ANNUAL REPORT OF CODERE, S.A.

IMPORTANT NOTICE

April 28, 2017

ANNUAL REPORT OF CODERE, S.A.

PURSUANT TO (i) SECTION 4.19(a)(i) OF THE DUAL CURRENCY SENIOR SECURED NOTES INDENTURE DATED NOVEMBER 1, 2016, AS AMENDED AND SUPPLEMENTED FROM TIME TO TIME (THE "SENIOR SECURED NOTES INDENTURE"), AMONG CODERE FINANCE 2 (LUXEMBOURG) S.A. (THE "ISSUER"), THE GUARANTORS (AS DEFINED THEREIN), GLAS TRUST CORPORATION LIMITED, AS TRUSTEE (THE "SENIOR SECURED NOTES INDENTURE") AND THE OTHER PARTIES LISTED THEREIN, GOVERNING THE ISSUER'S OF THE DUAL CURRENCY SENIOR SECURED NOTES DUE 2021 AMONG THE ISSUER, THE GUARANTORS (AS DEFINED THEREIN), GLAS TRUST CORPORATION LIMITED, AS TRUSTEE (THE "DOLLAR & EURO NOTES TRUSTEE") (THE "REPORT").

On our behalf, the Dual Currency Senior Secured Notes Trustee is providing you with a copy of the Report in satisfaction of our obligation under Section 4.19(a)(i) of each of the Senior Secured Notes to provide to holders of the Senior Secured Notes certain information regarding Codere, S.A. and its subsidiaries (the "Codere Group"), including but not limited to the audited consolidated financial statements of the Codere Group.

This document does not constitute an offer or invitation to purchase or form part of an offer or invitation to purchase any securities, and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. The Notes and the related guarantees referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state of the United States and may not be offered or sold in the United States unless registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Report includes forward looking statements that reflect our intentions, beliefs or current expectations and projections about our future results of operations, financial condition, liquidity, and operating performance for 2016 and thereafter, prospects, anticipated growth, strategies, opportunities and the industry in which we operate. Forward looking statements involve all matters that are not historical fact. Forward looking statements may be found in sections of this Report under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Our Business” and elsewhere.

These forward looking statements are subject to risks, uncertainties and assumptions and other factors that could cause our actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets we serve or intend to serve, to differ materially from those expressed in, or suggested by, these forward looking statements. Factors that could cause or contribute to such differences include, without limitation, those discussed in the section entitled “Business” and elsewhere in this Report. You should not place undue reliance on such forward looking statements, which speak only as of the date of this Report. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this Report which may be made to reflect events or circumstances after the date of this Report, including, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events except as required by law.

USE OF CERTAIN DEFINITIONS

As used in this annual report, unless otherwise indicated, all references to:

- "2014 Audited Consolidated Annual Accounts" are to the audited consolidated annual accounts of the Parent Guarantor and its consolidated subsidiaries as of and for the year ended December 31, 2014;
- "2015 Audited Consolidated Annual Accounts" are to the audited consolidated annual accounts of the Parent Guarantor and its consolidated subsidiaries as of and for the year ended December 31, 2015;
- "2016 Audited Consolidated Annual Accounts" are to the audited consolidated annual accounts of the Parent Guarantor and its consolidated subsidiaries as of and for the year ended December 31, 2016;
- "ADM" are to the *Agenzia delle Dogane e dei Monopoli*, the Italian betting and gaming authority;
- "ADM Decree" are to a decree published by the ADM dated January 15, 2015 requiring Codere Network to pay €22 million;
- "AMH" are to *Administradora Mexicana de Hipódromo*, S.A. de C.V.;
- "Argentine peso" or "AR$" are to Argentine peso, the lawful currency of the Republic of Argentina;
- "Audited Consolidated Annual Accounts" are to together the 2014 Audited Consolidated Annual Accounts, the 2015 Audited Consolidated Annual Accounts and the 2016 Audited Consolidated Annual Accounts;
- "AWP machines" or "AWPs" are to amusement with prize machines, which pay out cash prizes as a percentage of total wagers over a pre-determined cycle of games, and are permitted in Spain (as "Type-B machines") and in Italy (as "Comma 6" or "Comma 6A" machines) to be placed in bars, cafés, arcades and bingo halls;
- "Beneficial Owner" are to the holder of a beneficial interest in the Notes;
- "Bloomberg Composite Rate" are to a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks;
- "Borrower" are to Codere Newco S.A.U.;
- "Brazilian reais" are to Brazilian reals, the lawful currency of Brazil;
- "Capital expenditures" or "Capex" are to investments to maintain or improve the quality of the Group's facilities, to build out and equip its premises, to purchase new gaming machines and to make exclusivity payments to site owners in connection with contracts to install the Group's machines in their establishments. Figures for capital expenditures presented in this annual report reflect accrued amounts, including any related contingent payments. Unless otherwise indicated, capital expenditures include investments in acquisitions, loans to site owners and other loans.
- "CdC" are to the Italian *Corte dei Conti*, a constitutional body in Italy charged with supervising and auditing the management and accounts of the public administration (including the exercise of certain jurisdictional activities relating thereto);
- "CIE" are to Corporación Interamericana de Entretenimiento, S.A.B. de C.V.;
- "Codere América" are to Codere América, S.A.U.;

- “Codere Group,” “Group” or “Codere” are to Codere, S.A. and its subsidiaries; “we,” “us” or “our” refer to Codere, S.A. together with its consolidated subsidiaries and the “Parent Guarantor” or “Codere, S.A.” refers only to the legal entity Codere, S.A. unless the context otherwise requires or it is otherwise indicated;

- “Codere Internacional Dos” are to Codere Internacional Dos, S.A.U. and its successors and assigns;

- “Codere Network” are to Rete Franco, S.p.A. which we acquired from Franco Distribución, S.A. on April 28, 2006 and renamed “Codere Network S.p.A.” on September 7, 2006;

- “Colombian peso” or “COP$” are to the Colombian peso, the lawful currency of Colombia;

- “Dollar Notes” are to $300,000,000 aggregate principal amount of 7.625% Senior Secured Notes due 2021;

- “Dollars,” “U.S. dollars,” “USD,” “U.S.$” or “$” are to the lawful currency of the United States of America;

- “EBITDA” (earnings before interest, tax, depreciation and amortization) are to operating profit/(loss) plus asset impairment charges, profit/(loss) on retirement or disposal of assets, change in trade provisions and depreciation and amortization;

- “EBITDA margin” are to EBITDA as a percentage of operating revenue;

- “EBT” are to Electronic Bingo Terminals;

- “EU” or “European Union” are to the European Union as constituted on April 30, 2004, specifically comprising the countries of Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after April 30, 2004;

- “Euro” or “€” are to the euro, the lawful currency of the Member States of the European Monetary Union;

- “Euro Notes” are to €500,000,000 aggregate principal amount of 6.750% Senior Secured Notes due 2021;

- “Euroclear” are to Euroclear Bank S.A./N.V.;

- “Free cash flow” is to Total Adjusted EBITDA, less 50% of the EBITDA reported by HRU through November 30, 2016, less corporate income taxes paid, less maintenance capital expenditures, less growth capital expenditures less changes in working capital;

- “Gaming halls” are to venues, including bingo halls with machines, casinos, machine halls at racetracks and stand-alone machine halls, that have a number of different gaming devices offering various types of games, the number of which varies from country to country;

- “Gaming machines” are to traditional reel spinning slots, machines with video screens and progressive jackpot machines, which include the Type-B machines operated in Spain, the Comma 6, Comma 6A and VLTs (as defined below) operated in Italy, the EBTs operated in Mexico and Spain and the slot machines operated in Mexico, Argentina, Panama, Colombia and Uruguay, which are similar to U.S. Class III Machines, which are electronic gaming machines that are specifically defined under U.S. federal law as a Class III gambling device and are typically permitted in U.S. casinos;

- “GGR” are to Gross Gaming Revenues;

- “Growth capital expenditures” or “growth capex” are to capital expenditures that relate to obtaining or renewing licenses, increasing the number of gaming machines in our portfolio, increasing the number of bingo seats in our bingo halls or otherwise expanding our business.

- “Grupo Caliente” are to Jorge Hank Rohn and the Mexican companies engaged in the gaming business, including Turística Akallí, S.A. de C.V. and Hípodromo de Agua Caliente, S.A. de C.V., in which Jorge Hank Rohn, directly or indirectly, holds a controlling interest;

- “Guarantees,” “Note Guarantee” or “Note Guarantees” are to any guarantee of the Issuer’s obligations under the Indenture and the Notes by any Guarantor;

- “Guarantors” are to the Parent Guarantor and the Subsidiary Guarantors, collectively;

- “HRU” are to Hipica Rioplatense Uruguay, S.A.;

- “Hedge Counterparties” are to the hedge counterparties under certain hedging agreements;

- “ICELA” are to Impulsora de Centros de Entretenimiento de Las Américas, S.A.P.I. de C.V.;

- “IFRS” are to International Financial Reporting Standards (formerly known as “International Accounting Standards,” or “IAS”) as adopted by the European Union;

- “Indenture” are to the Indenture expected to be dated November 8, 2016 by and among, the Issuer, the Parent Guarantor, the Subsidiary Guarantors, Glas Trust Corporation Limited, as Trustee and as Security Agent and Banco Bilbao Vizcaya Argentaria, S.A. as paying agent, as amended and supplemented;

- “Issue Date” are to November 8, 2016;

- “Issuer” are to Codere Finance 2 (Luxembourg) S.A., a *société anonyme* incorporated under the laws of Luxembourg, having its registered office at 6c, rue Gabriel Lippman, L-5365 Munsbach, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B199415, a subsidiary of Codere, S.A., a *sociedad anónima* incorporated under the laws of Spain;

- “Joint Opcos” are to Operadora Cantabria, S.A. de C.V., Libros Foraneos, S.A. de C.V. and Operadora de Espectáculos Deportivos, S.A. de C.V., the licensees indirectly purchased from Grupo Caliente and others in March 2011;

- “Legacy Caliente” are to the Caliente Holdcos, the Joint Opcos, Promojuegos de México, S.A. de C.V. and Mio Games S.A. de C.V.;

- “leverage ratio” are to net financial debt, as defined below, divided by Total Adjusted EBITDA, as defined below;

- “Libros Foráneos” are to Libros Foráneos, S.A. de C.V.;

- “Maintenance capital expenditures” or “maintenance capex” are to capital expenditures that are not related to expanding our business but to maintaining its current capacity.

- “Member States” are to the member states of the European Economic Area;

- “Mexican peso” or “Mex. Ps.” are to the Mexican peso, the lawful currency of Mexico;

- “Net financial debt” are to total debt minus cash and cash equivalents;

- “Net win” are to amounts wagered minus prizes paid in the gaming products which we offer (machines, bingo, sports betting and betting on horse races);

- "Notes" are to the Dollar Notes together with the Euro Notes;
- "Notes Liabilities" are to any liabilities under the Notes;
- "Operadora Cantabria" are to Operadora Cantabria, S.A. de C.V;
- "Panamanian balboas" are to the Panamanian balboa, the lawful currency of Panama, which are equivalent in value to the U.S. dollar;
- "Parent Guarantor" are to Codere, S.A. and its successors and assigns;
- "Pari Passu Creditors" are to any creditors of any Pari Passu Debt;
- "Perella" are to Perella Weinberg Partners UK L.L.P. and Perella Weinberg Partners (Europe) L.P.;
- "Perella Agreement" are to a service agreement Codere entered into with Perella on April 18, 2013;
- "Revolving Credit Facility" or "SSRCF" are to the super senior multicurrency revolving credit facility which may be utilized by way of cash loans and letters of credit, as amended, restated, modified, renewed, refunded, replaced, or refinanced in whole or in part from time to time;
- "Scheme of Arrangements" are to the scheme of arrangements, sanctioned by the High Court of Justice of England and Wales on December 17, 2015;
- "SEC" are to the Securities and Exchange Commission;
- "Securities arbitrage implied rate" are to the implicit rate of exchange obtained from blue chip arbitrage transactions into Argentine sovereign securities;
- "SEGOB" are to the Mexican Ministry of Interior (Secretaría de Gobernación);
- "slot machines" are to gaming devices into which a player inserts a form of currency and, based on a set of probability variables, the player either loses the wager or is awarded a prize;
- "Subsidiary Guarantors" are to, on the issue date of the Notes, Alta Cordillera S.A., Bingos Platenses S.A., Codematica S.r.l., Codere América, S.A.U., Codere Argentina S.A., Codere España, S.L.U., Codere Internacional, S.L.U., Codere Internacional Dos, S.A.U., Codere Latam, S.L., Codere Luxembourg 1 S.à r.l., Codere Luxembourg 2 S.à r.l., Codere México S.A. de C.V., Codere Network S.p.A., Codere Newco S.A.U., Colonder, S.A.U., Iberargen S.A., Interbas S.A., Interjuegos S.A., Intermar Bingos S.A., Nididem, S.L.U., and Operibérica, S.A.U;
- "Total Adjusted EBITDA" are to EBITDA, converted using the securities arbitrage implied rate for the Argentine Peso to the Euro or U.S. Dollar, as applicable, plus 50% of the EBITDA reported by our Uruguayan joint venture HRU through November 30, 2016 and excluding all extraordinary non-recurring items;
- "Total Adjusted EBITDA margin" are to Total Adjusted EBITDA as a percentage of operating revenues;
- "Total debt" are to current and non-current issued notes plus current and non-current debt owed to financial entities, including capital leases;
- "Trustee" are to Glas Trust Corporation Limited;
- "U.S. GAAP" are to accounting principles generally accepted in the United States of America;

- "Uruguayan peso" are to the Uruguayan peso, the lawful currency of Uruguay;

- "VLT machines" or "VLTs" are to video lottery terminals, which are prize machines that pay out cash prizes as a percentage of total wagers over a random statistical process, and are permitted in Italy (as Comma 6B machines) to be placed only in gaming halls, bingo halls and betting shops;

- "Working capital" are to current assets (excluding cash and cash equivalents) less current liabilities (excluding payables to credit entities and bonds and other marketable securities);

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The Issuer is a finance company and it has no material assets or liabilities and has not engaged in any activities other than those related to its formation and the issuance of notes. The Issuer is a wholly-owned subsidiary of the Parent Guarantor. We do not present any financial information for the Issuer in this annual report. The financial information presented in this annual report is the audited consolidated financial information of the Parent Guarantor, which includes both Guarantor and non-Guarantor subsidiaries.

We have included and discussed in this annual report audited consolidated annual accounts of the Parent Guarantor and its consolidated subsidiaries as of and for the years ended December 31, 2014, 2015 and 2016, and the accompanying notes thereto (the "2014 Audited Consolidated Annual Accounts," the "2015 Audited Consolidated Annual Accounts" and the "2016 Audited Consolidated Annual Accounts," respectively, and together, the "Audited Consolidated Annual Accounts"), which were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and audited by PricewaterhouseCoopers Auditores, S.L., for the years 2014 and 2015, and by Ernst & Young S.L. in 2016, as indicated in their independent auditors' report set forth elsewhere in this annual report.
During 2014, we applied for the first time IFRS 11 *Joint Arrangements* that came into effect as from January 1, 2014. As a result of the application of this accounting standard, the Group companies Hípica Rioplatense Uruguay, S.A. and New Joker S.r.l. were consolidated applying the equity method instead of the proportional consolidation. The discussion of the 2014 figures in this annual report has been based on the figures extracted from the 2014 Audited Consolidated Annual Accounts.

Unless otherwise indicated, historical financial information in this annual report has been prepared in accordance with IFRS. IFRS differs in certain significant aspects from U.S. GAAP.

Non-IFRS Financial Measures

In this annual report, we present certain non-IFRS financial measures and ratios, including EBITDA, Total Adjusted EBITDA, EBITDA margin, Total Adjusted EBITDA margin, leverage ratio, working capital, total debt, net financial debt, maintenance capital expenditures, growth capital expenditures and free cash flow which are not required by, or presented in accordance with, IFRS. Our management believes that the presentation of these non-IFRS measures is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, these measures should not be considered in isolation and you should not construe these non-IFRS financial measures as an alternative to net income determined in accordance with IFRS or to cash flows from operations, investing activities, financing activities or other measures of performance as defined by IFRS. These measures have not been prepared in accordance with SEC requirements, IFRS or the accounting standards of any other jurisdiction. The financial information included in this annual report is not intended to comply with the reporting requirements of the SEC and will not be subject to review by the SEC. In addition, our EBITDA, Total Adjusted EBITDA, EBITDA margin, Total Adjusted EBITDA margin, leverage ratio, working capital, total debt, net financial debt, maintenance capital expenditures, growth capital expenditures and free cash flow may not be comparable to similarly titled measures used by other companies.

We believe that the presentation of these measures follows and complies with the European Securities and Markets Authority Guidelines on Alternative Performance Measures dated June 30, 2015.

We define EBITDA as operating profit/(loss) plus asset impairment charges, profit/(loss) on retirement or disposal of assets, change in trade provisions and depreciation and amortization. We believe this metric is informative because it is widely used in the industry, as it helps analyze operating results excluding depreciation and amortization, which is a non-cash item which can vary substantially among companies. EBITDA is the best proxy for operating cash flows before corporate income tax.

We define Total Adjusted EBITDA as EBITDA, converted using the securities arbitrage implied rate for the Argentine Peso to the Euro or U.S. Dollar, as applicable, which is the implicit rate of exchange obtained from blue chip arbitrage transactions into Argentine sovereign securities, plus 50% of the EBITDA reported by our Uruguayan joint venture HRU through November 30, 2016 and excluding all non-recurring items. We believe using the securities arbitrage implied rate reflects more accurately the contribution of our Argentine operation to our EBITDA prior to the lift of capital controls in Argentina on December 17, 2015, and we believe this metric makes results for different periods more comparable by taking into consideration the Argentine contribution at the securities arbitrage implied rate (which is a better proxy to the effective exchange rate, applicable during the capital controls in Argentina). We also believe that including HRU appropriately reflects its contribution to the Group, which starting on December 1, 2016, is fully consolidated in our accounts following our acquisition of the remaining 50%. We consider this metric to be the alternative performance measure that reflects most accurately the economic performance of the Group.

We define EBITDA margin as EBITDA as a percentage of operating revenues. We believe this metric is informative because it is a measurement of our operating performance.

We define Total Adjusted EBITDA margin as Total Adjusted EBITDA as a percentage of operating revenues. We believe this metric is informative because it is a measurement of our operating profitability before non-recurring items.

We define total debt as current and non-current issued notes plus current and non-current debt owed to financial entities, including capital leases. We believe this metric is informative because it is a financial standard metric to assess the company's financial liabilities.

We define net financial debt as total debt minus cash and cash equivalents. We believe this metric is informative because it is a financial standard metric to assess the company's financial liabilities taking into account the company's capacity to service the debt.

We define leverage ratio as net financial debt, as defined above, divided by Total Adjusted EBITDA, as defined above. We use this ratio to assess our financial liabilities net of cash available to pay those liabilities against our cash generation capability.

We define working capital as current assets (excluding cash and cash equivalents) less current liabilities (excluding payables to credit entities and bonds and other marketable securities). We believe this metric is helpful to assess the company's capital efficiency and its short term financial health.

We define maintenance capital expenditures as capital expenditures that are not related to expanding our business but to maintaining its current capacity. We define growth capital expenditures as capital expenditures that relate to obtaining or renewing licenses, increasing the number of gaming machines in our portfolio, increasing the number of bingo seats in our bingo halls or otherwise expanding our business.

