in the **Compliance Policy adopted by the CODERE Group** as part of its ongoing efforts to maximize compliance efforts with the various regulations and improve sound business practices. And to that end, CODERE, S.A. has established its **General Compliance Plan** approved by the Board of Directors on September 22, 2005.

To effectively address this Compliance Plan, the article 15 of the Rule of Procedure of the Board of Directors of CODERE, S.A. established the creation of the **Compliance Committee**, which, among other related tasks, performs the ongoing monitoring *of compliance and control systems by the Company and the Group of the rules on the prevention of money laundering and the proposed implementation and improvement as it deems necessary or desirable*. The Compliance Committee also *monitors implementation throughout the Codere Group of the Code of Ethics and Conduct approved by the Board of Directors on January 27, 2011 and the various Ethical and Complaints channels* in all geographic areas to allow employees, customers, suppliers, and other third parties with whom the company has contractual relationships, to confidentially and, if necessary, anonymously, communicate any irregularities of potential importance, especially financial and accounting irregularities within the company.

For the actual efficiency of the Committee's work, CODERE SA created **the Corporate Compliance Department**, which directs and coordinates compliance officers expressly instituted in all geographic areas in which the Company operates, with *the exclusive and permanent mission to accomplish, internally and externally, in all business units of any geographic area, full compliance with the letter and spirit of the law and the use of best practices and codes of conduct*.

### **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 latest and most ample version 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, therefore, 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 labour norms wherever it carries out its activity.

In order to guarantee the proper functioning and operation of the Compliance Department, both its corporate duties and the Local Compliance Officers are audited annually by both the Internal Audit Department and by the corresponding External Audit. Additionally, all tasks involving the prevention of money laundering must annually pass an **External Expert Review** imposed by Spanish legislation.

Accordingly, the Compliance Policy evidences the special commitment of CODERE to the laws against fraud and money laundering, as well as to the values of honesty and integrity in corporate business practices and compliance with the internal code of conduct, all of which takes shape in the following **strategic objectives**:

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

***CODERE Compliance Policy execution processes.***

During 2013 we continued to develop and/or improve the following processes and actions by Local and Corporate Compliance:

- 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
- Dissemination and personal acceptance by employees of the Code of Ethics and Conduct of the CODERE Group in all geographic areas in which it operates, as evidence of the use of best business practices and Corporate Social Responsibility in Codere, S.A.
- Introduction and management of the Whistleblower Channel/Ethics Channels in all of the Business Units having direct Local Compliance and global management of Corporate Compliance and the Compliance Committee
- 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, as well as systematic or suspicious transactions that may occur at the corresponding FIU / SEPBLAC reports.
- Special examination of certain operations with respect to Risk.
- Conservation of documents with the guarantees and legal deadlines for each area.
- Collaboration with the Executive Service of the Commission for the Prevention of Money Laundering and Terrorism Financing or Local FIU units.

- Abstention in the execution of irregular operations or malpractice, forming part of the Compliance function for all contracting processes of the business units.
- Duty to ensure confidentiality of all communications on Third Parties and Customers.
- Requirement of Due Diligence and internal control measures of permanent evaluation of Third Party Risks and Clients, as well as of Directors and Employees.
- Specialized local compliance bodies (minimum Certified ACAMS U.S.), due to the internal control, communication to Authorities and exceptional ability for appropriate training of employees in AML/TF.
- With regard to branches and subsidiaries abroad, CODERE expressly adopts the policy of assuming the maximum requirements, meaning that if local legislation is less demanding than the Parent or FATF, the latter are met.

#### ***Summary of relevant Compliance Activities in the CODERE Group in 2013.***

Below we have included a summary of the activities of the Prevention of Money Laundering (AML) and Know Your Customer (KYC) and AML training of employees and executives and control of customers and suspicious transactions and impulse-control on the Code of Ethics and Conduct carried out in 2013.

- There were **4,593 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.
- **1,228 Internal Control Due Diligence** were conducted with CODERE's own personnel.
- **4,721 employees** were given Mandatory Training internally by the Compliance Departments of Spain, Argentina, Italy, Panama, Colombia, Uruguay and Mexico and externally by the Online Training Agency in Argentina.
- **29,371 Prizes and Transactions** were controlled and reported to the competent Authorities, using the identification and register required in each case.
- **71 suspicious transactions** have been reported to the various local FIU (SEPBLAC in Spain). This process has been carried out in full in all business units.
- **93 cases** were reported/communicated to the Whistleblower Channel /Internal Investigation.