We define free cash flow as Total Adjusted EBITDA, less 50% of the EBITDA reported by HRU through November 30, 2016, less corporate income taxes paid, less maintenance capital expenditures, less growth capital expenditures, less changes in working capital. We believe this metric is a helpful indicator of the level of cash generated by the business after all obligations (including investing and operational) have been met.

EBITDA, Total Adjusted EBITDA, EBITDA margin, Total Adjusted EBITDA margin, leverage ratio, working capital, total debt, net financial debt, maintenance capital expenditures, growth capital expenditures and free cash flow are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with IFRS. These non-IFRS financial measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations.

For a reconciliation of each of EBITDA, Total Adjusted EBITDA, EBITDA margin, Total Adjusted EBITDA margin, working capital, total debt, net financial debt, and free cash flow to its nearest comparable IFRS measure for the periods presented herein and for more information on non-recurring items, see "Selected Financial Information".

Securities Arbitrage Implied Rate

In October 2011, in response to the negative macroeconomic situation of Argentina and resultant capital flight, the government strengthened foreign exchange controls. This weak economic environment eventually led to inflation, which reduced Argentine citizens' purchasing power and demand for local savings. Due to such capital controls, the ability to acquire hard currency safe havens (e.g. USD) with Argentine pesos was subject to very strict controls and therefore was significantly limited. Given that it was extremely difficult to purchase foreign currency at official exchange rates ("AR$ Official Rate") through the official foreign exchange market, an unofficial foreign currency market emerged to satisfy demand to shift savings out of Argentine pesos and into other currencies, including USD. The rate at which the USD traded versus the Argentine peso was informally referred to as the "USD Blue Rate." For multi-national companies with operations in Argentina, the primary channel utilized to upstream cash during this period was through the purchase in an Argentine securities market of USD denominated securities which were traded both in an Argentine securities exchange market and in markets outside Argentina. Subsequently, the securities could be either (a) sold locally against wire transfers into off-shore accounts or (b) transferred to a clearing house outside Argentina (such as Euroclear) and sold abroad in exchange for USD. Through the performance of these securities transactions which were subject to certain requirements, including a minimum holding period, individuals or companies would start with Argentine pesos in Argentina, and end up with USD outside Argentina, incurring a cost approximately equal to the difference between the AR$ Official Rate and USD Blue Rate, (or a similar alternate effective rate). The relation between the spot price in Argentine pesos of those securities with respect to the USD spot price of that same security was also considered as an implied exchange rate called "*Tipo de cambio contado con liquidación*" ("securities arbitrage implied rate").

On December 17, 2015, following the election of a new national government in Argentina, the foreign exchange controls were significantly lifted, resulting in a 36% devaluation in the USD/AR$ exchange rate in the following day after the lifts of capital controls. Although our results reported under IFRS are measured using the AR$ Official Rate, we include certain financial metric measured using the securities arbitrage implied rate because we believe using the securities arbitrage implied rate reflects more accurately the contribution of our Argentine operation to our EBITDA prior to the lift of capital controls in Argentina on December 17, 2015.

The following table highlights some of the impacts of the actions discussed above by providing revenues and EBITDA in Argentina for certain periods at the AR$ Official Rate as well as at the securities arbitrage implied rate.

	Year ended December 31,	
	2015	**2016**
Argentina Revenues at AR$ Official Rate	681.8	532.8
Argentina EBITDA at AR$ Official Rate	146.1	118.5
Argentina Revenues at securities arbitrage implied rate	454.6	n.a.
Argentina EBITDA at securities arbitrage implied rate	96.8	n.a.

Segment Information

We are a geographically diversified business with operations in Mexico, Argentina, Spain, Italy, Panama, Colombia, Uruguay and Brazil, and accordingly, we transact in multiple currencies. We report our operational and financial metrics on a country by country basis.

Rounding

Certain numerical information and other amounts and percentages presented in this annual report may not add up due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number.

EXCHANGE RATE AND CURRENCY INFORMATION

In this annual report, unless otherwise indicated, references to "€," "EUR" or "euro" are to the euro, the lawful currency of a member state of the European Union participating in the European Monetary Union, references to "$," "USD," "U.S.$" or "U.S. dollars" are to the United States dollar, the lawful currency of the United States of America, references to "AR$" or "Argentine peso" are to the Argentine peso, the lawful currency of the Republic of Argentina, references to "Mex. Ps." or "Mexican peso" are to the Mexican peso, the lawful currency of United Mexican States, references to "Panamanian balboas" are to the Panamanian balboas, the lawful currency of Panama (which are equivalent in value to the U.S. dollar), references to "COP$" or "Colombian peso" are to the Colombian peso, the lawful currency of the Republic of Colombia, references to "Brazilian reais" are to the Brazilian reais, the lawful currency of Brazil, and references to "Uruguayan peso" are to Uruguayan peso, the lawful currency of Uruguay.

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the Audited Consolidated Annual Accounts. We make no representation that the euro or U.S. dollar amounts referred to in this annual report have been, could have been or could, in the future, be converted into U.S. dollars or euro, as the case may be, at any particular rate, if at all.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

	U.S. dollars per €1.00			
	Period End	**Average**	**High**	**Low**
Year:				
2011	1.2960	1.3924	1.4874	1.2925
2012	1.3197	1.2858	1.3463	1.2053
2013	1.3789	1.3283	1.3804	1.2772
2014	1.2100	1.3283	1.3925	1.2100
2015	1.0866	1.1096	1.2010	1.0492
2016	1.0517	1.1069	1.1534	1.0388
Month:				
January 2017	1.0798	1.0631	1.0798	1.0405
February 2017	1.0576	1.0641	1.0783	1.0536
March 2017	1.0652	1.0687	1.0864	1.0507
April 2017 (through April 27, 2017)	1.0873	1.0707	1.0926	1.0591

INDUSTRY INFORMATION

Economic and industry data used throughout this annual report are derived from European Union, Argentine, Mexican, Italian, Spanish and other government sources and various other industry data sources, which we believe to be reliable. Although we believe this information is reliable, we can not guarantee the accuracy and completeness of the information, and we have not independently verified it. While we are not aware of any misstatements regarding any industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors.

TRADEMARKS AND TRADE NAMES

We own or have rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. Each trademark, trade name or service mark of any other company appearing in this annual report belongs to its holder.

SELECTED FINANCIAL INFORMATION

The tables below set forth our summary consolidated financial information as of and for each of the years ended December 31, 2014, 2015 and 2016.

The following summary financial data has been derived from our Audited Consolidated Annual Accounts, which were prepared in accordance with IFRS and are included elsewhere in this annual report.

The following tables should be read in conjunction with, and are qualified in their entirety by reference to, our Audited Consolidated Annual Accounts.

(€ in millions)	2014	2015	2016
Income statement data:			
Operating revenue	1,385.6	1,639.5	1,497.4
Operating expenses:			
Consumables and other external expenses	(45.7)	(49.8)	(47.5)
Employee benefit expenses	(240.1)	(276.6)	(245.5)
Depreciation	(87.1)	(79.6)	
Amortization of intangible assets	(38.5)	(42.4)	(102.4)
Change in trade provisions	(2.0)	(0.1)	(5.8)
Asset impairment charges(1)	(11.9)	(3.1)	13.5
Other operating expenses:			
Gaming levies and other taxes	(468.9)	(571.9)	(550.5)
Machine rental costs	(39.6)	(46.2)	(42.0)
Other leases	(70.0)	(78.3)	(73.7)
Other(2)	(357.8)	(362.1)	(357.8)
Total operating expenses	(1,361.5)	(1,510.2)	(1,411.7)
Profit/(loss) on retirement or disposals of assets	(3.3)	(4.9)	12.6
Operating profit/(loss)	20.8	124.4	98.3
Financial items:			
Financial expenses	(132.6)	(135.3)	(132.5)
Financial income	3.3	3.6	5.0
Gains or losses on financial asset	(15.6)	(21.2)	(3.8)
Loss on Debt for Equity Exchange	—	—	(1,054.2)
Net foreign exchange gains/(losses)	(45.9)	(50.5)	(37.1)
Profit/(loss) before income tax of continuing activities	(170.0)	(79.0)	(1,124.3)
Corporate income tax	(40.9)	(63.2)	(36.7)
Profit/(loss) after income tax of continuing activities	(210.9)	(142.2)	(1,161.0)
Profit/(loss) for the year of companies consolidated under the equity method	3.0	2.7	4.0
Consolidated profit/(loss) for the year	(207.9)	(139.5)	(1,157.2)
Non-controlling interests	(34.9)	(26.3)	31.2
Profit/(loss) attributable to owners of the parent	**(173.0)**	**(113.2)**	**(1,125.8)**

(1) Asset impairment charges were €4.9 million in 2014 in Carrasco Nobile and €6.9 million in Mexico and €7.9 million in 2015 in Italy. In 2015, there was an impairment reversal of €4.8 million in Colombia. As at December 2016, there we made a net impairment reversal of €13.3 million in Carrasco Nobile.

(2) 'Other' includes payment for independent professional services, such as legal and auditing services, travel and advertising expenses, repair and maintenance and insurance premiums. It also includes personnel costs related to outsourced employees.

(€ in millions)	2014	2015	2016
Balance sheet data:			
Cash and cash equivalents[(1)]	86.7	110.3	142.1
Working capital[(2)]	(123.4)	(122.8)	(87.2)
Total assets	1,539.3	1,441.0	1,479.4
Total debt[(3)]	1,398.1	1,502.6	873.4
Equity attributable to owners of the parent	(449.1)	(609.7)	98.5
Non-controlling interests	17.3	(6.3)	(24.8)

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

(2) We define working capital as current assets (excluding cash and cash equivalents) less current liabilities (excluding payables to credit entities and bonds and other marketable securities). The following table reconciles the working capital:

(€ in millions)	2014	2015	2016
Current assets	334.7	371.2	428.1
(-) Cash and cash equivalents	86.7	110.3	142.1
Current assets (excluding cash and cash equivalents)	**248.1**	**260.8**	**286.0**
Current liabilities	1,674.3	1,807.3	408.7
(-) Payables to credit entities, bonds and other marketable securities	1,302.9	1,423.7	35.5
Current liabilities (excluding Payables to credit entities, bonds and other marketable securities)	**371.4**	**383.6**	**373.2**
Working Capital	**(123.4)**	**(122.8)**	**(87.2)**

(3) We define total debt as current and non-current issued notes plus current and non-current debt owed to financial entities, including capital leases.

The following is our consolidated cash flow information for the years ended December 31, 2014, 2015 and 2016. This information is supplemental to consolidated cash flow statements prepared under IFRS for the years ended December 31, 2014, 2015 and 2016 in our consolidated financial statements.

(€ in millions)	2014	2015	2016
Cash flow data:			
Net cash from operating activities	86.7	110.3	152.0
Net cash used in investing activities	(54.2)	(65.9)	(120.2)
Net cash from financing activities	(51.3)	(108.4)	5.2
Net increase (decrease) in cash and cash equivalents	**(12.1)**	**32.5**	**37.0**

(€ in millions, except percentages and ratios)	2014	2015	2016
Other unaudited financial data:			
EBITDA[(1)(8)]	163.5	254.7	180.4
EBITDA margin[(2)(8)]	11.8%	15.5%	12.0%
Total Adjusted EBITDA[(3)(8)]	199.0	251.9	260.2
Total Adjusted EBITDA margin[(4)(8)]	14.4%	15.4%	17.4%
Net financial debt[(5)]	1,311.4	1,392.3	731.3
Leverage ratio[(6)]	6.6x	5.5x	2.8x
Free cash flow[(7)(8)]	78.7	140.3	99.5

(1) We define EBITDA as operating profit/(loss) plus asset impairment charges, profit/(loss) on retirement or disposal of assets, change in trade provisions and depreciation and amortization. We believe this metric is informative because it is widely used in the industry, as it helps analyze operating results excluding depreciation and amortization, which is a non-cash item which can vary substantially among companies. EBITDA is the best proxy for operating cash flows before depreciation and amortization, interests, corporate income tax. See the below table for a reconciliation of EBITDA to the most closely comparable IFRS measure.

(2) We define EBITDA margin as EBITDA as a percentage of operating revenues.

(3) We define Total Adjusted EBITDA as EBITDA, converted using the securities arbitrage implied rate (as defined below) for the Argentine Peso to the Euro or U.S. Dollar, as applicable, which is the implicit rate of exchange obtained from blue chip arbitrage transactions into Argentine sovereign securities, plus 50% of the EBITDA reported by our Uruguayan joint venture HRU and excluding all non-recurring items. We believe using the securities arbitrage implied rate reflects more accurately the contribution of our Argentine operation to our EBITDA prior to the lift of capital controls in Argentina on December 17, 2015, and we believe this metric makes results for different periods more comparable by taking into consideration the Argentine contribution at the securities arbitrage implied rate (which is a better proxy to the effective exchange rate, applicable during the capital controls in Argentina). We also believe that including HRU appropriately reflects its contributions to the Group. We consider this metric to be the alternative performance measure that reflects most accurately the economic performance of the Group. See the below table for a reconciliation of Total Adjusted EBITDA margin to the most closely comparable IFRS measure.

(4) We define Total Adjusted EBITDA margin as Total Adjusted EBITDA as a percentage of operating revenues. See below for a description of non-recurring expenses by nature. We believe this metric is informative because it is a measurement of our operating profitability and helps us understand profitability before non-recurring items. See the below table for a reconciliation of Total Adjusted EBITDA margin to the most closely comparable IFRS measure. See below for a description of non-recurring expenses by nature.

(5) We define net financial debt as total debt minus cash and cash equivalents. We believe this metric is informative because it is a financial standard metric to assess the company's financial liabilities taking into account the company´s capacity to service the debt. See the table below for a reconciliation of net financial debt to the most closely comparable IFRS measure.The reconciliation of net financial debt to long-term debt is as follows:

	2014	2015	2016
(€ in millions)			
Long term debt[(1)]	91.3	76.4	837.9
Short term debt[(1)]	1,306.8	1,423.7	35.5
Total debt	**1,398.1**	**1,500.1**	**873.4**
Cash	86.7	110.3	142.1
Net financial debt	**1,311.4**	**1,389.8**	**731.3**

(1) Long term debt and short term debt include capital leases.

(6) We define leverage ratio as net financial debt, as defined above, divided by Total Adjusted EBITDA, as defined above. We use this ratio to assess our financial liabilities net of cash available to pay those liabilities against our cash generation capability. For the years 2014 and 2015 the leverage ratio would not be materially affected if we were to include 50% of HRU net debt. 2016 Net Leverage ratio includes 100% of HRU net debt.

(7) We define Free cash flow as to Total Adjusted EBITDA less 50% of the EBITDA reported by HRU, less corporate income taxes paid, less total capital expenditures, less changes in working capital.

(8) The reconciliation of EBITDA, EBITDA margin, Total Adjusted EBITDA, Total Adjusted EBITDA margin and Free cash flow to operating profit is as follows:

	Year ended December 31,		
	2014	2015	2016
(€ in millions)		(unaudited)	
Operating profit/(loss)	20.8	124.4	98.3
Depreciation and amortization	125.5	122.1	102.4
Changes in trade provisions	2.0	0.1	5.8
Asset impairment charges	11.9	3.1	(13.5)
Loss/(profit) on retirement or disposal of asset	3.3	4.9	(12.6)
EBITDA	**163.5**	**254.7**	**180.4**
EBITDA margin	***11.8%***	***15.5%***	***12.0%***
AR$ at Sec. Arb. Impl	(32.6)	(49.3)	-
50% HRU	7.9	9.3	8.0
Non-recurring expenses	60.2	37.2	71.8
Total Adjusted EBITDA	**199.0**	**251.9**	**260.2**
Total Adjusted EBITDA margin	***14.4%***	***15.4%***	***17.4%***
50% HRU	(7.9)	(9.3)	(8.0)
Corporate income taxes paid(1)	(25.2)	(32.8)	(48.8)
Maintenance capex(2)	(35.8)	(45.9)	(74.9)
Growth capex(2)	(15.9)	(17.0)	(45.3)
Working capital	(35.6)	(6.6)	16.4
Free cash flow	78.7	140.3	99.5

(1) For purposes of this reconciliation, corporate income taxes paid are presented as measured at the securities arbitrage implied rate.

(2) We define maintenance capital expenditures as capital expenditures that are not related to expanding our business but to maintaining its current capacity. We define growth capital expenditures as capital expenditures that relate to obtaining or renewing licensees, increasing the number of gaming machines in our portfolio, increasing the number of bingo seats in our bingo halls or otherwise expanding our business. For purposes of this reconciliation, maintenance capital expenditures and growth capital expenditures are presented as measured at the securities arbitrage implied rate.

The following table sets forth operating revenue by country for each of the periods indicated.

	Year ended December 31,		
	2014	2015	2016
	(€ in millions)		
Mexico	341.9	355.3	329.8
Argentina	489.0	681.8	532.8
Spain(1)	149.9	155.9	170.2
Italy	263.8	284.2	321.5
Other Operations:			
Panama	88.6	103.4	98.1
Colombia	31.4	28.7	24.7
Uruguay	18.2	27.8	18.6
Brazil	2.8	2.4	1.5
Headquarters	—	—	—
Total	**1,385.6**	**1,639.5**	**1,497.4**

(1) Includes AWP, Bingo, Sports Betting and Online.

The following table sets forth operating profit by country for each of the periods indicated.

	Year ended December 31,		
	2014	2015	2016
	(€ in millions)		
Mexico	9.9	36.3	46.4
Argentina	79.9	130.4	108.4
Spain(1)	(3.8)	5.5	7.3
Italy	(11.5)	1.8	6.6
Other Operations:			
Panama	3.8	(0.2)	5.7
Colombia	1.8	8.3	1.0
Uruguay	(10.6)	(5.9)	10.3
Brazil	(0.9)	(1.9)	(5.0)
Headquarters	(47.8)	(49.9)	(82.4)
Total	**20.8**	**124.4**	**98.3**

(1) Includes AWP, Bingo, Sports Betting and Online.

The reconciliation of Total Adjusted EBITDA to operating profit by country for 2016 is as follows:

	Year ended December 31, 2016						
	Operating Profit	Dep & Amort.	Changes in Trade Pro.	Asset Impair.	Loss/profit on disp. asset	Non. Recurring Expenses(1)	Total Adjusted EBITDA
				(unaudited)			
Country							
Mexico	46.4	39.1	—	—	1.0	2.1	88.3
Argentina	108.4	10.1	—	—	—	12.5	131.0
Spain	7.3	20.5	1.0	—	0.5	0.2	29.5
Italy	6.6	16.8	1.0	—	0.5	1.6	26.5
Panama	5.7	9.6	—	—	—	1.1	16.4
Colombia	1.0	3.0	—	—	—	0.9	4.9
Uruguay	10.3	1.8	3.8	(13.5)	—	2.8	(9.4)
HRU Adj.	—	—	—	—	—	—	8.0
Brazil	(5.0)	0.5	—	—	—	—	(4.5)
Sub-Total	**180.7**	**101.4**	**5.8**	**(13.5)**	**(12.6)**	**21.2**	**291.0**
Headquarters	(82.4)	1.0	—	—	—	50.6	(30.8)
Total	**98.3**	**102.4**	**5.8**	**(13.5)**	**(12.6)**	**71.8**	**260.2**

(1) The following table sets forth the non-recurrent expenses by nature for the periods presented. These figures are presented as converted using the securities arbitrage implied rate for Argentina in order to be consistent with the Free cash flow reconciliation above.

	Year ended December 31,		
	2014	2015	2016
Tax(1)	0.6	—	—
Personnel restructuring	(12.6)	(10.8)	(14.5)
Corte dei Conti(2)	(24.5)	—	—
Restructuring costs(3)	(25.2)	(25.5)	(43.7)
Refinancing costs(4)	—	—	(6.5)
Others(5)	1.5	(0.9)	(7.1)
Total Non-Recurring Items	**(60.2)**	**(37.2)**	**(71.8)**

(1) Includes IEPS and other tax regularization in Mexico, Italy and Colombia.
(2) Includes settlement in 2014 with the *Corte dei Conti* and other tax related contingencies in Italy.
(3) Includes expenses related to the financial restructuring.
(4) Includes expenses related to the November 2016 refinancing.
(5) Includes non-recurring expenses mainly related to fees and other expenses associated to the restructuring process.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information set forth in "Selected Financial Information" and our Audited Consolidated Annual Accounts. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed below.

The discussion below presents certain non-IFRS financial measures, including EBITDA, Total Adjusted EBITDA, EBITDA margin, Leverage ratio and free cash flow. For more information on our non-IFRS financial measures, see "Presentation of Financial and Other Information—Non-IFRS Financial Measures" and "Selected Financial Information."

Overview

We are a leading international gaming operator with gaming machines, gaming halls, arcades, sports betting, online gaming offering and racetracks in Mexico, Argentina, Spain, Italy, Brazil, Colombia, Panama and Uruguay. As of December 31, 2016, we operated 55,060 gaming machines, 144 gaming halls (which includes gaming halls, bingo halls with machines, gaming halls at racetracks and casinos), 633 arcades, 156 sport betting shops and four racetracks. We are also a provider of online gaming operations in Spain and Mexico.

In Mexico, through our various joint ventures, we believe that we are the largest operator of gaming venues, with 90 gaming halls and one racetrack, in which we operated 19,184 machine seats, 11,215 bingo seats, 85 sport betting shops and 1,866 table seats (assuming, for illustrative purposes only, six seats per table), as of December 31, 2016. As of the same date, we also held licenses to build and operate 38 additional gaming halls in Mexico. In addition, we have a concession for the operation of entertainment complex in Mexico City that includes the *Las Américas* racetrack, an amusement park and the largest convention center in Mexico (which, pursuant to an outsourcing agreement executed on June 1, 2013, is operated by CIE).

In Argentina, we believe we are the largest operator of gaming halls in the Province of Buenos Aires, with 14 gaming halls in which, as of December 31, 2016, we operated 6,952 slot and other gaming machine seats and 11,906 bingo seats.

In Spain, we believe that we are the second largest operator of AWPs machines, with 9,157 machines located in non-specialized locations such us bars, restaurants, machine halls and one gaming hall, as of December 31, 2016. As of end of year 2016, we operated 3,858 sports betting terminals in Spain, including those installed in the Bingo Canoe Gaming Hall in Madrid (which features a bingo venue, AWPs and sports betting), across 1,301 bars, 452 betting corners at third-party gaming arcades and 30 company-operated sports betting shops.

In Italy, we believe that we are one of the three largest operators of gaming halls, with 11 gaming halls, and among the top ten slot route operators. In total, we operate 8,087 AWPs (mostly in non-specialized locations), 945 VLTs and 5,142 bingo seats, as of December 31, 2016. In addition, we had 19,495 AWPs and 1,488 VLTs connected to our Italian network concessionaire, which represents 5.5% of the market.

In addition, as of December 31, 2016, as part of our strong geographical diversification, our operations included (i) 12 gaming halls (casinos) and one racetrack (with slot machines) and 8 co-located sports betting locations in Panama, (ii) ten gaming halls and 168 arcades in Colombia, (iii) the Sofitel Hotel Casino Carrasco and since December 1, 2016 100% interest in HRU that operates 5 gaming halls, the Maroñas and Las Piedras racetracks in Montevideo and 28 sports betting shops in Uruguay and (iv) 5 horse-racing betting locations in Brazil.

Segment Reporting

In the discussion below, we review our results of operations on a consolidated basis and on a geographic basis. For that purpose we consider our principal business operations in Mexico, Argentina, Spain, Italy and "Other Operations" which includes all of our operations in Colombia, Panama, Uruguay and Brazil. These operations account for a smaller portion of our operating revenues. Both our four principal businesses and those grouped under the heading "Other Operations," together with our headquarters or Corporate Overhead division, constitute our business segments. In this operating and financial review, one of the key measures we utilize to assess and analyze our performance and the performance of our business segments is EBITDA. We believe this metric is informative because it is widely used in the industry, as it helps analyze operating results excluding depreciation and amortization, which is a non-cash item which can vary substantially among companies. EBITDA is the best proxy for operating cash flows before corporate income tax. In 2016, our businesses in Mexico, Argentina, Spain, Italy and Other Operations comprised 22.0%, 35.6%, 11.4%, 21.3% and 9.5% respectively, of our consolidated operating revenue and 30.4%, 45.0%, 10.1%, 9.1% and 5.3%, respectively, of our consolidated EBITDA (excluding, in each case, headquarters revenue and expenses). The organization of our operations into our business segments described above reflects the manner in which our management evaluates the performance of our various businesses, our system of internal financial reporting and, on the basis of such information, enables management to make financial and strategic decisions regarding our operations. In addition, the organization of our operations into the foregoing business segments also enhances our ability to cater to the different gaming markets in the countries in which we conduct our operations and adapt to regulatory and technological changes.

Our Group headquarters in Spain constitutes another operating segment which provides central corporate services including information technology, accounting, finance, tax, legal and strategic support to the rest of our business segments, as defined above. We do not allocate the expenses associated with such services to the rest of our business segments receiving such services. Therefore, the operating profit and EBITDA for each of our business segments described below do not include corporate headquarters expenses corresponding to each of our four principal businesses and "Other Operations."

Economic and Other Key Factors Affecting Our Results of Operations

Latin American Currency Depreciation

We are exposed to foreign exchange rate risk in that our reporting currency is the Euro, whereas the majority of our subsidiaries keep their accounts in other currencies (principally the Mexican peso and the Argentine peso as well as the Panamanian balboa (equivalent to the U.S. dollar), Colombian peso, Uruguayan peso and Brazilian reais), and a portion of our costs and revenue are referenced to U.S. dollars. During 2016, the U.S. dollar, the Mexican peso and the Argentine peso had different average performances against the Euro. While the U.S. dollar was flat, the Mexican peso depreciated by 17.2% and the Argentine peso depreciated by 58.6% (at the AR$ Official Rate). As in 2016, historically, the currencies of the countries where we operate have depreciated against the Euro, and that generally has had a significant impact on our financial condition and results of operations when expressed in Euro.

As a result of the Latin American currencies depreciating against the Euro, the Euro value of the operating results of our Latin American subsidiaries upon inclusion in our Audited Consolidated Annual Accounts has decreased. Accordingly, declining exchange rates may limit the ability of our results of operations, presented in Euro, to fully describe the performance in local currency terms of our Latin American subsidiaries. Our Latin American subsidiaries generally generate revenue and incur expenses and liabilities in their local currency, which provides them with a natural hedge against foreign currency fluctuations.

The assets and liabilities of our subsidiaries, which keep their accounts in currencies other than the Euro, have been translated to Euro at the period-end exchange rates for inclusion in our consolidated balance sheet. Income statement items are translated into Euro at the average exchange of each month and these monthly results in Euro are added to produce quarterly or annual results, as applicable.

Despite the natural hedge of our operations at our operating subsidiaries level, in order to mitigate part of the foreign exchange rate risk to which we are subject, in prior years until 2013 we maintained hedging agreements for notional amounts equivalent to 50% of projected EBITDA from our Argentine and Mexican operations on a four-quarter rolling basis. As of the date of this annual report, however, we have no foreign exchange forward contracts in place and do not hedge any of Latin American currencies.

In recent years, high inflation (which continues to cause the real exchange rate to depreciate), exchange rate controls and other actions by the national government in Argentina contributed to the emergence of a parallel foreign exchange market. The Argentine peso/U.S. dollar exchange rate in the parallel unofficial market substantially differed from the official foreign exchange rate until December 2015. On December 17, 2015, the Argentine government substantially lifted currency controls allowing the Argentine peso to trade freely and resulting in a 34.7% devaluation against the Euro. Before December 2015, we have incurred losses (recorded under *"Gains or losses on financial assets"* in our consolidated income statement) because the implicit foreign exchange rate obtained in sovereign bond purchases differed materially from the AR$ Official Rate published by *Banco de la Nación Argentina* at which the Argentine peso is translated into Euro in our consolidated financial statements.

In 2015, we received approval from the Argentinean authorities to purchase limited amounts of U.S. dollars at the AR$ Official Rate to be used for servicing debt.

Effects of Inflation

Our performance is affected by inflation to a limited extent. In recent years, the impact of inflation on our operations in Italy and Spain has not been material. However, our international operations, particularly those in Latin America, are subject to relatively high inflation rates from time to time.

Macroeconomic Factors and Demographics

The Gaming Industry is sensitive to reductions in discretionary consumer spending, which is affected by negative economic conditions. For example, economic contraction, economic uncertainty and the perception by our customers of weak or weakening economic conditions could cause a decline in the demand for entertainment in the forms of the betting and gaming services that we offer. In addition, changes in discretionary consumer spending could be driven by factors such as an unstable job market, an increase in personal taxes or perceived or actual decline in disposable consumer income and wealth. Demographic changes may also affect our results of operations. In addition, changing social habits in the countries in which we operate, such as a decline in the demand for entertainment in the forms of the betting and gaming services that we offer, may adversely affect our results of operations. However, with the growth of middle class populations in Latin American geographies and our diversified product portfolio, we believe we can mitigate certain of these risks and adapt to changes in consumer behavior.

Regulation

Our operations are highly regulated and many of the factors that affect our results of operations are prescribed by regional and national laws and regulation. These factors include the minimum payout ratio, such as in the case of gaming machines in many of the markets in which we are present, gaming taxes, maximum wager, minimum average gaming time, and the number of gaming machines that we may install in bars, restaurants and our bingo halls. Furthermore, our operations are affected by regulations not specific to the gaming industry, such as the introduction of smoking bans or limitations to smoking areas, and limitations to the hours of operations of the location in which we operate gaming activities. As a result of the highly regulated nature of the Gaming Industry, we are required to focus on the limited number of factors that are within our control to improve our results of operations.

In addition, our results of operations are dependent upon the granting and timely renewal of the necessary licenses by the gaming authorities in the regions in which we operate. Each region has a sanctioning regime in the event of breaches and infringements of the applicable regional and national laws and regulations. Additionally, manufacturing, distributing and operating authorizations may be revoked if the relevant regional authority determines that a manufacturer, distributor or operator has not complied with applicable regional and national laws and regulations, any of which could have a material adverse effect on our business, financial condition and results of operations.

Gaming Taxes

We operate in a complex regulatory environment, particularly with respect to our betting and gaming operations, which are subject to continuous change in most of the countries in which we operate. The Gaming Industry is subject to significant taxation and increases in gaming taxes affect our results of operations.

In particular, since January 2012, in the context of negative macroeconomic conditions, several governments of the countries or regions in which we operate have increased taxes, which has had negative impact on our results of operations.

In the case of Argentina, our operations are subject to a provincial tax on gross revenue. In December 2011, the Province of Buenos Aires approved an increase in the gross revenue tax, applicable to all sectors from

6% to 8% and effective January 1, 2012. On January 2013 the tax on gross revenue was further increased to 12% of gross revenue. Moreover, as from January 2017 the tax is further increased from 12% to 15%.

Two additional tax measures were implemented in Argentina during the first quarter of 2017. (i) New Federal Tax on Bets, although effective January 1, 2017 is expected to be effectively implemented since March 2017. This indirect tax is applied as a tax on players of electronic games and automated betting machines at a rate of 0.95% of the cash-in. (ii) Secondly, a new Provincial Entrance Fee of 20ARS per person was imposed and is in the process of being implemented from March 2017.

In Panama During 2012, gaming taxes increased from 12.5% to 18% of the gross revenue from slot machines. In May 2015, the Panamanian government passed “Ley 27 de 2015” according to which gaming products and activities generating gaming betting must be taxed by the Selective Excise Tax (the “Selective Excise Tax”) of 5.5% on amounts cashed out. This tax will not, however, apply to bets on horse-races at Presidente Remon Racetrack. The tax, which entered into force as of June 23, 2015, replaced the existing obligation of 7% in Selective Excise Tax over prizes higher than $300.

In Italy, while gaming taxes for VLTs were initially established in 2011 at 2% of amounts wagered, such tax has been progressively increased to 4% in 2012, to 5% of the amounts wagered since January 1, 2013, to 5.5% since January 2016 and to 6% from April 25, 2017. In addition, AWP gaming taxes decreased from 12.6% of amounts wagered to 11.8% as of January 2012 but increased to 12.7% as of January 2013, to 13% as of 2015, to 17.5% as of 2016 and to 19% from April 25, 2017. Additionally as of July 31, 2016 a 6% withholding tax applies on prizes above €500.

The gaming tax amendment introduced on April 24, 2017 and with effect from April 25, 2017, is very preliminary and still under discussion with the Italian Government.

In Colombia, a new regulation was published in July 2014 introducing the obligation to connect online slots machines and amending existing legislation governing the Gaming Industry. Accordingly, Gaming Tax payable on slots connected online would be the higher of (i) a flat tax based on the number of gaming machines and (ii) 12% of gross win.

Finally, in Mexico, local and regional authorities have progressively established gaming taxes during the 2010-2015 period that are only partially deductible, which has increased our total effective gaming tax paid.

Anti-smoking Laws

In addition to Gaming Industry regulation, our halls may be impacted by other regulatory changes, such as the imposition of anti-smoking legislation. We maintain smoking areas in our halls in Mexico, Argentina, Spain, Italy and Uruguay. These areas vary by country and per hall in relative size and attractiveness to the players, and may be subject to further regulatory changes.

Competition

We believe that there are significant barriers to entry in our business including, among others, regulatory, financial and technological barriers, the need for operational expertise and the need for a proven track record in order to obtain the trust and confidence of regulators, customers, partners, site owners and gaming machine suppliers and other suppliers. These barriers to entry may limit the appearance of new competitors. However, consolidation of smaller gaming operators or the appearance of a new competitor, including unlicensed operators, close to the area of one of our key gaming sites could significantly affect our results of operations. In Latin America in particular, the number of gaming licenses issued may increase in certain jurisdictions in which we operate and, as a result, there may be an increase in direct competition from other operators. Finally, competition may also increase if and when new international gaming operators enter (either by acquisition or new gaming licenses) the markets where we operate. A decrease in visitors to our gaming sites could result in lower operating revenue and, in certain cases, our ability to retain our market share.

Factors Affecting the Comparability of Our Results of Operations

As a result of the factors discussed below, our operating results for certain of the financial periods discussed in this annual report are not directly comparable with the operating results for other financial periods discussed herein and may not be directly comparable with our operating results for future financial periods.

Gaming Tax in Italy

The Italian slots and VLT market has been characterized by significant regulatory, tax and operational uncertainty. In December 2015, the Italian government passed a new stability law (*Legge Stabilità* 2016) which, effective January 1, 2016, increased the Gaming Tax (PREU) for amusement with prizes machines (AWPs) by 4.5 percentage points to 17.5% and for VLTs by 0.5 percentage points to 5.5%, but eliminates the €500 million (sector-wide) tax on gaming machines introduced in 2015. The impact to our Italian business segment due to this new stability lawfull year, 2016 was €10.3 million. These new regulatory changes also lowered the percentage of wages payable as winnings from 74% to 70% and will require other technical upgrades which may derive in further investments in updates or replacements to machines. As of the period ended December 31, 2016, we have replaced over 100% of our installed AWPs in Italy with units configured with the lower payouts.

In 2015, the Italian government introduced an aggregate €500 million tax to be applied to gaming machine operators and of which we were allocated a portion relative to our share of the Italian market of VLTs and AWP slot machines, as determined by the ADM. This tax was replaced effective from 2016 by the Legge di Stabilità 2016.

ICELA Call Option

On June 30, 2014, the call option on 15.2% of ICELA owned by CIE, included in the purchase agreement signed in January 2012, pursuant to which we acquired an additional 35.8% of ICELA, expired. As a result of that expiration, we recorded €5.4 million as a loss on financial assets in the second quarter of 2014.

Impairment Charges

During the first half of 2016 we included a €24.1 million of impairment of non-current assets, €5.6 million of non-provisioned player receivables and €2.5 million of other provisions for contingencies related to past and continuing operations at the Carrasco Nobile property) which were primarily attributable to a full write-down of the net-book value of Carrasco Nobile. In November 2016, the company reached an agreement with the gaming authority in Montevideo (Intendencia de Montevideo) to modify the tax structure from a fixed canon and a flat tax rate of 18.8% to no fixed canon and a sliding scale tax rate.

Based on the new tax scheme, the Company reassessed the viability of the business and plans to continue operations including a resumption of the VIP tables activity. This revised business plan supports a higher book value for the assets deployed in this business and therefore a €37.7[1] mm reversal of the impairment charges previously taken was booked in 2016.

In the year ended December 31, 2015, we recorded an impairment charge in Italy of €7.9 million, which was triggered by an increase in gaming tax in Italy, as well as an impairment reversal of €4.8 million in Colombia. These impairment losses and reversal are non-cash charges or income to operating earnings and do not affect our consolidated cash flows, current liquidity, capital resources and covenants under our existing credit facilities.

Restructuring Costs in 2014, 2015 and 2016

Through December 31, 2016, the Company recorded restructuring costs of €77.1 million which includes €3.9 million of interest derived from overdue bonds and unpaid bond coupons, €1.4 million of default interest to the Senior Credit Facility Agreement recorded as interest expenses and €71.8 million in extraordinary operating expenses. Total Adjusted EBITDA excludes these financial restructuring expenses. We believe that the majority of the charges related to the restructuring transaction have been accounted for during 2016.

During the period ended December 31, 2015, we recorded €44.5 million in restructuring costs, which included default interest and interest derived from overdue bonds and unpaid coupons and default interest related to our prior senior facility agreement and extra costs related to the financial restructuring recorded as operating expenses. In 2014, the Group recorded as operating expenses €25.2 million related to these restructuring efforts.

[1] Figure includes a reversal of €24.1 mm in 2016 impairments and €13.6 mm in prior year impairments.

Argentine Devaluation

Our financial statements are prepared in accordance with IFRS, which requires that we translate the result of our Argentine subsidiaries into euros using the AR$ Official Rate. In 2011, the government of Argentina strengthened foreign exchange controls. The resulting inflation affected our results during periods from 2011 through December 2015, after which the government lifted many of the exchange controls. As a consequence, our results may not be comparable across all of the periods presented in this annual report and may be prepared using a rate at which we may not have been able to exchange Argentine pesos for other currency. We have presented elsewhere in this annual report certain Non-IFRS financial measures that management uses to evaluate the results of our Argentine subsidiaries.

Principal Consolidated Income Statement Line Items

The following is a brief description of certain line items included in our consolidated income statement.

Operating Revenue

Operating revenue principally comprises revenue from gaming activities less prizes paid. We recognize revenue on an accrual basis, that is, when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Still a number of local accounting rules are applied in some of our business segments, although we consolidate using IFRS standards. This is a result of an effort to make the reporting of our operating results consistent with local gaming tax regulation and existing contracts and relationships with site owners in the different jurisdictions in which we operate. The main components of operating revenue in our principal business segments and “Other Operations” are described below.