## **F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS REGARDING THE FINANCIAL REPORTING PROCESS (FRICS)**

Describe the mechanisms that comprise the risk management and control systems in relation to the financial reporting process (FRICS) in your company.

### **F.1 Company control environment**

Report, noting the main features, on at least:

F.1.1. What organs and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective Financial Reporting Internal Control System (FRICS); (ii) its introduction; and (iii) its supervision.

- (i) The Board of Directors is responsible for approving the Risk Control and Management Policy, as well as the periodical monitoring of the internal information and control system, as stated in article 7 of the Rules of Procedure of the Board of Directors.
- (ii) The introduction, 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, the Group, financial reporting and the completeness thereof, reviewing compliance with the regulatory requirements, proper delimitation of the consolidation perimeter and the correct application of accounting criteria.
  - b. Periodically revise the internal control and risk management systems, in order that the principle risks may be adequately identified, managed and disclosed;
  - c. Report, at least once a year, to the Board of Directors in regard to matters of risk control and any malfunctions detected, if applicable, in the internal audit reports or in the exercise of the above listed functions.

F.1.2. Indicate whether the following exist, especially in regard to financial reporting:

- Departments and/or mechanisms in charge of: (i) the design and review of organizational structure; (ii) clearly defining lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) seeing to it that sufficient procedures exist for their proper dissemination in the company.

The Company has an organizational structure which has developed the major lines of responsibility and authority in the various processes, for each business unit and for each significant geographical area of the Group. The 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.

- 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 behaviour 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.

- 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.

The Whistleblower Channels were introduced in all of Codere's geographical areas under the common name of "Ethics Channels" using the same standards and manner of operation as that employed in the global corporate whistleblower channel. Said Channels, which are open to and confidential for Group own personnel as well as customers and suppliers or other third parties with which a commercial or business relation is maintained, are operated exclusively by local Compliance officials, permanently supervised by Corporate Compliance General Management.

The 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.

- 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 2013, 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.

## F.2 Evaluation of financial reporting risks

Report at least:

### F.2.1. What are the principal characteristics of the risk identification process, including those related to error or fraud, in regard to the following:

- whether 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.

- 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.
- Integrity: The reporting reflects all transactions, facts and all other events with respect to which the company is an affected party.
- Valuation: Recording and valuation are made of all transactions, facts and other events in accordance with the applicable regulations.
- Transaction Cut-off: Transactions are recorded in the proper period on an accrual basis.
- Presentation, disclosure and comparability: The transactions, facts and all other events are classified, presented and disclosed in the financial reporting in accordance with the applicable regulations.
- Rights and obligations: The financial reporting reflects the rights and obligations at the corresponding date in accordance with the applicable regulations.

The objective is to determine 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.

- 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.

- If the process takes into account the effects of other risk typologies (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

The Codere Group Risk Control and Management General Policy includes the identification and definition of all of the types of risk faced by the Group and which have been deemed as important, comprised as follows:

- Corporate Governance Risks
- Operational and Loss of Income Risks.
- Regulatory and Institutional Relation Risks.
- Fiscal Risks
- Indebtedness Risk
- Country Risk
- Technological Risk

- What governance organ of the company supervises the process.

In the final instance, the Board of Directors, through the Audit Committee, in accordance with article 14 of the Rules of Procedure of the Board, is in charge of "Periodically revising the internal control and risk management systems, in order for the principal risks to be adequately identified, managed and disclosed".

The Audit Committee is in charge of managing the Control and Risk Management Policy in which at least the following will be identified: the various types of risks, measures foreseen to mitigate the impact of the identified risks, should they materialize, and the reporting and internal control systems which will be used to control and manage the foregoing, including contingent liabilities and off-balance sheet risks.

Report, noting the main features, if your company at least has:

F.3.1. Procedures for the review and authorization of financial reporting, and the description of the FRICS, to be published in the securities markets, indicating those in charge, as well as documentation describing cash flows from activities and controls (including those related to fraud risk) for the different types of transactions which may materially affect the financial statements, including the year-end closing procedure and the specific review of relevant opinions, estimations, valuations and projections

The Company has procedures for the review and authorization of financial reporting to be published in the securities markets. Said procedures are in regard to:

- Procedures for 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 drafting 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.

F.3.2. Financial reporting internal control policies and procedures (among these, access security, control of changes, operation of changes, operational continuity, and segregation of functions) undergone by relevant processes of the entity in relation to the drafting and publication of the financial reporting.