Mexico

Our Mexican business’s operating revenue includes our participation in the operating companies of ICELA, and in the operating companies of Legacy Caliente (i.e., the Joint Opcos, Promojuegos and Mio Games). Following the closing of the Legacy Caliente restructuring in 2011, we fully consolidated Legacy Caliente, reflecting Grupo Caliente’s interest in each of the Legacy Caliente entities as a non-controlling interest. We also fully consolidated our interest in ICELA, reflecting CIE’s interest as a non-controlling interest. Revenue in Mexico is only indirectly related to gross win as it is divided in several concepts as per local tax regulation. Among other concepts there are several fees to players (subject to VAT) and gaming revenue (subject to gaming tax). Additionally we record revenue from other activities such as sale of food and beverages.

Argentina

Operating revenue in Argentina is principally comprised of revenue collected in our gaming halls from slot machines and from sales of bingo cards after prize payouts and revenue from food and beverages.

Spain

Operating revenue in Spain comprises revenue obtained from AWP machines and from our sports betting business, including self-service terminals, which we operate at third-party locations (such as bars and stand-alone machine halls) after prize payouts, and excluding the site owner’s share as well as ancillary services provided to site owners. Operating revenue also includes revenue obtained in our gaming halls from bingo cards sales, sports bets, AWP machines (after prize payouts in all cases) as well as from food and beverage sales at these halls.

Italy

Operating revenue in Italy comprises revenue from our network operations, resulting from the interconnection fees for the AWP machines connected to the network as well as from the participation in revenue after prizes and taxes from the totality of the VLTs connected to the network. Operating revenue is also derived from our gaming hall operations, which includes revenue from sales of bingo cards, amounts collected from AWP machines placed in our gaming halls and the participation corresponding to the retail location for VLTs placed in the gaming halls (after prize payouts in all three cases) as well as revenue from food and beverage sales in our gaming halls. Operating revenue finally includes revenue from our gaming machine operations, which includes amounts collected from AWP machines placed in non-specialized locations (i.e., bars) after prize payouts and excluding the site owner's share as well as revenue after prize payouts for VLTs placed in dedicated gaming halls.

Other Operations

Operating revenue for our Other Operations includes the gaming and non-gaming results such as food and beverage and technological services provided in our operations in Colombia, Panama, Uruguay and Brazil, and excludes corporate overhead.

Operating Expenses

Operating expenses are comprised of:

Consumables and Other External Expenses. In Argentina, Italy and Panama, consumables and other external expenses principally comprise food and beverage cost of sales. In Mexico, consumables and other external expenses primarily includes food and beverage cost of sales for ICELA and the Joint Opcos. In Spain, consumables and other external expenses include payments to certain AWP operators with whom we enter into collaboration agreements, costs related to ancillary services provided to site owners and other costs, including food and beverage, incurred at our gaming halls and sports betting locations.

Employee Benefit Expenses. Employee benefit expenses include wages and salaries and social security costs.

Depreciation and Amortization. Tangible fixed assets are depreciated on a straight-line basis over the estimated useful lives of each component of the assets. Other intangible assets are amortized in the same way. The assets are depreciated and amortized from the date they are available for use. Land is not depreciated.

Change in Trade Provisions. Change in trade provisions for trade transactions principally relates to movements in provisions we have taken in connection with doubtful account receivables and loans that we have made to site owners. The amount of the variation in provisions is principally affected by our assessment of the likelihood that the account receivables will be paid or the loans will be repaid.

Asset Impairment Charges. Asset impairment charges include the amount by which asset values have been reduced at period end. See Note 13 to our Audited Consolidated Annual Accounts included elsewhere in this annual report.

Other Operating Expenses. Other operating expenses comprise gaming and other taxes, machine and other leases, payment for independent professional services, such as legal and auditing services, travel and advertising expenses, repair and maintenance and insurance premiums, among others. In the case of Spain, Mexico and Italy, other operating expenses also include expenses incurred in connection with our internet activities.

Profit/(loss) on retirement or disposal of assets. Profit/(loss) on retirement or disposal of assets includes the profit or losses obtained from disposals completed during the period.

Operating Profit/(loss)

Operating profit/(loss). Operating profit/(loss) represents the excess of operating revenue over operating expenses.

Financial Items

Financial Income. Financial income is principally comprised of other interest, income from marketable securities and non-current loans.

Financial Expenses. Financial expenses is principally comprised of interest paid on our outstanding indebtedness.

Gains or Losses on Financial Assets. Gains or losses on financial assets are principally comprised of the fair value and realized loss of Argentine sovereign bonds.

Net foreign exchange gains/(losses). Net foreign exchange gains/(losses) are principally comprised of gains and losses recorded upon translation of foreign currency assets and liabilities into functional currency.

Profit/(loss) for the year of companies consolidated under the equity method

In applying the IFRS 11 standard, from January 2014 there was a change in the method of consolidation used for HRU in Uruguay and "New Joker" in Italy. Both operations are considered joint ventures for the purpose of IFRS 11 and are now reported using the equity method instead of the proportional method. In the case of HRU, since December 1, 2016, it is fully consolidated in our accounts as a result of the acquisition of the remaining 50% equity interest we did not previously own.

Corporate Income Tax

Corporate income tax includes all current and deferred taxes, as calculated in accordance with the relevant tax laws in force in the jurisdictions in which we operate. Some jurisdictions, such as Italy, Colombia or Panama, have regulations establishing a minimum Corporate Tax that results in corporate tax accruals notwithstanding losses before taxes in such jurisdictions.

As a result of our history of acquisitions and disposals and internal corporate reorganizations, our significant international operations and our financing structure, our tax position is complex.

Most of our Corporate Income Tax is recorded in the jurisdictions we operate and generate positive net profit contribution. Such is the case mainly of Argentina and, to a lesser extent, Mexico.

In recent years, we have endeavored to achieve a more tax efficient structure for the Group by merging certain subsidiaries in Spain out of existence and seeking to increase the number of subsidiaries that are more than 75% owned and, therefore, members of our consolidated tax group. Additionally, on an international level, we have increased the flow of funds to Codere, S.A. through intercompany transactions related to the development of intangibles assets by Codere, S.A. and the lending of funds within the Group by Codere, S.A. to foreign business units in order to assign interest expense directly to operating income. In addition, our non-Spanish subsidiaries have directly obtained financing.

For Spanish tax purposes, in 2016, 41 Spanish companies in our consolidated group filed their tax returns as a consolidated tax group. Under Spanish tax legislation, we must have owned more than 75% (70% if the shares of the owned company are traded on an official secondary market) of the capital stock of a company at the start of the fiscal year in order to include the company in our consolidated tax group. Spanish companies that are not part of our consolidated tax group pay tax on an individual basis (unless such companies belong to another tax group).

In Italy, the consolidated tax regime was applied from January 1, 2005, for companies included in the tax group headed by Codere Italia, S.p.A., and since January 1, 2006, for companies included in the tax group headed by Operbingo Italia, S.p.A. Since January 1, 2012, companies included in the tax group under Operbingo Italia, S.p.A. are included in the tax group under Codere Italia, S.p.A.

We define our effective tax rate as our income tax expense over our income (loss) before tax.

In the jurisdictions were we operate (except for Colombia), gaming activities are exempt from Value Added Taxes ("VAT"), and, thus, VAT borne in our expenses is generally not deductible for Gaming companies. Accordingly, VAT is recorded as operating expense. In 2016, 38 Spanish companies in our Group are taxed under the Special VAT Regime for groups of companies. This has allowed us to minimize the VAT cost of Spanish intra-group transactions.

Non-Controlling Interests

Non-controlling interests comprise the portion of the profit/(loss) for the year of companies we consolidate through the full consolidation method that is attributable to such companies' other shareholders.

During the periods under review, non-controlling interests were principally attributable to the subsidiaries in Mexico, Panama, Italy and Spain.

Our Results of Operations

The following table sets forth our consolidated results of operations for each of the periods indicated.

	Year ended December 31,		
	2014	2015	2016
(€ in millions)		(audited)	
Income statement data:			
Operating revenue	1,385.6	1,639.5	1,497.4
Operating expenses:			
Consumables and other external expenses	(45.7)	(49.8)	(47.5)
Employee benefit expenses	(240.1)	(276.6)	(245.5)
Depreciation	(87.1)	(79.6)	—
Amortization of intangible assets	(38.5)	(42.4)	(102.4)
Change in trade provisions	(2.0)	(0.1)	(5.8)
Asset impairment charges(1)	(11.9)	(3.1)	13.5
Other operating expenses:			
Gaming levies and other taxes	(468.9)	(571.9)	(550.5)
Machine rental costs	(39.6)	(46.2)	(42.0)
Other leases	(70.0)	(78.3)	(73.7)
Other(2)	(357.8)	(362.1)	(357.8)
Total operating expenses	(1,361.5)	(1,510.2)	(1,411.7)
Profit/(loss) on retirement or disposals of assets	(3.3)	(4.9)	12.6
Operating profit/(loss)	20.8	124.4	98.3
Financial items:			
Financial expenses	(132.6)	(135.3)	(132.5)
Financial income	3.3	3.6	5.0
Gains or losses on financial asset	(15.6)	(21.2)	(3.8)
Loss on Debt for Equity Exchange	—	—	(1,054.2)
Net foreign exchange gains/(losses)	(45.9)	(50.5)	(37.1)
Profit/(loss) before income tax of continuing activities	(170.0)	(79.0)	(1,124.2)
Corporate income tax	(40.9)	(63.2)	(36.7)
Profit/(loss) after income tax of continuing activities	(210.9)	(142.2)	(1,161.2)
Profit/(loss) for the year of companies consolidated under the equity method	3.0	2.7	4.0
Consolidated profit/(loss) for the year	(207.9)	(139.5)	(1,157.0)
Non-controlling interests	(34.9)	(26.3)	(31.2)
Profit/(loss) attributable to owners of the parent	**(173.0)**	**(113.2)**	**(1,125.8)**

(1) Asset impairment charge were €4.9 million in 2014 in Carrasco Nobile and €6.9 million in Mexico and (€7.9 million) in 2015 in Italy. In 2015, there was an impairment reversal of (€4.8 million) in Colombia. In 2016 the Company recognized additions under this sub-heading of €24.1 million euros as well as reversing 37.7 million euros of previously-recognized charges.

(2) "Other" includes payment for independent professional services, such as legal and auditing services, travel and advertising expenses, repair and maintenance and insurance premiums. It also includes personnel costs related to outsourced employees.

The following table sets forth operating revenue by business segment for each of the periods indicated.

	Year ended December 31,		
	2014	2015	2016
	(€ in millions)		
Mexico	341.9	355.3	329.8
Argentina	489.0	681.8	532.8
Spain(1)	149.9	155.9	170.2
Italy	263.8	284.2	321.5
Other Operations:			
Panama	88.6	103.4	98.2
Colombia	31.4	28.7	24.7
Uruguay	18.2	27.8	18.6
Brazil	2.8	2.4	1.6
Headquarters	—	—	—
Total	**1,385.6**	**1,639.5**	**1,497.4**

(1) Includes AWP, Bingo, Sports Betting and Online.

The following table sets forth operating profit by business segment for each of the periods indicated.

	Year ended December 31,		
	2014	2015	2016
	(€ in millions)		
Argentina	79.9	130.4	108.4
Mexico	9.9	36.3	46.4
Italy	(11.5)	1.8	6.6
Spain(1)	(3.8)	5.5	7.3
Other Operations:			
Panama	3.8	(0.2)	5.7
Colombia	1.8	8.3	1.0
Uruguay	(10.6)	(5.9)	10.3
Brazil	(0.9)	(1.9)	(5.0)
Headquarters	(47.8)	(49.9)	(82.4)
Total	**20.8**	**124.4**	**98.3**

(1) Includes AWP, Bingo, Sports Betting and Online.

Full Year ended December 31, 2016 compared to Full Year ended December 31, 2015

	Year ended December 31,		
	2015	2016	Var. %
(€ in millions)		(Audited)	
Income statement data:			
Operating revenue	1,639.5	1,497.4	(8.7%)
Operating expenses:			
Consumables and other external expenses	(49.8)	(47.5)	(4.6%)
Employee benefit expenses	(276.6)	(245.5)	(11.2%)
Depreciation	(79.6)	—	n.m.
Amortization of intangible assets	(42.4)	(102.4)	n.m.
Change in trade provisions	(0.1)	(5.8)	n.m.
Asset impairment charges(1)	(3.1)	13.5	n.m.
Other operating expenses			
Gaming levies and other taxes	(571.9)	(550.5)	(3.7%)
Machine rental costs	(46.2)	(42.0)	(9.1%)
Other leases	(78.3)	(73.7)	(5.9%)
Other(2)	(362.1)	(357.8)	(1.2%)
Total operating expenses	(1,510.2)	(1,411.7)	(6.5%)
Profit/(loss) on retirement or disposals of assets	(4.9)	12.6	n.m.
Operating profit/(loss)	124.4	98.3	n.m.
Financial items:			
Financial expenses	(135.3)	(132.5)	(2.1%)
Financial income	3.6	5.0	38.9%
Gains or losses on financial asset(3)	(21.2)	(3.8)	(82.1%)
Loss on Debt for Equity Exchange	—	(1,054.2)	—
Net foreign exchange gains/(losses)	(50.5)	(37.1)	(26.5%)
Profit/(loss) before income tax of continuing activities	(79.0)	(1,124.2)	n.m.
Corporate income tax	(63.2)	(36.7)	(41.9%)
Profit/ (loss) after income tax of continuing activities	(142.2)	(1,161.2)	n.m.
Profit/(loss) for the year of companies consolidated under the equity method	2.7	4.0	n.m.
Consolidated profit/(loss) for the year	(139.5)	(1,157.0)	n.m.
Non-controlling interests	(26.3)	(31.2)	18.6%
Profit/ (loss) attributable to owners of the parent	**(113.2)**	**(1,125.8)**	**n.m.**

(1) Asset impairment charge were €4.9 million in 2014 in Carrasco Nobile and €6.9 million in Mexico and (€7.9 million) in 2015 in Italy. In 2015, there was an impairment reversal of (€4.8 million) in Colombia. In 2016 the Company recognized additions under this sub-heading of €24.1 million euros as well as reversing 37.7 million euros of previously-recognized charges.

(2) Other" includes payment for independent professional services, such as legal and auditing services, travel and advertising expenses, repair and maintenance and insurance premiums. It also includes personnel costs related to outsourced employees.

Operating Revenue

	Year ended December 31, 2015	Year ended December 31, 2016	Variation
	(€ in millions)	(€ in millions)	(%)
Mexico	355.3	329.8	(7.2%)
Argentina	681.8	532.8	(21.9%)
Spain	155.9	170.2	9.2%
Italy	284.2	321.5	13.1%
Other Operations	162.3	143.1	(11.8%)
Total	**1,639.5**	**1,497.4**	**(8.7%)**

General

Operating revenue decreased by €142.1 million, or 8.7%, to €1,497.4 million in 2016 from €1,639.5 million in 2015. The decrease in operating revenue was primarily attributable to the depreciation of the Argentine and the Mexican pesos. The negative impact of exchange rate fluctuations was partially offset by strong operational performance in our Spain and Italian business segments.

Mexico

Operating revenue in Mexico decreased by €25.5 million, or 7.2%, to €329.8 million in 2016 from €355.3 million in 2015. The decrease in operating revenue in Mexico was primarily attributable to the depreciation of the Mexican peso.

Argentina

Operating revenue in Argentina decreased by €149.0 million, or 21.9%, to €532.8 million in 2016 from €681.8 million in 2015. The decrease in operating revenue in Argentina was primarily attributable to the depreciation of the Argentine peso.

Spain

Operating revenue in Spain increased by €14.3 million, or 9.2%, to €170.2 million in 2016 from €155.9 million in 2015. The increase in operating revenue in Spain was attributable to the evolution of all business areas, including the AWP business, which was due to the increase in average daily gross win per position resulting from our operational plans and investment in product.

Italy

Operating revenue in Italy increased by €37.3 million, or 13.1%, to €321.5 million in 2016 from €284.2 million in 2015. The increase in operating revenue in Italy was primarily attributable to significant improvement in the average daily gross win per unit for AWPs, an increase in the number of installed AWPs and the recovery of the bingo business as well as the impact of increased taxes on accounting revenue.

Other Operations

Operating revenue in Other Operations decreased by €19.2 million, or 11.8%, to €143.1 million in 2016 from €162.3 million in 2015. This decrease in was primarily attributable to a decrease in Uruguay due to the volatility in VIP revenue from tables and the depreciation of the Uruguayan peso, a decrease in Panama mainly due to the decrease in the average daily gross win per position and a decrease in Colombia primarily due to the depreciation of the Colombian peso.

Operating Expenses

	Year ended December 31, 2015	Year ended December 31, 2016	Variation
	(€ in millions)	(€ in millions)	(%)
Mexico	314.6	282.7	(10.1%)
Argentina..........................	551.3	424.3	(23.0%)
Spain	150.0	162.2	8.1%
Italy	282.2	314.4	11.4%
Other Operations	162.3	145.7	(10.2%)
Headquarters	49.8	82.4	65.1%
Total	**1,510.2**	**1,411.7**	**(6.5%)**

General

Operating expenses decreased by €98.5 million, or 6.5%, to €1,411.7 million in 2016 from €1,510.2 million in 2015. This decrease was primarily due to the impact of exchange rates and as a result of cost reduction measures implemented principally in Argentina and Mexico (as well as other markets). This decrease was partially offset by the restructuring and refinancing costs.

Mexico

Operating expenses in Mexico decreased by €31.9 million, or 10.1%, to €282.7 million in 2016 from €314.6 million in 2015. This decrease in operating expenses in Mexico was primarily due to the depreciation of the Mexican peso and efforts to contain increase in costs.

Argentina

Operating expenses in Argentina decreased by €127.0 million, or 23.0%, to €424.3 million in 2016 from €551.3 million in 2015. This decrease in operating expenses in Argentina was primarily due to the depreciation of the Argentine peso and the initiatives implemented to contain growth of costs below inflation levels.

Spain

Operating expenses in Spain increased by €12.2 million, or 8.1%, to €162.2 million in 2016 from €150.0 million in 2015. This increase in operating expenses in Spain was the result of higher personnel the commercial and sponshorship agreement with the Real Madrid and other expenses.

Italy

Operating expenses in Italy increased by €32.2 million, or 11.4%, to €314.4 million in 2016 from €282.2 million in 2015. This increase in operating expenses in Italy was primarily due to higher gaming taxes associated with the increase in revenue and the impact of the increase in gaming tax on machines established by the government in December 2015.

Other Operations

Operating expenses in Other Operations decreased by €16.5 million, or 10.2%, to €145.7 million in 2016 from €162.2 million in 2015. This decrease in operating expenses in Other Operations was the result of decreases in costs in Uruguay and Panama that were partially offset by increases in Brazil and Colombia.

Headquarters

Operating expenses in Headquarters increased by €32.5 million, or 65.1% to €82.4 million in 2016 from €49.9 million in 2015. This increase in operating expenses in Headquarters was the result of the financial restructuring and subsequent refinancing.

Profit/(loss) on retirement or disposal of assets

The Group recognized a net gain of 12.6 million euros under this heading in 2016, due to the market value recognition of its pre-existing 50% interest in HRU, compared to a loss of 4.9 million euros in 2015.

Financial Income

Financial income increased by €1.4 million to €5 million in 2016, from €3.6 million in 2015 due to a higher average cash balance.

Financial Expenses

Financial expenses decreased by €2.8 million, or 2.1%, to €132.5 million in 2016 from €135.3 in 2015. This decrease was primarily due to a lower overall cost of funding post-restructuring.

Gains or Losses on Financial Assets

Gains or losses on financial assets resulted in a loss of €3.8 million in 2016, compared to a loss of €21.1 million in 2015, as a result of fewer losses in transactions in sovereign bonds.

Loss on Debt for Equity Exchange

Loss on debt for equity exchange represented a loss of €1,054.2 million in 2016 due to the accounting impact of the capitalization of part of the legacy senior notes.

Net foreign exchange gains/(losses)

The losses from net foreign exchange gains/(losses) increased by €13.4 million to a loss of €37.1 million in 2016 from a loss of €50.5 million in 2015.

Corporate Income Tax

Corporate income tax decreased by €26.5 million, or 41.9%, to €36.7 million in 2016 from €63.2 million in 2015. This decrease was primarily due to the reduction in earnings before corporate income taxes in Argentina, which was driven by the Argentine peso devaluation and the non-recurring and non-cash impact of the reversal of withholding tax provisions in Argentina related to prior period, as well as a to a reduction in accrued withholding in Mexico due to the local legal reorganization.

Non-controlling Interest

Non-controlling interest decreased by €4.9 million, to a loss of €31.2 million in 2016, from a loss of €26.3 million in 2015 due to weaker results in Carrasco Nobile.

Profit/(loss) for the period, Operating Profit and EBITDA

As a result of the above, we incurred a net loss of €1,125.8 million in 2016 as compared to a loss of €113.2 million in 2015. Operating profit decreased by €26.1 million to of €98.3 million in 2016 from a profit of €124.4 million in 2015. EBITDA (including non-recurring expenses) decreased by €74.3 million, or 29.2%, to €180.3 million in 2016 from €254.6 million in 2015. EBITDA margin decreased to 12.0% in 2016 from 15.5% in 2015.

Liquidity and Capital Resources

Liquidity

Until 2012, our and our subsidiaries' liquidity needs were met principally by proceeds of the offerings of senior notes, cash flow from operating activities and borrowings under our senior credit facilities and other bank borrowings. In 2012 and 2013, our liquidity position was compromised due to a significant portion of cash generated by Argentina's operations being used to pay for license renewals and a decrease in our Argentine revenues due to the effects of the smoking ban in Argentina, together with certain tax increases in some of our key markets and the devaluation of the Argentine peso and the acquisition of an additional stake in ICELA that was financed through the issuance of USD-denominated notes. As a result, in 2013, we were unable to service our corporate debt, and we were driven into a financial restructuring process. On April 29, 2016, we finalized our financial restructuring as per the terms of the Scheme of Arrangement, as a result of which former shareholders were diluted and creditors took over a majority equity stake and our legacy senior notes were exchanged for new first, second and third lien notes as well as the new equity.

Since our financial restructuring, we have been able to service our debt obligations and finance the operating needs of our business principally by cash from operations. After the refinancing, we have improved our liquidity further by strengthening our overall debt profile and putting in place a €95 million revolving credit facility.

The following table provides a profile of our liabilities under IFRS as of December 31, 2014, 2015 and 2016 respectively.

	Year ended December 31,		
	2014	2015	2016
(€ in millions)			
Short term financial debt payable to credit institutions	161.0	147.5	23.3
Other current liabilities[(1)]	1,513.3	1,659.8	385.4
Total current liabilities	**1,674.3**	**1,807.3**	**408.7**
Long term financial debt payable to credit institutions	89.3	76.4	49.6
Other long term liabilities[(2)]	207.5	173.3	947.5
Total long term liabilities	**296.8**	**249.7**	**997.1**
Total financial	**1,971.1**	**2,057.0**	**1,405.8**

(1) Other current financial liabilities consist of interest accrued on bonds, short term bonds, commercial creditors, other non-commercial obligations, accrual accounts and others and current tax liabilities, as included in the Audited Consolidated Annual Accounts and Unaudited Interim Financials.

(2) Other long-term financial liabilities consist of the notes, deferred tax liabilities, other payables, deferred income and provisions as included in Audited Consolidated Annual Accounts.

Cash Flow

The following is our consolidated cash flow information for the years ended December 31, 2014, 2015 and 2016. This information is supplemental to consolidated cash flow statements prepared under IFRS for the years ended December 31, 2014, 2015 and 2016.

(€ in millions)	Year ended December 31, 2014	2015	2016
Cash flow from continuing operations:			
Operating profit/(loss)	20.8	124.4	98.3
Expenses that do not represent cash outlays:			
Depreciation and amortization	125.5	122.1	102.4
Asset Impairment	11.9	3.1	(9.6)
Other operating expenses	9.6	8.9	17.3
Income that does not represent an inflow of cash	(2.4)	(0.2)	(15.9)
Changes in working capital	(39.7)	(8.3)	8.3
Income tax paid	(32.3)	(43.2)	(48.8)
Net cash from operating activities	**93.4**	**206.8**	**152.0**
Capital expenditures[(1)]	(48.6)	(60.4)	(89.3)
Long term loans and receivables[(2)(3)]	(0.1)	(0.6)	(0.8)
Investments[(2)(4)]	(5.5)	(4.9)	(30.1)
Net cash used in investing activities	**(54.2)**	**(65.9)**	**(120.2)**
Net proceeds (after reimbursement) from the issuance of High Yield Notes	—	—	274.5
Net change in financial debt[(5)]	35.0	—	(130.0)
Net change in other bank loans	(10.9)	(27.9)	(18.6)
Dividends	(2.6)	(2.4)	(4.6)
Net change in other debt and contingent payments[(6)]	(32.4)	(39.8)	(39.6)
Net investment in treasury shares	—	0.1	—
Interest income	1.4	1.6	2.6
Interest expense	(31.2)	(32.6)	(79.6)
Net cash effect of exchange rate changes	(10.6)	(7.4)	0.5
Net cash from/(used in) financing activities	**(51.3)**	**(108.4)**	**5.2**
Net Change in Cash Position	**(12.1)**	**32.5**	**37.0**
Reconciliation			
Cash at beginning of period	102.4	86.7	110.3
Effects of exchange rate fluctuations[(7)]	(3.6)	(8.9)	(5.2)
Cash at end of period	86.7	110.3	142.1
Change in cash position	(12.1)	32.5	37.0

(1) Does not include acquisitions or loans to site owners and other loans.
(2) Reflects accrued amounts, including any related contingent payments. Financing of deferments of these investments are recorded under Net change in other debt and contingent payments.
(3) Includes loans to site owners and other loans.
(4) Includes amounts committed to acquisitions. Cash from entities acquired is reported under Net change in other debt and contingent payments
(5) Includes prior senior facility agreement in 2015 and funds from financial restructuring in 2016.
(6) Reflects movements in temporary financial investments such as vendor financing for investments, contingent payments and the payment of deferred gaming taxes, expenses related to the bond issuances and the renewal of our prior senior facility agreement and the cash at the entities acquired, at the time of the purchase or the initial cash of entities sold or consolidated under equity method.
(7) Includes the effect of exchange rate fluctuations in the conversion of balances to Euro.

Net cash from operating activities

Net cash from operating activities for the year ended December 31, 2016 was €152.0 million, as compared to net cash from operating activities of €206.8 million for the full year 2015. This decrease was primarily attributable to (i) a €71.8 mm reduction in reported EBITDA as a result of financial restructuring and refinancing charges and (ii) higher corporate income taxes paid, partially offset by a decrease in net working capital.

Net cash from operating activities for the year ended December 31, 2015 was €206.8 million, as compared to net cash from operating activities of €93.4 million for the year ended December 31, 2014. This increase was primarily due to stronger operating performance during 2015 (€103.6 million) and a lower decrease in working capital variations, as 2014 was affected by the CdC settlement made in the fourth quarter of 2014 while in 2015 there were higher gaming tax deferrals awaiting resolution in Spain, which was partially offset by higher corporate income tax paid.

Net cash used in investing activities

Net cash used in investing activities for the year ended December 31, 2016 was €120.2 million, as compared to net cash used in investing activities of €65.9 million in 2015. This increase was primarily due to due the acquisition of the 50% stake of HRU and an increase in maintenance capital expenditures in Mexico, Argentina, and Spain due to halls and slots renewal and in Italy due to change in AWP related to the new payout regulation that is partially offset by a decrease in growth capital expenditures mainly due to foreign exchange evolution.

Net cash used in investing activities for the year ended December 31, 2015 was €65.9 million, as compared to net cash used in investing activities of €54.2 million for the year ended December 31, 2014. This increase was primarily due to an increase in maintenance capital expenditures in Spain and Italy AWP, investments in new halls in Argentina and €4.9 million invested for the acquisition of three AWP operators in Italy. In the year ended December 31, 2015, net cash used in investing activities consisted mainly of capital expenditures.

Net cash from/(used in) financing activities

.

Net cash from financing activities in 2016 was €5.2 million, compared to net cash used in financing activities of €108.4 million in 2015. These €5.2 million include, mainly, €77.0 million of cash interest expense; € 99.7 million increase in financial debt and €123.9 million debt repayment used in the November 2016 bond refinancing.

Net cash used in financing activities for the year ended December 31, 2015 was €108.4 million, as compared to net cash from financing activities of €51.3 million for the year ended December 31, 2014. This increase was primarily due to cash used in bank loans payments of €27.9 million in the year ended December 31, 2015 as compared to €10.9 million paid in year ended December 31, 2014 and the absence of cash due to the increase of other financial debt, partially offset by the net cash effect of the exchange rate changes.

Capital Expenditures

Our capital expenditures consist primarily of expenditures aimed at maintaining, modernizing, upgrading or expanding our infrastructure and we distinguish between growth capital expenditures and maintenance capital expenditures. Maintenance capital expenditures are capital expenditures that are not related to expanding our business but to maintaining its current capacity. We generally classify capital expenditures as growth capital expenditures to the extent that they relate to obtaining or renewing licenses, increasing the number of gaming machines in our portfolio, increasing the number of bingo seats in our bingo halls or otherwise expanding our business. During 2016, over 35% of our maintenance capital expenditure corresponded to slots renovation and the remainder to renovations of our gaming halls and other maintenance capital expenditures. During the same period, acquisitions represented over 68% of our growth capital expenditures, with the remainder used for expansion of slots, gaming halls and other growth capital expenditures. We invested, both in maintenance and growth capital expenditures, €54.2 million, €65.9 million and €120.2 million in the years ended December 31, 2014, 2015 and 2016, respectively.

The following table sets forth our total capital expenditures by our four principal businesses and for our "Other Operations" (including investments in acquisitions and other investment activities) business based on management's estimates and divided between maintenance and growth capital expenditures for the period indicated.

	Year ended December 31,		
	2014	2015	2016
(€ in millions)			
Mexico	**19.0**	**14.5**	**22.4**
Maintenance	13.9	12.4	21.1
Growth	5.1	2.1	1.3
Argentina(1)	**6.7**	**10.0**	**9.1**
Maintenance	1.8	3.5	7.1
Growth	4.9	6.5	2.0
Spain	**14.9**	**19.8**	**35.9**
Maintenance	10.3	16.8	25.9
Growth	4.6	3.0	10.0
Italy	**7.3**	**12.0**	**11.0**
Maintenance	5.8	7.1	10.7
Growth	1.5	4.9	0.3
Other(2)(3) (4)	**6.3**	**9.6**	**41.8**
Maintenance	4.6	7.2	10.1
Growth	1.7	2.4	31.7
Total Maintenance	**36.4**	**47.0**	**74.9**
Total Growth	**17.8**	**18.9**	**45.3**
Total Capital Expenditures	**54.2**	**65.9**	**120.2**

(1) Capital expenditures for Argentina are shown at the AR$ Official Rate as reported under IFRS. If they were presented using the securities arbitrage implied rate, capital expenditures in Argentina for the relevant periods would have been as set forth in following table:

	Year ended December 31,		
	2014	2015	2016
(€ in millions)			
Argentina at Sec. Arb. Impl.	**4.2**	**7.0**	**9.1**
Maintenance	1.2	2.4	7.1
Growth	3.0	4.6	2.0
Total Maintenance at Sec. Arb. Impl.	**35.8**	**45.9**	**74.9**
Total Growth at Sec. Arb. Impl.	**15.9**	**17.0**	**45.3**

(2) "Other" includes capital expenditures associated with our Other Operations and capital expenditures by our corporate headquarters.

(3) In 014, we incurred €1.5 million in growth capital expenditures in connection with the Carrasco hotel in Uruguay.

(4) Includes the acquisition of the 50% stake in HRU for a total consideration of €31.0mm

Contractual Obligations

We have numerous contractual commitments providing for payments pursuant to, among other things, leases for casinos, production plants, warehouses and office facilities, equipment leases, automobile leases and payments to site owners and sub-operators in our slots businesses. We also have, and will have, payment obligations pursuant to our outstanding borrowings, including the financial obligations arising from the Notes.

Our consolidated contractual obligations as of December 31, 2016 were as follows:

		Payments due by period		
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**After 4 years**
		(€ in millions)	**(unaudited)**	
Long Term debt[1]	838.0	—	34.8	803.2
Other Long-Term debt[2]	32.9	—	16.5	16.4
Short-Term debt[3]	35.5	35.5	—	—
Capital lease agreements (short term)	4.5	4.5	—	—
Other obligations (short term)[4]	86.6	86.6	—	—
Purchase obligations (trade accounts payable)[5]	99.2	99.2	—	—
Total contractual obligations	**1,096.7**	**225.8**	**51.3**	**819.6**

(1) Includes notes and long-term payables to credit entities.
(2) Consists mainly of the deferred portion of the purchase price of AWP operators in Spain, long-term financial leasing, long-term payables related to the Group's request for deferral of gaming taxes and long-term debt related to acquisitions of VLTs licenses in Italy.
(3) Includes short-term payables to credit entities and accrued short-term interest on the notes.
(4) Other short-term obligations include deferred gaming taxes in Spain relating to the AWP business and exclude short-term capital lease agreements
(5) Includes trade accounts payable.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet special purpose entities and do not utilize significant off-balance sheet arrangements.

Market and Credit Risks

We are primarily exposed to market risk from changes in interest rates and foreign currency exchange rates. We manage our exposure to these market risks through our regular operating and financing activities. Financial instruments that potentially subject us to market risk consist of cash investments, trade receivables and other amounts due to the group. We maintain cash and cash equivalents with financial institutions in Spain with high credit standards.

Interest Rate Risks

We are subject to interest rate risks related to our borrowings. Borrowings under the existing SSRCF are principally in Euro with floating interest rates based on EURIBOR or LIBOR. We do not currently hedge our interest rate exposure and do not expect to do so in the future.

Foreign Currency Risks

Our principal exchange rate exposures relate to the Euro-Mexican peso and Euro-Argentine peso exchange rates for translation related exposure. We also have translation related exposures arising from our operating revenue generated in the local currencies of Colombia, Brazil and Uruguay (the Colombian peso, Brazilian real and Uruguayan peso, respectively) and to the U.S. dollar in Panama where the U.S. dollar is the functional currency. We also have currency translation related exposure relating to the U.S. dollar-Euro exchange rates, particularly in Mexico, where certain costs, in particular gaming machine rental costs, as well as the management services agreement with Legacy Caliente, and the outstanding obligations from the Caliente Restructuring are denominated in U.S. dollar or referenced to the U.S. dollar. The issuance of notes on November 1, 2016 maintened the company exposed to the U.S. dollar-Euro exchange rates, given that the notes were both denominated in Euro and U.S. dollar.

Critical Accounting Policies

Our Audited Consolidated Annual Accounts and the accompanying notes contain information that is pertinent to the discussion and analysis of our results of operations and financial condition set forth below.

The preparation of financial statements in accordance with IFRS requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and the related disclosure of contingent assets and liabilities. Estimates are evaluated based on available information and experience. Actual results could differ from these estimates under different assumptions or conditions. The Company bases its estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Results may differ from these estimates due to actual outcomes being different from the assumed outcomes. For a detailed description of our significant accounting policies, see Note 2 of our 2016 Audited Consolidated Annual Accounts included elsewhere in this annual report.

Intangible Assets

The intangible assets acquired by us are stated at cost less accumulated amortization and impairment losses. Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Exclusivity or installation rights are capitalized at acquisition cost and amortized over the term of the related contract, which generally ranges from three to ten years.

Gaming licenses are amortized during their useful lives. The only intangible assets that the Group has with an indefinite lifetime are the non-redeemable installation rights and the brands, which are not amortized. For those intangible assets having finite useful lives, amortization is charged to the consolidated income statement on a straight-line basis over the relevant estimated useful life. Intangible assets are amortized from the date they are available for use. The amortization rates applied are as follows:

	Annual Depreciation Rate
Computer software	20 – 25%
Installation rights	10 – 33%
Gaming licenses	2.5 – 11%
Customer portfolio	4.5 – 10%
Exclusivity rights	15 – 25%

Tangible Fixed Assets

Tangible fixed assets are carried at cost except for land and buildings, which are valued at fair value on independent appraisals using this value as cost. This revaluation of such land and buildings was recognized directly in equity at the first time of adoption of IFRS. We regularly review the fair values recorded to ensure that the amounts do not differ significantly from current market values. A decrease in carrying amount arising on the revaluation of such land and buildings is first charged as an expense in the consolidated income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. Depreciation on revalued buildings is charged to the income statement.

Leases under which we assume substantially all the risks and rewards of ownership are classified as finance leases. The property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Subsequent expenditure on capitalized tangible fixed assets is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expended as incurred. Non-removable installations in bingo halls and casinos are depreciated over the shorter of the term of the related lease contracts or the depreciation period used for such assets.

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

	Annual Depreciation Rate
Leisure, gaming and sports betting machines	10% – 30%
Amusement machines	10% – 30%
Furniture, fittings and equipment	7% – 30%
Computer hardware	10% – 30%
Vehicles	10% – 30%
Structures and buildings	2% – 3%
Work on leased premises	10% – 30%
Plant and machinery	7% – 30%

Financial expenses related to loans directly attributable to acquisition, construction or production of tangible assets, are recorded as part of the cost of that asset, in the terms defined by the IAS 23.

Goodwill

All business combinations are accounted for by applying the purchase method of accounting. Goodwill represents the difference between the acquisition cost and the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment. The goodwill is assigned to the Group's cash generating units which coincide, in general, with the operating segments, which correspond to geographical areas, as the cash generating units which make up the lines of activity (slot machines, bingo and casinos), do not provide sufficiently detailed information for individual analysis, since normally several different kinds of operations coincide in the same location; for example, gaming machines may be installed in bingo halls and casinos.

Impairment of Tangible and Intangible Assets

At each year-end, indications of possible impairment of the value of fixed non-current assets are evaluated, including goodwill and intangibles. If there are such indications of possible impairment, or when the nature of the assets requires an annual analysis of impairment, we estimate the recoverable value of the asset, which is the larger of the fair value, deducting transfer costs and its value in use. The value in use is determined by the present value of future estimated cash flows, applying a discount rate which reflects the value of the money over time and takes into account the specific risks associated with the asset.