The Company has guidelines and rules of action for managing information security. Said guidelines apply to the systems taking part in the generation of the financial reporting, and are in regard to the use of computer resources, access to user systems and management, the protection of networks, systems, databases and applications and the management of backup copies.

The Information Systems 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.

F.3.3. Financial reporting internal control policies and procedures aimed at supervising the management of activities sub-contracted to third parties, as well as those aspects of evaluation, calculation or valuation entrusted to independent experts, which may materially affect the financial statements.

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.

#### F.4 Information and communication

Report, noting the main features, if your company at least has:

- F.4.1. A specific function for defining and keeping accounting policies (area or department of accounting policies) up to date, and resolving any doubts or conflicts resulting from the interpretation thereof, maintaining fluent communication with those in charge of the transactions in the organization, as well as an accounting policy manual updated and communicated to the units through which the entity operates.

Within the Economic Financial Management there is a specific function responsible for resolving any doubts in regard to the interpretations of the regulation. There is an Accounting Policy Manual at the Group level applicable to all of the Business Units. Said Manual is reviewed with the aim to update it periodically.

- F.4.2. Mechanisms for gathering and preparing the financial information using homogenous formats applied and used by all units of the entity or of the group, which form the basis for the principal financial statements and the notes, as well as the information detailed in regard to the FRICS.

The Company has homogeneous financial information reporting for all of the Group units which allows the Company to make complete monthly closings. Said reporting contains all the information required for drafting the principal financial statements 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.

#### F.5 Supervision of system operation

Report, noting the main features, on at least:

- F.5.1. ICFR monitoring activities conducted by the Audit Committee and whether the entity has an internal audit function whose competencies support the committee in its oversight of the internal control system, including ICFR. Also report the scope of the assessment of ICFR in the year and the process by which the party responsible for implementing the evaluation reports its results, whether the entity has an action plan detailing any corrective measures, and whether it has considered its impact on financial reporting.

As provided in article 14 of the Rules of Procedure of the Board of Directors, the Audit Committee has among its functions the following:

- Supervise the internal audit services and monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-election and dismissal of the head of the internal audit service; propose the budget for said service; receive periodical information regarding its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- Periodically revise the internal control and risk management systems, in order that the principle risks may be adequately identified, managed and disclosed;
- Supervise the process 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 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.
- 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.

Likewise, a specific work plan has been designed to evaluate the operation and efficacy of the identified controls, which will allow it to serve as supervision of the entire Financial Reporting Internal Control System.

#### **C. Communication of results and corrective measure action plans.**

The Audit Committee is informed quarterly of the principal conclusions and recommendations manifested by the Internal Audit Committee in its reports, as well as of the action plans taken on with regard to corrective measures. It is likewise informed of compliance with these action plans.

F.5.2. If the entity has a procedure for discussion by means of which the auditor (in conformity with that established in the NTA), the internal audit function and other experts are able to communicate to senior management and to the Audit Committee or entity directors the significant weaknesses of the internal control system identified during the annual account review processes or any other review processes entrusted to them. Likewise the entity will report whether it has an action plan which seeks to correct or mitigate the weaknesses noted.

The Audit Committee meets at least once every three months (prior to the publication of regulated information) in order to obtain and analyze the information necessary to discharge the duties entrusted to it. At said meetings the Group Annual and Half-yearly Accounts and the intermediate quarterly declarations are reviewed, as is all other information disclosed to the market.

These meetings are also attended by the Economic Financial 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.

#### F.6 Other relevant information

#### F.7 External Auditor's report

Report:

F.7.1. If the FRICS sent to the markets has been subject to review by the external auditor, in which case the entity should include the corresponding report as an Annex. Otherwise, you should explain the reasons for this.

The 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.

## **G** 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.

In the event that any recommendation is not followed or partially followed, you should include a detailed explanation of the reasons so that shareholders, investors and the market in general, have sufficient information to evaluate the performance of the company. General explanations are not acceptable.

- 1. That the 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.10, B.1, B.2, C.1.23 and C.1.24.

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: D.4 and D.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.

See sub-paragraph: B.6

Partially complies

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 2013, there has been no transaction of this type in Codere, S.A., which, if applicable, could have been submitted 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 27 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.

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.

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) Dividend Policy, as well as Treasury Stock Policy, especially the limits thereof.

See sub-paragraphs: C.1.14, C.1.16, and E.2

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.