When the recoverable value of an asset is below its net accounting value, it is considered that there is an impairment of value. In this case, the carrying value is adjusted to the recoverable value, assigning the loss to the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to such cash-generating units and then to reduce the carrying amount of the other assets in the unit based on an individual analysis of the assets impaired. The projections cover a five-year period. From year 5, a terminal value is estimated assuming a constant rate of growth in perpetuity. The first year of the projection period is based on detailed budgets approved by each unit for the next financial year, incorporating any changes arising as a result of significant events occurring after their approval. The projections for the remaining years are based on the performance that can reasonably be expected in accordance with the strategies and plans defined by the Group for each of the markets in which it operates in accordance with their specific characteristics and competitive landscapes.

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

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

When new events take place, or changes of pre-existing circumstances, which show that a loss due to impairment recorded in a previous period might have disappeared or been reduced, a new estimate is made of the recoverable value of the corresponding asset. The losses due to impairment that have been recorded previously only revert if the hypotheses used in the calculation of the recoverable value had been changed since the most recent loss due to impairment was recognized. In this case, the carrying value of the asset is increased up to its new recoverable value, with the limit of the net accounting value which that asset would have had if no losses due to impairment in previous periods had been recorded. The reversion is recorded in the consolidated income statement and the charges for depreciation in future periods are adjusted to the new carrying value. The losses due to impairment of goodwill are not the object of reversion in subsequent periods.

Provisions and Contingent Liabilities

A provision is recognized in the consolidated balance sheet when we have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date. Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect the current best estimate of the related liability. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingent liabilities are considered to be those possible obligations arising as a consequence of past events, the materialization of which is conditional upon one or more future events independently of the will of the consolidated companies. Contingent liabilities do not fall within the scope of the object of accounting record. Additional details are set forth in Note 18 to our 2015 Consolidated Financial Statements included elsewhere in this annual report.

Provisions related to tax contingencies are recognized in the consolidated income statement according to the nature of the tax.

Provisions for litigation and other contingencies

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

Significant non-controlling interests

Due to the entry into force of IFRS 12, the Group has defined as relatively significant non-controlling shareholdings all those non-controlling shareholdings whose assets (assets being understood as the percentage minority interest in the aggregate assets of the sub-group in which they hold an interest) represent more than 5% of the consolidated Group’s total assets. In addition, other specific qualitative issues will be taken into account such as the sensitivity of a minority interest to a specific shareholding, significant non-recurring impacts, etc., when defining a material non-controlling interest. These circumstances are reappraised by management on an annual basis.

Financial Liabilities

Financial liabilities are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated income statement over the period of the borrowing based on an effective interest rate. Contracts that create an obligation to purchase own equity instruments for cash or another financial asset give rise to a financial liability equal to the present value of the redemption amount. The financial liability is recognized initially under IAS 39, at fair value (the present value of the redemption amount) against equity. Subsequently, the financial liability is measured in accordance with current rules and movements in fair value are accounted for as gain or loss in the consolidated income statement. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity. The Group records financial liabilities disposals when obligations are canceled or expired. Difference between the carrying amount of a financial liability canceled or transferred to third parties and the consideration paid is recorded in the income statement of the fiscal year.

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

Income Tax

Income tax in the consolidated income includes both current and deferred taxes. Income tax expense is recognized in the consolidated income statement except to the extent that the tax relates to items directly recognized in equity, in which case the tax is also recognized in equity. The consolidated income statement for the year includes the expense for income tax of group companies accounted for through the full consolidation and the proportional consolidation method. Its calculation contemplates the amount of the tax accrued over the financial year, the differences between the taxable base and the consolidated accounting result, as well as the bonuses and deductions in the amount to which the group companies have a right. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the consolidated balance sheet date, and any adjustment to tax payable in respect to previous years. Deferred income tax is recorded, using the liability method, for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes calculated at the consolidated balance sheet date. Deferred taxes relating to the following temporary differences are not recorded: goodwill not deductible for tax purposes and the initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither the accounting profit nor taxable profit or loss; deferred taxes relating to temporary differences that arise in investments in subsidiaries and associates are recognized except when we could control the date of the temporary differences reversal and it is likely that they will not be reverted in the foreseeable future. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is expected to be settled, based on tax rates (and tax laws) that have been enacted at the consolidated balance sheet date. Deferred income tax assets are recognized for all deductible temporary differences, carry-forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized will be available. The carrying amount of deferred income tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Use of Estimates

The preparation of Audited Consolidated Annual Accounts in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates based on such reviews are recognized in the period in which the estimates are revised if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods. The main estimates recorded by us are discussed in Note 4 to our 2016 Consolidated Financial Statements included elsewhere in this annual report.

Fair value of investment properties

In the case of the Group’s property of Centro Banamex in Mexico, its fair value amounted to 93 million Euros according to the valuation performed by a recognized independent expert in 2012. This valuation was made in the context of the acquisition of ICELA. However, it has been considered that an ad-hoc valuation for said property that applied objective and comparable property market criteria, would not be in line with the best indicator of the property’s fair value as the property is subject to a 50-year government concession (expiring in 2048), with certain conditions for its exploitation as a private service which mean that it is not comparable. Our Group has restated the fair value of said property on the basis of estimated future flows according to its lease contract, where both flows and investment commitments are defined under the assumption that the contract will remain in force. Based on said analysis, the fair value at December 31, 2016, is 79.1 million Euros.

OUR BUSINESS

Overview

We are a leading international gaming operator with gaming machines, gaming halls, arcades, sports betting, online gaming offering and racetracks in Mexico, Argentina, Spain, Italy, Brazil, Colombia, Panama and Uruguay. As of December 31, 2016, we operated 55,060 gaming machines, 144 gaming halls (which includes gaming halls, bingo halls with machines, gaming halls at racetracks and casinos), 633 arcades, 156 sport betting shops and four racetracks. We are also a provider of online gaming operations in Spain and since October 2016 in Mexico.

In Mexico, through our various joint ventures, we believe that we are the largest operator of gaming venues, with 90 gaming halls and one racetrack, in which we operated 19,184 machine seats, 11,215 bingo seats, 85 sport betting shops and 1,866 table seats (assuming, for illustrative purposes only, six seats per table), as of December 31, 2016. As of the same date, we also held licenses to build and operate 38 additional gaming halls in Mexico. Since October 2016, we have increased our gaming offer in the country by operating on-line gaming throught-out the country. In addition, we have a concession for the operation of entertainment complex in Mexico City that includes the *Las Américas* racetrack, an amusement park and the largest convention center in Mexico (which, pursuant to an outsourcing agreement executed on June 1, 2013, is operated by CIE).

In Argentina, we believe we are the largest operator of gaming halls in the Province of Buenos Aires, with 14 gaming halls in which, as of December 31, 2016, we operated 6,952 slot and other gaming machine seats and 11,906 bingo seats.

In Spain, we believe that we are the second largest operator of AWP machines, with 9,157 machines located in over 7,616 bars, restaurants, machine halls and one gaming hall, as of December 31, 2016. As of December 31, 2016, we operated 3,858 sports betting terminals in Spain, including those installed in the Bingo Canoe gaming hall in Madrid (which features a bingo venue, AWPs and sports betting), across 1,301 bars, 452 betting corners at third-party gaming arcades and 30 company-operated sports betting shops.

In Italy, we believe that we are one of the three largest operators of gaming halls, with 11 gaming halls, and among the top ten slot route operators. In total, we operate 8,087 AWPs (mostly in non-specialized locations), 945 VLTs and 5,142 bingo seats, as of December 31, 2016. In addition, we had 19,495 AWPs and 1,488 VLTs connected to our Italian network concessionaire, which represents 5.6% of the market.

In addition, as of December 31, 2016, as part of our strong geographical diversification, our operations included (i) 12 gaming halls (casinos) and one racetrack (with slot machines) and eight sports betting locations in Panama, (ii) ten gaming halls and 177 arcades in Colombia, (iii) the Sofitel Hotel Casino Carrasco and a *Hípica Rioplatense Uruguay, S.A.* (“HRU”) that since December 1, 2016 we own 100% of the Busines. Through HRU we operate 5 gaming halls, the Maroñas and Las Piedras racetracks in Montevideo and 26 sports betting shops in Uruguay and (iv) five horse-racing betting locations in Brazil.

The following table shows our revenue, operating profit and Total Adjusted EBITDA by country for the last twelve months ended December 31, 2016:

	December 31, 2016		
	Revenue	**Operating Profit**	**Total Adjusted EBITDA**
(in millions of euros)			**(unaudited)**
Country			
Mexico	329.8	46.4	88.6
Argentina	532.8	108.4	131.0
Spain	170.2	7.3	29.5
Italy	321.5	6.6	26.5
Panama	98.1	5.7	16.4
Colombia	24.7	1.0	4.9
Uruguay	18.6	10.3	(9.4)
HRU Adj.	—	—	8.0
Brazil	1.5	(5.0)	(4.5)
Sub-Total	**1,497.4**	**180.7**	**290.7**
Headquarters	—	(82.4)	(30.8)
Total	**1,497.4**	**98.3**	**260.2**

History

The Group was founded in December 1980 by the Martínez Sampedro family, Jesús Franco and Joaquín Franco, following the liberalization of the Spanish Gaming Industry in 1977. Jesús Franco and Joaquín Franco owned Grupo Recreativos Franco, one of the largest gaming machine manufacturers in Spain. Prior to that time, Jesús Franco, Joaquín Franco and the Martínez Sampedro family had established businesses in the operation and distribution of non-prize recreational games, such as flipper and pinball. These businesses formed the basis of what is now the Codere Group. Codere, S.A. began AWP operations in 1981, mainly in Madrid and grew rapidly thereafter. In 1983, we began our expansion outside Madrid adding operations in the Spanish regions of Catalonia and Valencia. In the following year, we commenced AWP machine operations in Colombia. As the Spanish AWP market began to grow, we continued our strategy of expansion in Latin America, diversifying our business with acquisitions in Argentina and Colombia in 1990.

In 1998 we entered into a partnership with Grupo Caliente and CIE to deploy Bingo halls in Mexico, diversifying into sports betting and casinos, and we acquired 25% of Grupo Royal in Argentina. In 2000, we purchased the Canoe bingo hall in Madrid, one of the largest bingo halls in Europe. In 2002, our HRU joint venture reopened the historic racetrack of Maroñas in Montevideo, Uruguay, marking our entrance to the horse-racing business and getting access to the gaming hall market in the country.

In 2005, to finance our growth, we started issuing Euro and USD-denominated notes, including several follow-on tap issues. With the proceeds of certain of these issuances, we acquired Grupo Royal in Argentina and Operbingo in Italy as well as other small operators. With the acquisition of a majority stake in Grupo Royal, we became the leading operator of bingo halls and slot machines in the province of Buenos Aires. In 2006, we entered the Brazilian market through a horse-racing betting facilities start-up and acquired Crown Casinos in Panama. Also in 2006, the Martínez Sampedro family purchased Jesús and Joaquín Franco’s interest in Codere, S.A., becoming the majority shareholders.

In 2007, we acquired Bingo Palace, a bingo hall in Turin, in March 2007. Also in 2007, we expanded our operations in Europe by acquiring Rete Franco (now Codere Network), one of the ten (now thirteen) Government concessionaires for the provision of AWP network services in Italy, and Maxibingo S.r.l to enhance our position as the country leading bingo hall operator. In 2008, we opened the first physical betting shop in Spain and expanded our portfolio of products to include sports betting. In 2012, we also entered into the online gaming business in Spain where we operate through a national license. As of December 31, 2016, our Spanish online gaming operations totaled approximately 100,000 active users. Our growth and diversification of revenue streams has been mainly through the acquisition or the development of new gaming licenses.

In October 2007, we undertook an initial public offering, the proceeds of which were used to acquire a 49% interest in ICELA (holding company of AMH) and to add Mexico City's Las Américas horse racetrack to our existing portfolio in the country. In February 2012, we issued additional USD-denominated notes, the proceeds of which were used to fund the acquisition of an additional 35.8% stake in ICELA, bringing our total share in ICELA to 84.8%.

In 2013, following financial difficulties due mainly to the anticipation of the license renewals in Argentina, the cash-out for the acquisition of ICELA, together with a difficult macro environment, our company was unable to service its corporate debt and entered into a financial restructuring process. On April 29, 2016, Codere finalized its financial restructuring as our scheme of arrangement (the "Scheme of Arrangement") was sanctioned by the High Court of Justice of England and Wales on December 17, 2015. As a result of such restructuring, (i) former shareholders were diluted and creditors took over a majority equity stake of our Company, and (ii) our legacy senior notes, including €760 million due 2015 and $300 million due 2019, with an aggregate principal amount of €1.3 billion as of April 6, 2016 plus accrued interest were exchanged for $164.2 million of new second lien senior notes due June 30, 2021, $355.8 million of new third lien senior notes due June 30, 2021, and 2,475 million new shares.

Also in November 2016, the Company completed a full refinancing which is described in detail in the following section. After the closing of the document, on March 31, 2017 as a first step of the so called "Mexican Reorganization" the company finalized the acquisition from Grupo Caliente all of the shares that Grupo Caliente held in the consolidated Subsidiaries which we refer to as "Codere Caliente" and in which Codere, prior to completion of this transaction, already held a 67.3% equity interest. With this acquisition we expect to further integarate our Mexican business units in order consolidate our presence in the country, unify our brands and provide efficiency measures in the short term.

The New Codere: Key Changes Post-Restructuring and Refinancing

Restructuring

As part of our restructuring, on September 23, 2014, we entered into a lock-up agreement with the majority of our then-existing bondholders containing the main terms for our debt and equity restructuring process. The restructuring process (the "restructuring") led us to issue new ordinary shares to increase our share capital by the amount of €495 million, which allowed us to carry out the equitization of part of the then-existing debt, and the creation of Codere Newco S.A.U. to carry out the procedure of overall assignment of assets and liabilities from us to Codere Newco S.A.U. On December 17, 2015, the Scheme of Arrangement implementing the restructuring was approved.

The new debt structure consisted of an issuance of new private senior bonds worth U.S.$219 million intended to replace the existing senior loan facility and to provide funds to finance working capital and future projects, and new bonds worth U.S.$739 million.

We finalized our restructuring process on April 29, 2016.

Refinancing Transaction

Transaction Overview

On November 8, 2016, the Company completed the offering of €500 mm aggregate principal amount of senior secured notes due November 1, 2021 (the "Euro Notes") and $300 mm aggregate principal amount of senior secured notes due November 1, 2021 (the "USD Notes", and together with the Euro Notes, the "Notes"). The Euro Notes bear interest at a rate of 6.750% per annum and the USD Notes bear interest at a rate of 7.625% per annum.

The aggregate principal amount of the Notes, along with existing cash on balance sheet, was used to refinance €889 million of existing bonds principal amounts, including:

- $218.9 mm in New Senior Private Notes (fully redeemed on November 8, 2016);
- $383.1 mm in Second Lien Notes (fully redeemed on November 25, 2016) ;
- $355.8 mm in Third Lien Notes (fully redeemed on November 25, 2016).

The Notes have issue ratings from Moody's Investor Services and S&P Global Ratings of B2 and B, respectively, in-line with the Moody's Corporate Family and S&P Corporate Credit ratings of B2 (stable) and B (stable), respectively. Bank of America Merrill Lynch acted as Global Coordinator for the issuance of the Notes, with Barclays, Jefferies and Morgan Stanley acting as joint bookrunners.

In addition, on October 24, 2016, the Company, as parent guarantor, and Codere Newco, S.A.U., as borrower, amongst others, entered into a €95 mm multi-currency Super Senior Revolving Credit Facility Agreement.

Strategic Rationale

The refinancing transaction has allowed the Company to reengage with the capital markets after a protracted financial restructuring process and following several quarters of intense rebuilding of relationships with both high yield and equity investors. The strategic rationale for this refinancing transaction was as follows:

i. Normalize capital structure and increase financial flexibility;
    - Incorporation of a committed revolving credit facility (€95 mm, with up to €47.5 mm available for issuance of letters of credit);
    - Flexibility to introduce a committed surety bond facility;

ii. Reduce corporate cost of funding;

iii. Transition the corporate debt capital structure from a significant participation of medium term focused "alternative" investors to long term focused "traditional" institutional investors;

iv. Enhance substantially our flexibility to execute on business and strategic objectives.

Significant deleveraging

We have significantly delevered our business. Prior to the completion of the restructuring on April 29, 2016, as of March 31, 2016 we had approximately €1,509 million in total consolidated debt outstanding, including €1,287 million of high yield debt. Additionally, our leverage ratio, was 5.5x and our net financial debt was approximately €1,393 million. Through the restructuring process, we focused on maximizing cash flow generation, reducing capital expenditure needs, streamlining the business and increasing capital efficiency to reduce our indebtedness to create a more sustainable business. Following the Refinancing transaction and the acquisition of the remaining 50% stake in HRU in November 2016, our consolidated debt as of December 31, 2016, was €880 million. Consolidated cash was €142 million, resulting in net financial debt of €738 million and a leverage ratio of 2.7x.

Significantly improved liquidity

We have significantly improved our liquidity. Prior to the completion of the restructuring on April 29, 2016, as of March 31, 2016 we had €116 million in consolidated cash, 46% of which was in Europe, 22% of which was in Mexico, 22% of which was in Argentina and 10% was held elsewhere in Latin America. Our consolidated liquidity as of March 31, 2016 was €46 million. Through the restructuring process, we focused on reaching a strong liquidity position. Following the Refinancing transaction and the acquisition of the remaining 50% stake in HRU in November 2016, our consolidated cash as of December 31, 2016, was €142 million. Including the €95 million multi-currency Super Senior Revolving Credit Facility Agreement entered into as part of the Refinancing, total liquidity stood at €237 million at year end.

Improved shareholder profile and strengthened corporate governance

Prior to the completion of the restructuring in April 2016, the Martínez Sampedro Family constituted approximately 69% of our shareholder base. Following the restructuring, legacy bondholders constituted 79% of our shareholding base, key executives (including José Antonio Martínez Sampedro and Javier Martínez Sampedro) constituted approximately 20% of our newly issued shares and others constituted 1% of our shareholding base.

We have strengthened our corporate governance structure. We renewed our Board of Directors by adding six new members, bringing the total number of directors to nine. Three of our board members are independent. Additionally, during the last few years we have reinforced most of our internal processes and protocols including those regarding use of resources (including financial resources), approval of investments or performance of analysis control. The objective of such measures has been to maximize capital efficiency, prioritize use of resources appropriately and improve margins. We believe that these enhancements to management and corporate governance processes will continue to facilitate the execution of our strategy in the coming years.

Strong operating momentum in conjunction with financial discipline and capital efficiency

As mentioned above, coming out of restructuring, we have shown strong operating momentum. We have grown revenue, EBITDA and margins from 2014 to 2016, despite the restructuring and liquidity constraints. Our revenue for 2016 reached €1,497 million and our Total Adjusted EBITDA reached €260 million, as compared to €1,639 million and €252 million for the year ended December 31, 2015, respectively[2].

Among other measures, these results are a consequence of our performance enhancement program. This program consisted of several initiatives including personnel efficiency, reduction of headquarter and non/business critical expenses, redefinition and enhancement of procurement policies, especially regarding products. For the years 2013-2015, we estimate that our total operational cost savings reached approximately €69 million on a constant foreign currency basis. The headcount of the company has been reduced from 21,637 in 2012 to 13,918 in 2016 despite capacity increases and the consolidation of over a thousand heads from HRU in December 2016.