- 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.
  - 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 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) Transactions which the company carries out with directors, significant shareholders or shareholders represented on the Board, or with related persons ("related party transactions").

The authorization of the Board shall not, however, be required for related party transactions that simultaneously meet the following three conditions:

- 1: They are conducted under contracts whose terms are standardized and apply en masse to many customers;
- 2: That they be carried out at prices or rates generally established by the supplier of the good or service in question;
- 3: The amount does not exceed 1% of the annual revenue of the Company.

It is recommended that the board approve related party transactions upon receipt of a favourable report from the audit committee or, where applicable, any other that may be assigned this duty, and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

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: D.1 and D.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: C.1.2

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.3 and C.1.3.

Complies

11. 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: A.2, A.3 and C.1.3

Complies

12. That the number of independent directors represents at least one third of the total number of directors.

See sub-paragraph: C.1.3

Complies

13. 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. And 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 honoured 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: C.1.3 and C.1.8

Complies

**14. When few or no female directors, the nominating committee should ensure that when new vacancies:**

- 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: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complies

**15. 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-paragraphs: C.1.19 and C.1.41

Complies

**16. 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: C.1.22

Complies

**17. 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: C.1.34

Complies

- 18. That the board meet as often as necessary to perform its duties, following the schedule of dates and agendas set at the beginning of the year and each director to propose items on the agenda not initially planned.**

See sub-paragraph: C.1.29

Partially complies

The schedule established at beginning of 2013 establishes that 11 meetings of the Board will be held in each calendar month of the year except for October. Lastly, during the 2013, there have been 18 meetings of the Board (1 in each month of the year, including October, except in the months of April, July, September and December, during which 2 meetings were held and in June when 3 meetings were held). The Board also adopted resolutions in writing without a meeting once (July).

- 19. That absences of the directors should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. If a proxy is necessary, he or she should be given specific instructions.**

See sub-paragraphs: C.1.28, C.1.29 and C.1.30

Complies

- 20. 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

- 21. 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-paragraphs: C.1.19 and C.1.20

Complies

- 22. That all directors are able to exercise the right to request any additional information they require on matters within the competence of the board. And, unless the bylaws or board regulations indicate otherwise, such requests are addressed to the chairperson or secretary of the board.**

See sub-paragraph: C.1.41

Complies

23. 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: C.1.40

Complies

24. That companies establish an orientation program that provides new directors with rapid and sufficient knowledge of the company and its corporate governance rules. Moreover, that the companies offer their directors programs for updating their knowledge when this is deemed advisable by the circumstances.

Complies

25. 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: C.1.12, C.1.13 and C.1.17

Complies

26. That the proposal for the appointment or renewal of directors submitted by the Board to the general meeting of shareholders, as well as provisional appointments by co-option, are 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: C.1.3

Complies

27. 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

28. 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 C.1.2

Complies

29. 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 which prevent him from being classified as independent pursuant to Ministerial Order ECC/461/2013

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 11.

See sub-paragraphs: C.1.2, C.1.9, C.1.19 and C.1.27

Complies

30. 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 213 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: C.1.42, C.1.43

Complies

31. 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

32. 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: C.1.9

Not applicable

33. 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.

Complies

34. 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

35. That the compensation related to the company results takes into account any eventual qualified opinions stated in the external auditor's report and diminish said results.

Complies

36. That in cases of variable compensation, compensation policies incorporate limits and technical precautions required so as to ensure that said compensation is in line with the professional performance of its beneficiaries and does not merely result from general market performance or from corporate sector activity performance or other similar circumstances.

Not applicable



37. 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: C.2.1 and C.2.6

Not applicable

38. That the Board at all times be informed of the matters dealt with and the decisions adopted by the Delegated Committee, and that all members of the Board receive a copy of the minutes of the Delegated Committee meetings.

Not applicable

39. 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: C.2.1 and C.2.4

Complies

40. 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.

See sub-paragraphs: C.2.3 and C.2.4

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.

- 41. 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

- 42. 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.**

See sub-paragraph: C.2.3

Complies

- 43. 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

- 44. 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-paragraph: E

Partially complies

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.

**45. That the Audit Committee be entrusted to do the following:**

- 1. In relation to the information and internal control systems:**
  - a) That the main risks identified as a result of monitoring the effectiveness of internal control of the company and the internal audit function, if any, are managed and properly disclosed.**
  - b) See to it that the internal audit function is run independently and efficiently; propose the selection, appointment, re-election and dismissal of the person in charge of the internal audit system; propose the budget for this service; receive periodical information on its activities; and verify that senior management take into account the conclusions and recommendations contained in its reports;**
  - c) 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) Receive on a regular basis from the external auditor information regarding the audit plan and the results of its implementation, and verify that senior management take into consideration the recommendations thereof.**
  - b) 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 in the event that the auditor should choose to resign, the Committee examine the reasons why.**

See sub-paragraphs:

C.1.36, C.2.3, C.2.4 and E.2

Partially complies

With respect to sub-paragraph 1.c, 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.

**46. 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

**47. 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, except where their scrutiny has been entrusted to another committee of the supervisory and control operations.

See sub-paragraphs: C.2.3 and C.2.4

Complies

48. That the Board of Directors endeavour 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: C.1.38

Complies

49. 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: C.2.1

Complies

50. 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 chairman and the CEO and, if applicable, make proposals to the Board, in order that said succession may be carried out in an orderly and well-planned manner;
- c) Report on the appointments and dismissals of senior management proposed by the chief executive to the Board.
- d) Inform the Board of the diverse matters indicated in Recommendation 14 of this Code.

See sub-paragraph: C.2.4

Partially complies

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.

- 51. 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

- 52. 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: C.2.4

Complies

- 53. That the Compensation Committee consult with the company chairperson and CEO, especially in regard to matters concerning executive directors and senior management.**

Complies

## **H OTHER INFORMATION OF INTEREST**

- 1.** If you consider that there is any principle or relevant aspect regarding the corporate governance practices applied by your company which has not been dealt with in the present Report, but that more complete and reasoned information is necessary regarding the structure and governance practices of your company and/or group, mention this below and briefly explain what it consists of.

- 2.** Any information, clarification or nuance related to the preceding sections of this report may also be included in this section.

Specifically, indicate whether or not the company is subject to any legislation other than Spanish legislation in matters of corporate governance and, if applicable, include any information which it is required to provide which differs from the information called for in this report.

- 3.** The company may also indicate whether voluntarily acceded to other ethical principles or codes of good practice, international, sectoral or other authorities. In such a case, the code in question and the date of application should be identified.

In relation to sub-paragraph C.1.27, it should be pointed out that article 3.2 of the Rules of Procedure of the Board establishes that it shall be endeavoured 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.

Regarding sub-paragraph C.1.29, indicate that an additional occasion (July 2013) to the 18 meetings held, the Board adopted resolutions in writing without a meeting (see Recommendation G.18).

In relation to sub-paragraph C.1.30, it should be pointed out that the ratio of attendance to total votes for the year was calculated by multiplying the total number of Board meetings (not taking into account the occasion on which resolutions were adopted in writing and without physical presence) by the number of members of said Board.

Regarding sub-paragraph C.1.45, it should be noted that the value of the compensation of the five contracts listed in the answer to this question, if applicable, amount at 31 December 2013 to €1.57 million. It should also 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 five beneficiaries of guarantee or golden parachute clauses indicated in the reply to this question, four 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 fifth was duly authorized during the year 2011.

In relation to sub-paragraph C.2.1, it should be noted that until December 10, 2013, Juan José Zornoza Pérez served as Chairman of the Corporate Governance Committee, naming Juan Junquera Temprano as the new Committee Chairman in its meeting held on said date, as proposed that Mr. Zornoza Pérez hold the chairmanship of the Audit Committee following the expiration of the term of office of the previous Chair. Also, as has been indicated, until 11 December 2013, Eugenio Vela Sastre served as Chairman of the Audit Committee, Juan José Zornoza being named the new Chairman by the Audit Committee at its meeting held on that date, upon the expiration of the maximum term of office by Mr. Vela Sastre.

In relation to sub-paragraph C.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 Méndez 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.

With respect to sub-paragraph C.2.3, 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, corresponds to the Compliance Committee, in accordance with article 15 of the Rules of Procedure of the Board of Directors.

In paragraph D.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 mentioned, although the service is provided by the law firm Despacho Loyra Abogados, of which said Director is Managing Partner.

---

This Annual Corporate Governance Report was approved by the Board of Directors of the Company, at its meeting held on 27 February 2014

Indicate whether any Directors have voted against or have abstained from the approval of the present report.

Yes ☐

No ☒

Name or company name of director who has not voted in favour of the adoption of this report	Reasons (against, abstention, absence)	Explain the reasons