Another measure that has contributed significantly to our strong operating momentum is our effort to enhance our marketing activity through the development of customer relationship management, promotions and business intelligence capabilities within a context of limited financial resources. We have achieved gains in players, market share and customer loyalty metrics in several markets, including Mexico. These initiatives have benefited from the introduction, at the end of 2013, of mandatory identification of 100% of players in Mexico. Our volume of play, scale and the investment in specialized resources have allowed us to deploy sophisticated player-tracking tools based upon which we have introduced personalized, customer specific, highly efficient promotional strategies based on optimal allocation of free play, food and beverage and other enhancements to the player experience. We believe this strategy has been critical to increase our estimated market share in the country from approximately 23.9% as of December 2013, to 27.1% as of December 31, 2016.

This strategy is now being implemented inother markets, principally Panama and Colombia, where market competitive dynamics are similar to Mexico, and in the process of being translated to markets with local specificities such as Argentina.

---

[2] Figures reflect Company consolidated revenue and adjusted EBITDA plus 50% of HRU through November 2016.

Additionally, we have deployed revenue management initiatives in several markets that are helping us provide consumers with an enhanced gaming experience while allowing us to exert mechanisms to maintain revenue growth at or above inflation, especially in Argentina.

Key revenue management initiatives we are using to make sure we maximize performance in high demand, high inflation contexts are (i) hold management and (ii) denominations. Hold management means adapting the payout ratios of machines to the occupancy rates of venues, reducing them in the context of high occupation to accelerate player spend ratios (ie. Reduce time on device), or increasing them to improve the gaming experience (lower spend per unit of time) in case of low occupancy rates. Regarding denominations, we, in order to reflect inflation in our machines, may selectively eliminate lower available denominations, add higher ones, or link lower denominations to higher number of bets per spin.

We carry out selective product renewals, based on sophisticated analysis of product performance and trials of new products on the back of an opportunistic use of available technology (including kits and server based products) and slot acquisition using, if and when needed, operational and capital leases. Our volume of business and proprietary technology have been critical to facilitate this effort and maintain an attractive product portfolio at a minimum capital spend.

Financial Discipline and Capital Efficiency

We have demonstrated financial discipline and capital efficiency. Our maintenance capital expenditures in the year ended December 31, 2012 were €79 million (including 50% of HRU which we consolidated in this period), while for the year ended December 31, 2016, they amounted to €75 million (including €13.6 million of catch-up Capex and, since December 1, 2016, 100% of HRU). Furthermore, our growth capital expenditures (measured on the same basis, excluding certain non-recurring events from 2012) were €81 million in the year ended December 31, 2012, and amounted to €14.3 million (plus and additional €31.0 million in growth capital expenditures related to the acquisition of 50% of HRU in the period) for the year ended December 31, 2016.

We have been very selective in deploying growth capital expenditures. Initiatives have been prioritized in terms of expected pay back and track record. Our acquisitions in Italy, hall expansions in Argentina, greenfield halls in Mexico and deployment of sports betting capacity in Spain in recent years are examples of the application of these policies.

Enhanced strategic plan focused on diversification and margin improvement

As the evolution of our financial results in 2015 and 2016 demonstrate, we have largely recovered our margins to pre-restructuring levels (despite tax increases in some geographies) and have recovered revenue levels while minimizing deployment of maintenance and growth capital expenditures.

We expect to continue reinforcing a geographically diversified portfolio of operations, with special attention to our acquisition opportunities in Mexico, Spain, Italy and Uruguay, as well as opportunities that may arise from time to time in the regions in which we operate. Additionally, expected macroeconomic growth in Panama, deployment of greenfields in Mexico or potential opportunities such as the regulation of sports betting across Latin American jurisdictions, as in Colombia in 2016, will also reinforce operations in critical markets and diversify our gaming offering portfolio.

In terms of margin, and despite the negative effect in the mix derived from the devaluation of the Argentine and Mexican pesos (higher margin geographies than Spain and Italy), we are working to continue increasing margins in all geographies through our efforts to contain costs, gain efficiencies and contain operational leverage, especially in Mexico and Spain and in our sports betting platform.

Reduced risk of capital outlay for license renewal

The Group either owns all of the gaming licenses it operates, or is a contracted party explicitly included in the license (such as in Argentina), with the sole exception of Brazil, where we act as a service provider to the Jockey Clubs.

License renewals are highly regulated processes that vary considerably per geography and per type of license. In recent years, license renewal processes have been tested successfully in our key markets.

Additionally, we expect the trend to progressively enhance gaming regulation to international standards in the jurisdictions we operate to continue and reinforce transparency and reliability of such processes and the administrative authorities running them. Consequently, we believe that our license renewal risks have diminished even if such processes are always subject to changes in legislation, regulation or the authorities' interpretation of license renewal applicable protocols.

In the period 2012-2013, we renewed approximately half of our licenses in Argentina (with the remaining half of the licenses maturing in 2021-2024). In 2015, we initiated the cycle of license renewals in Mexico. In Mexico we operate permits held by seven license holders whose licenses mature between 2015 and 2037. In 2015, the first one of these, Libros Foraneos SA de CV, through an administrative process based on compliance requirements that did not require any license renewal capital expenditure, was renewed until 2027. During the last few years, licenses or concessions have also been renewed through administrative processes requiring no upfront payments in Spain, Italy and Colombia.

In the coming years we expect to continue renewing licenses and permits in Spain and Colombia (gaming machine permits), Mexico (gaming halls permits), Italy (bingo halls and machine permits) and Panama (casino licenses). For Spain, Colombia, slot machines in Italy and Mexico, the processes in place to renew such licenses are administrative ones with minimal or no capital outlay requirements that have been used in recent years in such jurisdictions to renew our corresponding licenses in those markets. In Italy, the Italian government is redefining the bingo licensing process, which is expected to imply a cash outflow per license consistent with hall economics. In Panama, most of our casino licenses mature in 2018. As a reference, our latest acquired licenses in Panama had a unitary cost of one million U.S. dollars each.

Later on, critical group license maturities fall beyond 2020. In Argentina, our licenses mature in two cycles (2021-2024 and 2028-2031), in Mexico our AMH license matures in 2022, in Italy the network concession matures in 2022 and in Uruguay our licenses mature in 2032 (HRU) and 2039 (*Carrasco Nobile*).

In total, our budget for license renewals in the next four years is in the range of €40 to 45 million (compared to the actual spend of €101 million in 2012 and 2013 based on current performance, regulatory requirements and our interpretation of such requirements).

Long Term Performance

Our business has demonstrated sustained growth. Our revenues grew at a compound annual growth rate of 21.4% from €326 million in 2004 to €1,533 million in 2012. Our Total Adjusted EBITDA grew at a rate of 19.7% from €68 million in 2004 to €286 million in 2012.

This long term performance is a result of our competitive strengths. We operate in highly regulated markets, with high barriers to entry, in which we have been able to leverage market leadership as early entrants, consolidating strong market positions in most jurisdictions.

Additionally, our industry has shown relatively low cash flow volatility due to a loyal customer base with a high frequency of visits with limited spend per visit, which is less sensitive to macroeconomic changes than businesses that depend on typical discretionary expenses. Traditionally, land-based gaming is also much more sensitive to location of premises than to marketing spend, and we benefit from favorable locations in our key markets.

Our ability to enter our key markets early in their development phase allowed us to obtain favorable locations and large distribution networks, making our business more resilient to changes in overall consumer spending and demand for gaming and more receptive to long term structural growth in gaming volumes driven by newly regulated services in emerging economies.

Between 2012 and 2014, our business was affected by a number of factors including the cash out for the acquisition of ICELA, and in Argentina, the deterioration of the macro-economic conditions, the associated impact on currency exchange rates, the acceleration of license renewals and the smoking ban in various jurisdictions. This led us to the debt restructuring of the company. In spite of the restructuring process that took place between 2013 and 2015, revenue increased at a compound annual growth rate of 3.8% from €1,521 million in the year ended December 31, 2013, to €1,640 million in December 31, 2015. Likewise, during the same period, our Total Adjusted EBITDA increased at a compound annual growth rate of 12.4%. As of December 31, 2015, our revenue and Total Adjusted EBITDA were close to those of the year 2012, prior to the restructuring.

Our Total Adjusted EBITDA margin has grown from 13.1% in the year ended December 31, 2013 to 17.0% for the year ended December 31, 2016. Also, the leverage ratio has decreased since 2013, reaching 2.7x as of December 31, 2016, whereas the average leverage ratio during the period 2004-2011 was 3.1x. Our leverage ratio is similar to the levels recorded pre-restructuring. This is largely a result of operating leverage within the business and cost reduction post-restructuring.

We expect to continue to benefit from our competitive position leveraging our leading market share to grow in Latin America, while seeking to accelerate our growth profile in Europe in order to further diversify the business between Latin America and Europe.

Our Competitive Strengths

We have a number of competitive strengths that have enabled us to provide long term consistent growth, and we believe will continue to drive sustainable growth going forward in the highly regulated and constantly innovating Gaming Industry. As the markets in which we operate mature in terms of volume, regulation, technology and compliance requirements, and as consumer preferences and expectations adapt and become increasingly sophisticated with regards to the overall gaming experience, we believe our competitive strengths will enable us to further strengthen our leadership position in these markets and help us to continue to grow our revenue and profitability.

Resilient Business Model backed by Significant Barriers to Entry. In 2016, over 94% of our revenue was derived from our gaming operations, with 86% of such operating revenue coming from slot machines that are spread across a large number of locations targeting large population segments and that deliver high gaming yield per position per day, and the remainder coming from tables and other products. Our machines business has demonstrated long-term resilient growth in constant currency terms given its very granular and distributed nature that benefits from advantegeous locations. Additionally, our revenue profile is favorable as it is derived from a high number of visits by a large, repeat customer base that spends moderate amounts per visit. We believe that our operational expertise, highly distributed venue network and leading market positions in the markets in which we operate provide a competitive advantage in an industry where attracting and maintaining local customers in each micro-location is crucial to developing our business. As the gaming market continues to evolve with further liberalization of regulation, and constant innovation in technology, we believe that our know how and brand along with our avantegeous locations provide a strong foundation for protecting our existing market share in Argentina, Uruguay and Panama and potentially maximizing international opportunities in the future, particularly in countries such as Mexico, Spain, Italy and Colombia. In Mexico, Spain, Italy and Colombia, regulatory changes may continue to provide opportunities for us to grow volume, skills and capabilities honed in open, competitive markets.

We believe there are significant barriers to entry in our key markets including regulatory, financial and technological barriers, as well as the need for operational expertise and a proven track record in order to gain the trust and confidence of regulators, customers, partners, site owners and suppliers of gaming machines and other products and services. Additionally, gaming requires specific licenses to operate in our markets, those licenses have specific regulatory, technological and compliance requirements and, in some jurisdictions, like Argentina or Uruguay, there are limitations on the total number of licenses awarded. These barriers to entry help us from a competitive position and enable and support the resilience of the business.

We believe our long-standing and leading position in the market, our trusted brand, as well as our experience operating within the Latin American and European regulatory framework, have contributed to our generally positive and open relationship with regulatory authorities, with whom we are in regular dialogue regarding the development of the industry.

Together with our brand and market leadership, our favorable locations provide a strong barrier to entry and drive profitability and high yield per location. We benefit from a consistent repeat customer base and require limited marketing expenditure to attract new customers to our favorable locations.

Finally, we believe that regional (or local) gaming business are more resilient to economic cycles than the destination gaming model.

Diversified Business Model. We are a diversified international gaming company with a number of distinct and complementary product offerings and established operations in eight countries throughout Latin America and Europe. We believe the diversity of our revenue stream and the high capability of our points of sale helps improve the stability of our cash flow profile by reducing our dependence on any single geography, thereby reducing our exposure to fiscal, economic and regulatory changes in any single market.

We enjoy market leadership positions in the markets we operate in terms of revenues, locations as well as compliance with regulatory requirements. Our leadership position in diversified markets further drives higher yield and profitability as the regulatory framework and customer preferences in these locations mature. We believe that our strong brand heritage and international recognition helped us to reach our current leadership position and will continue to allow us to capitalize on future opportunities. We believe that scale and investment in technology is key to developing our customer offering in terms of product depth and breadth, user experience and ultimately personalization and customization of the gaming product. Our diversified leadership position helps us drive innovation (for example developing new supporting revenue streams such as sports betting), which in turn improves customer experience and customer retention and increases profitability.

We have focused on international expansion in markets with attractive dynamics and growth potential where we have demonstrated a competitive advantage, and we favor countries with less volatile economic and regulatory environments. We expect to further grow our European business such that the overall EBITDA mix further diversifies in favor of Europe. In the year ended December 31, 2016, approximately 65% of our revenue was generated in countries with investment grade ratings from S&P and Moody's, and approximately 57% of our Total Adjusted EBITDA was generated in countries with investment grade ratings from S&P and Moody's. Our recent expansion and subsequent market share gains have been concentrated in Italy, Mexico, Argentina, Panama and, most recently, in Spain. We believe that our size, scale and breadth of gaming operations provide us with a competitive advantage, particularly over some of the smaller players in the gambling industry, in terms of marketing, know-how, brand recognition, compliance obligations and driving economies of scale.

We have built on our position in slot machines, to increasingly diversify our gaming portfolio over time and we now offer a wide range of gaming products. We offer different gaming products in order to appeal to a diverse customer base and believe that we are one of few gaming operators who provide the full spectrum of gaming products across Latin America and Europe.

Sustainable Organic Growth. Over the years we believe that we have developed a positive reputation among consumers as a trusted provider of safe and responsible gaming, which is integral to our success in the gaming market in each of the jurisdictions in which we operate. This is underpinned by our track record of long term growth. We believe this favorable performance is attributable to our positive reputation, our operational know-how and superior locations in the jurisdictions in which we operate. Our brand represents a significant competitive advantage as we have a predominant market share and experience high occupancy of our venues in most of the markets in which we operate. This, we believe, is mainly attributable to our comprehensive and effective marketing techniques pursuant to which we use information about consumer habits and socio-economic characteristics gained from our experience in the industry, along with direct customer contact at our managed points of sales in order to strategically tailor our product offerings and promotions. This facilitates cross-selling and enables us to maximize earnings and return on capital at each location, as well as maintain outstanding operating performance by positioning our venues in desirable real estate venues, making it difficult for new players to enter our principal markets. Our history of seeking to generate cash and reduce our leverage by improving profitability is represented in a steady improvement of approximately 21.4% in revenue from 2004 to 2012 and a steady improvement in Total Adjusted EBITDA of approximately 19.7% from 2004 to 2012. In addition, in the year ended December 31, 2016, the Total Adjusted EBITDA attributable to the shareholders of the Parent Guarantor was over 91%, representing a low level of minority leakage.

Positive Market Trends. The impact of the recovery in the underlying macro-economic conditions in most of the markets we operate in has been observable in our business and operations during 2014 to 2016 with Total Adjusted EBITDA growth of 30.6% during that period. According to the International Monetary Fund, GDP in Codere's Latin American countries, Spain and Italy are expected to grow in 2017 at approximately 2.5%, 2.2% and 0.9% compared to Europe at 1.2%. According to Global Betting & Gambling Consultants Key markets gambling data prepared by the firm, ("GBGC"), based on projected 2015 exchange rates evolution (average for the countries in which we operate), between 2015 and 2020 the overall land-based gaming market (excluding public lotteries, online and social gaming) in Latin America and Europe is expected to grow at 4.1% and 3.9% compared to global average of 1.3% in terms of Gross Gaming Revenues ("GGR"); Spain and Italy are expected to grow at 7.1% and 4.8% in GGR respectively, well above European average and in Latin America, GGR in Argentina is expected to grow at 6.5% and slots revenues in Argentina are expected to grow at 20.2%.

These positive trends are underpinned by favorable gaming supply and yields and the existence of extensive growth potential in jurisdictions where we currently have a presence. We operate in markets that are currently relatively underpenetrated in terms of number of machines per inhabitant. This has driven strong growth in these markets. In Mexico, in particular, according to GTA (World Count of Gaming Machines 2015) and our internal estimates, we have achieved a growth in penetration of approximately 118.3% from 2010 to 2015 including legally installed AWPs, VLTs, electronic bingo terminals and all other gaming machines including, in certain jurisdictions, electronic table games (positions). Given our extensive focus on land-based private gaming markets in both Latin America and Europe, we believe we are well positioned to benefit from the underlying expected market growth and offer a full range of gaming products including casino games, slots, poker and bingo in order to provide customers with a holistic gambling experience.

Substantial Growth Opportunities. The existing gaming retail network in Spain and Italy are highly fragmented and characterized by a large number of small independent participants. We believe this fragmentation presents a challenge for the margins and competitiveness of existing independent and small participants given interconnection requirements, increasing product and technology, marketing, and compliance sophistication. We believe we have the opportunity to acquire targets who hold locations, concessions, or gaming halls that complement our existing platforms. We believe we have significant experience in identifying targets and executing accretive acquisitions as demonstrated by our track record in Italy. We will focus on the acquisition of slot route operations in Spain and Italy while continuing to build on our core business in these regions.

Further, in Latin America, we expect to develop and acquire gaming halls and arcades in all markets except in Argentina. We intend to roll out some of our unused gaming licenses in Mexico, and will also expand our product mix available at such gaming halls. In Colombia we expect to launch sports betting products during 2017 following its regulation in 2016, and in Panama we expect to develop new gaming halls. The potential acquisition led growth is supported by increasing regulatory compliance requirements and fast growing marketing complexity (in Mexico especially, thanks to 100% player tracking requirements). We believe we have the opportunity to effectively integrate small traditional operators in our portfolio by taking advantage of our enhanced operational margins and revenue growth capabilities.

In assessing potential opportunities, we will continue to adopt a disciplined approach to acquisitions, focusing only on targets which offer a compelling risk-reward proposition. Additionally, we may evaluate from time to time the opportunity to make acquisitions of minority interests or enter into joint ventures in the regions in which we operate. In addition, we intend to undertake expansion of our core business segments by continuing to offer a diversified product mix to our customers and retail partners in order to increase both traffic and customer spend at points of sale in our networks, particularly gaming halls. We believe there are several opportunities for us to capitalize on our knowledge of consumer behavior by launching innovative products focusing, in particular, on online and mobile phone offerings to reach an even broader customer base.

Strong Balance Sheet and Liquidity. We believe we have a highly attractive financial profile underpinned by a lean operating structure. In particular, we have a strong track record of profitable growth and significant deleveraging in recent years. As of December 31, 2016, we had €142 million in cash and cash equivalents (versus €116 million prior to the completion of the restructuring in April 2016). This, in conjunction with our significant free cash flow generation of €131 million in the year ended December 31, 2016, and our €95 million SSRCF entered into as part of the refinancing, puts us in a very strong liquidity position to achieve our strategic objectives. Our operating profit was €124.4 million in 2015 and €98.3 million in 2016, and our free cash flow was €140.3 million in 2015 and €131.3 million in 2016. We are focused on capital efficiency and financial discipline, and seek to maintain leverage ratio of between 2.0x – 3.0x.

We expect to maintain our financing at the operating company level to optimize our tax efficiencies. Our ongoing maintenance expenses are low and comprise mainly slots renovation and license renewal. We have a disciplined expansion strategy focused on add-ons in existing markets where we see potential for synergies.

Experienced Management Team. Our board of directors and management have extensive experience in the Gaming
Industry. Our experienced management team provides us with a strong knowledge of the industry, international gaming markets, familiarity with our customers, and understanding of the development and positioning of our products across our markets. On average, our senior managers have over 12 years of experience in the industry. Our CEO José Antonio Martínez Sampedro was co-founder of the company and has overseen our growth from several dozen AWPs in Spain to a diversified operator with a broad gaming product offering. In addition, our

key operations in Argentina, Italy, Mexico and Spain are managed by executives with extensive Gaming Industry experience. We have further strengthened our senior management team in recent years by bringing talented executives with proven track records in complementary industries.

Our Strategy

Our strategy includes (i) focusing on our regional model of gaming, (ii) continuing to be a professional partner of gaming authorities, (iii) pioneering in market innovation in the markets we operate in, (iv) expected market consolidation in markets in which we have compettitive advantages, and (v) maintaining our capital efficiency and discipline to maximize free cash flow. We seek to have a resilient and diversified business model, a solid liquidity position, and significant organic and inorganic growth opportunities while maintaining a prudent capital structure.

Regional Gaming Model

Codere is a regional gaming operator (as opposed to a destination gaming operator). Regional gaming model is based on a capillary geographic distribution of gaming offer to maximize targeted population. We target local populations close to our locations. Our business model is based on a large base of recurring customers that visit our premises frequently (several visits per month) and spend a moderate amount of money in each visit. Regional gaming markets usually are highly regulated with strong compliance and other regulation requirements to be met to operate. Such regulation obligations restrict the number of gaming operators per geography. We have a regional focus on the Latin American continent and southern Europe.

Our strategy is building leadership positions in attractive markets where we can leverage our know how, scale and international exposure. In order to execute this strategy we enter markets in which gaming regulation is established and focus on establishing robust market positions to benefit from first mover advantage. We intend to strengthen our geographic mix by increasing our presence in markets such as Spain, Mexico and Italy, where we have operational, technological and compliance advantages that we can leverage to gain market share.

Continuing to be a Professional Partner of Gaming Authorities

We support governments involved in the regulation of the markets in which we operate, as the breadth and longevity of our operations has enabled us to acquire value experience in working with gaming regulator. Our expertise and knowledge of different international markets and regulations helps the deployment of regulation that meets the highest international standards for gaming activities, compliance and effective contribution to public budgets. Our company fosters such regulation in our markets as we believe that it reinforces the Gaming Industry while minimizing associated social risks, enhancing the public image of the industry and increasing its positive contribution to society.

Accordingly, we have also enhanced our compliance teams and technological expertise to meet increasingly sophisticated interconnection and compliance requirements and have contributed to make our markets more transparent.

Finally, we work with different governments to regulate new gaming formats and activities (e.g. sports betting or online gaming) in the markets we operate in an orderly, sustainable way. This favors not only an adequate regulation of such activities but lets us leverage our technological and product investments across the geographies in which we operate.

Pioneer in Market Innovation

Our aim is to continue investing in consumer data analysis and product development to leverage our market positions and reinforce our competitive advantage versus the traditional, local operators in our markets.

Our customer loyalty programs and player tracking technology are progressively supporting client by client customization of marketing and promotions. These programs started in Mexico (where 100% player identification is required), are now being deployed in Colombia and Panama, and being adapted to local regulations in other jurisdictions, including Argentina, Spain and Italy. Our operating volumes in each market and our international exposure allows us to maximize the impact of these tools in our revenue streams and margins.

Our diversified gaming offering, international exposure and volume of operations and consumer data will provide a competitive advantage in our markets to deploy new products including our proprietary sports betting platform, now regulated in Colombia, and online gaming. We aim to offer our customers omni-channel access to our gaming products, increasing customer loyalty and share of client's gaming spend.

Market Consolidation

Our leadership position, benefits of scale and centralized development of technology and marketing put us at an advantage to acquire competing operators. In countries like Spain and Italy, traditional operators are struggling with increasing technology and regulatory requirements. We believe that higher product sophistication and regulation that favors interconnected network and increased compliance and regulatory burden are creating additional challenges for smaller operators. We should be able to leverage our competitive advantage to acquire profitably such operators as we have demonstrated in Italy by creating a network of joint ventures where the local operators maintain the commercial capability to serve a distributed network of points of sale, and we provide systems, technology, operational know-how and interconnection. Such acquisitions are expected to provide high levels of synergy and economies of scale.

In Mexico, we believe in our ability to gain market share through acquisitions ,by our marketing know how, our institutional relationships, our compliance track record and available licenses to consolidate small, informal operators that are having difficulties to meet increasingly stringent regulatory requirements and sophisticated competition.

Efficient Capital Deployment

Our strategic focus on capital efficiency and financial discipline is expected to maximize free cash flows. As part of our financial discipline, we aim at maintaining our leverage ratio between 2.0 and 3.0 times Total Adjusted EBITDA.

Following our performance enhancement program, we deploy continuous efforts and initiatives to contain costs, generate further efficiencies, foster cross-fertilization of best practices and leverage our scale and existing capabilities. We will continue to seek to reduce and contain costs in our business through cost saving initiatives, such as the optimization of local and corporate headquarters, the continuous review and evaluation of promotional activities, the integration and systematization of back-up systems and low value added activities or the continuous reengineering of our operational model to generate further efficiencies.

As part of our discipline around investments, we seek to maintain low average maintenance capital expenditures, focused on slots renovation and licenses renewal. We work to make sure our slot machines are renewed every 4 – 7 years. We continue to employ a selective expansion strategy, mainly focused on add-ons in existing markets with significant synergy potential. We also successfully integrated acquisitions and created value through joint ventures. We follow a rigorous and disciplined process to evaluate growth. In that regard, any investment opportunity is directly supervised by our new Board of Directors. Despite our expansion plans being fully pre-funded, we will continue to carefully assess the potential for earnings, cash-flow stability and growth when we evaluate the performance of our operations and new investment opportunities. Before we participate in a tender for a concession, we perform a rigorous analysis of the terms, including potential payback, taxes and any required upfront payments. We also consider the ability to build on our existing brands and distribution network. We use a similar disciplined approach to acquiring businesses and assets, and we consider the impact on profitability when setting payout rates and odds in relation to legal minimums on gaming products.

Our Business Areas

Our operating revenue is derived from a mix of gaming products in different venues. From our Full year results 2016, operating revenue derived from our gaming operations represented over 90% of our operating revenue, of which approximately 84% came from slot machines and the remainder came from other products such as sports betting, bingo and tables. In the same period, over 70% of our operating revenue derived from gaming halls, over 20% from our slot route business, comprised of bars, restaurants and other retail locations, and the remainder from other venues such as arcades, network and online platforms, racetracks and sports betting shops.

Gaming Machines

Gaming machines, which are also called “slot machines” or “slots,” (among other names, depending on the jurisdiction), offer cash prizes based on bets made by users. The machines are located in places of entertainment, gambling, hospitality venues, bingos, casinos or racetracks. As of December 31, 2016, we operated 55,060 gaming terminals in Mexico, Argentina, Spain, Italy, Colombia, Panama and Uruguay. In our Full Year 2016 results, gaming machines represented around 84% of our operating revenue derived from gaming operations. The useful life of a machine varies but does not usually exceed ten years in most countries in which we operate.

The different types of gaming machines are adapted to suit the characteristics of each gaming market and include AWPs, VLTs, electronic bingo terminals, casino slots and all other gaming machines that include fully random machines which are not interconnected. AWPs pay out cash prizes as a percentage of total wagers over a pre-determined cycle of games. AWPs are permitted in Spain (as Type-B machines) and in Italy (as Comma 6 or Comma 6A machines) which are legally permitted to be placed in bars, cafes, arcades and bingo halls. VLTs are prize machines which pay out cash prizes as a percentage of total wagers over a random statistical process, and are permitted in Italy (as Comma 6B machines) to be placed in gaming halls, bingo halls and betting shops only. Functionally, the main difference between VLTs and AWPs is that VLTs are connected to a central system that provides the machine with a winning number based on a lottery system that makes the machine more random, while AWPs are stand-alone machines that dispense prizes depending on a pre-determined cycle of game. By regulation, VLTs have a higher prize pay-out than AWPs and higher prizes. In general terms, VLTs have lower taxes than AWPs and are restricted to being placed in gaming halls, bingo halls and betting shops only. Only network operators are able to obtain permits to install VLTs in Italy.

As an integral part of our business, we periodically analyze the tastes and preferences of consumers and the needs of the hospitality industry which allows us to plan the necessary resources to meet these demands and to provide comprehensive, quality service to our customers. We also offer analysis, renewal and turnover machine models, commercial service, collection management, technical support and agency services to our partners and customers.

Slot Route or Bars

Our slot route business owns and operates slot machines located in bars and restaurants across Spain and Italy, we own and operate AWPs and VLTs and we are the network operator for third-party AWPs and VLTs in Italy. As of December 31, 2016, we operated 9,157 AWPs in Spain, 9,032 in Italy of which 8,087 were AWPs and 171 VLTs (in Italy we operate a total of 945 VLTs but only 171 are operated by our Slot route and Bars operation, the remaining 774 are located in our bingo halls).

Arcades

Our arcades business owns and operates slot machines arcades in Spain and Colombia, at which locations we own and operate AWPs and Sports betting terminals (“SSTs”). As of December 31, 2016, we were present in 633 arcades of which 465 were in Spain, and in which where we operated 2,347 SSTs, and 168 in Colombia where we operate approximetly 4,390 AWPs.

Gaming Halls

Gaming halls are entertainment centers where customers can bet on various types of gambling for immediate reward, including bingo, sports betting, AWPs, slots machines and VLTs. Gaming halls typically offer a range of additional services such as restaurants, nightclubs, theaters, hotels and conference rooms and in some cases, are large leisure centers. As of December 31, 2016, we operated 12 gaming halls in Europe and 132 gaming halls in our Latin American operations. Approximately 64% of the revenue of our business is derived from the operation of our gaming halls. Our management has developed a customer-centric approach, sophisticated loyalty programs and VIP areas designed to improve the customer experience.

Sports Betting Shops

Sports betting is the activity of predicting game results and placing a wager on the outcome. We have significant institutional knowledge as a sports betting operator with approximately 156 sports betting shops in

Spain, Mexico, Panama, Uruguay and Brazil as of December 31, 2016. The sports betting unit represents 7.3% of our business' revenue.

Online Gaming

Since 2011, we have expanded our business into the online gaming industry, and the business includes gaming via the internet, telephone, and television. After obtaining the appropriate licenses, we launched online gaming operations in Spain, first in Madrid and subsequently after obtaining a national license, nationwide. Additionally we started operating online gaming in Mexico in October 2016. We also continue to explore opportunities to expand into online gaming in the rest of the countries in which we operate, to the extent permitted by law. Currently, the Online Gaming Unit represents approximately 0.4% of our business' revenue.

The online gaming industry is heavily regulated in most jurisdictions in which we have operations, and we are required to set up systems, controls and procedures to ensure that we are in compliance with the applicable national laws and rules and regulations. In addition, the online gaming rules and regulations of certain countries, such as the United States (where we do not operate) require that we block their residents from our online gaming sites.

Racetracks

We currently operate four racetracks: Racetrack of Las Américas in Mexico and Presidente Remón Racetrack in Panama and, through HRU in Uruguay, we operate the Maroñas and Las Piedras racetracks. We operate our racetracks using a business model which combines horse-racing and slot machines in the same venue ("Racino Gaming Business Model"). It is the smallest unit of our business representing only 1.0% of our business revenues.

Our Network

Mexico

Our most significant activity in Mexico is the development and management of gaming halls in which we operate slot machines and, in certain cases, table games, bingo and sports betting activities. We conduct our operations in Mexico principally through ICELA, of which we own 84.8% of the capital stock, where CIE holds the remaining stake, and Codere Caliente, of which we owned 67.3% of the capital stock. In addition, we also operate a wholly-owned subsidiary, Recreativos Marina S.A. de C.V., which holds certain of our licenses in Mexico. As a relevant event post year end, on March 31, 2017 we acquired the remaing 32.7% stake Caliente held of the Codere Caliente OpCos terminating all partnership relation with Caliente.

Business Unit	OpCo License	Date of Extension of Permits	Number of Permits	Closed	Permits in use	Date of Permits Termination
ICELA	AMH	Sept-97	65	3	56	Sept-22
Legacy Caliente	Promojuegos	May-05	10	1	5	May-30
Legacy Caliente	Mio Games	May-05	2	—	2	May-30
Legacy Caliente	Libros foraneos	May-90	18	1	10	May-27
Legacy Caliente	Operadora Cantabria	Several dates between Oct and Dec-93	25	2	13	Oct and Dec-18
Legacy Caliente	Op. De Espectaculos Deportivos	Jun-92	3	—	3	Jun-17
Codere México	Recreativos Marina	Jun-12	12	—	1	Jun-37
Total			135	7	97	

Source: Codere as of December 31, 2016

Operations

Our gaming halls are located mainly in large urban areas of Mexico including 20 in Mexico City, 5 in Guadalajara, 4 in Puebla and 5 in Cancun as well as in several other smaller cities. The majority of the gaming halls of ICELA are located in Mexico City, the Federal District and in the metropolitan area in the State of

Mexico. Legacy Caliente has less gaming halls in this area and instead has gaming halls distributed throughout the country. As of December 31, 2016, we operated a total of 19,184 slot machines, 11,215 bingo seats, 85 betting shops and 1,866 table seat products which continue to experience significant growth in the Mexican market. Most of the halls we operate in Mexico are open 16 hours per day.

We hold a number of unused gaming licenses in Mexico that we are planning to start deploying. We are currently operating 90 licenses excluding the seven licenses related to closed gaming halls of the 135 total licenses we own. In order to deploy such licenses the company expects to continue to be able to deploy greenfields as it has done recently (2 halls in last year) and to reach joint venture agreements with existing operators in Mexico that do not have SEGOB permits, applying our idle permits to such gaming halls.

As of December 31, 2016, three of our ICELA and four of our Legacy Caliente halls in Mexico remained closed. Six of the closed halls are located in the city of Monterrey or adjacent cities such as General Escobedo. The closures, most of which occurred between mid-January and mid-March 2013, were mandated by Mexican municipal authorities on the basis of alleged inadequacy of our municipal permits. All of the gaming venues operate with the permits and licenses required both by the Ministry of the Interior (*Secretaría de Gobernación*) and the local authorities at the time the venues were first open to the public. Our motion for an injunction against the municipality's decision to suspend our licenses was rejected, and we continue to evaluate administrative and institutional alternatives in seeking to resolve these closures.

In addition, ICELA has obtained a concession for the operation of an entertainment complex in Mexico City which includes the Las Américas racetrack, an amusement park and the largest convention center in Mexico, which is operated by CIE through an outsourcing agreement dated June 1, 2013.

In Mexico, we operate on the basis of an entirely cashless system, as Mexican gaming regulation prohibits the use of slot machines that accept cash. Instead, customers at our gaming halls must purchase credit at the hall entrance and are issued a personal card. The system allows customers to keep track of their credit balance and, on exit, the customer cashes out by simply handing back the voucher to our gaming operators. We have installed player tracking and loyalty programs in our Mexican halls, and we are able to make targeted discounts and promotions.

Grupo Caliente is the Mexican Group to whom the Group has provided gaming management services and hall development funding since 1997. Following the consummation of certain agreements, we acquired 67.3% of the capital stock of a number of Mexican gaming companies, with the remaining 32.7% held by Caliente, and sold to Caliente 32.7% of other Mexican entities. Since then, we have started to consolidate 100% of the operations and reflect Caliente's stake as minority interest. Following the acquisition of the remaining 32.7% in on March 31, 2017, we will continue to consolidate 100%.

Competition

We began our operations in Mexico in 1998 through our management services agreement with Grupo Caliente and expanded our operations in 1999 through ICELA. In both instances, we participated in the development of halls where we offered traditional bingo products pursuant to licenses that Grupo Caliente and CIE owned. Until 2004, when the Mexican government enacted regulation granting additional licenses to operate gaming facilities throughout the country, we estimate that halls operated under Grupo Caliente and CIE's licenses constituted the majority of private gaming offered in Mexico. Beginning in 2005, the Mexican government granted additional licenses to operate gaming facilities throughout the country. One of these third-party licenses was subsequently granted to Grupo Televisa, a large Mexican media company, making it one of our key competitors in Mexico.

In addition, until 2013, there was a proliferation of gaming halls illegally operating without the permits required by applicable regulation. These illegal halls are principally located in northern Mexico, particularly in the city of Monterrey. These illegal halls are attractive to certain portions of the gaming community in Mexico and affect our competitiveness in such regions, as most of these operators do not comply with the applicable regulations, including the payment of gaming taxes. In addition, high crime rates and violence resulting from drug-trafficking and organized crime are particularly acute in certain areas with illegal halls.

Our key competitors in this market as of December 31, 2016 are Pringsa with 35 gaming halls of which 19 are operated by Cirsa, with approximately 10,000 slot machines, Caliente with 32 bingo halls with approximately 6,500 slot machines, Play city with 17 bingo halls with approximately 6,000 slot machines, Big Bola with 18 bingo halls with approximately 5,700 slot machines and Win Pot with 15 gaming halls and 6,042.

We believe that we have a significant competitive advantage in Mexico due to our capacity to foster efficient consolidation of players struggling with increased industry complexity. We have already increased our market share to 27.1% and we estimate we will continue to do so. We initiated an operational restructuring program in 2013 that involved staff layoffs, reductions in operations and headquarters, reductions in slot product costs and other major procurement costs which generated substantive cost savings. On October 2016 we launched our online business and expanded our sports betting business.

Argentina

In Argentina, we are focused on the development and management of gaming halls, in which the majority of our profitability is generated by slot machines. We are the largest operator of gaming halls in the Province of Buenos Aires.

Operations

All of our gaming halls are located in the Province of Buenos Aires. Nine of our gaming halls are located in the surrounding areas of the City of Buenos Aires, known as Gran Buenos Aires (“GBA”). One gaming hall is located in the capital city of the Province, La Plata, and four of our gaming halls are located in the tourist city of Mar del Plata. Our gaming halls in Argentina are open for business 24 hours a day.

Slot machines that are installed in gaming halls in Argentina are similar to the Class III machines present in the United States. In addition, Argentine gaming halls contain a limited number of non-slot gaming machines, such as simulated electronic roulette-type machines. These machines are regulated in the same manner as slot machines.

For our Argentine gaming hall operations, we buy machines from a variety of U.S. and European manufacturers. We typically finance the purchase of slot machines in Argentina over an 18- to 36-month period. Each machine costs on average U.S.$25,000 (including duties, taxes and transportation costs). Approximately 10% of the floor of our gaming halls are pursuant to revenue sharing agreements normally associated with premium product from providers such as Zitro, Williams and IGT. These agreements generally give us the exclusive right to place one or more of our AWP machines in the owner’s establishment for a period of up to ten years. In return, we share the revenue obtained.

Since 2008, we have implemented a Ticket-in-Ticket-out (“TITO”) cashless system and almost 100% of the machines currently run under this system.

Bingo in Argentina is a *pari -mutuel* gaming activity whereby players wager against one another and not against the gaming operator. The gaming operator collects wagers on a specific event and a percentage of such wagers are distributed to the players in the form of winnings. The remaining percentage of wagers are distributed among the provincial authorities, the non-profit organizations (each an “NPO”) and the gaming operator, within the percentages set forth in the regulations.

Currently in Argentina we operate through a variety of bingo licenses, each of which have different attributes which are described in the table below.

Hall name	Location	Opening date	License expiration date	Total hall size(m^2)	Bingo Seats	Slots Machine Seats
San Martin	GBA	Oct-94	Oct-24	12,028	1,578	903
Lomas del Mirador	GBA	Sep-99	Sep-29	12,618	1,194	656
Lanus	GBA	Apr-92	Apr-22	7,284	1,010	625
Platense	La Plata	Jun-92	Jun-22	9,760	1,274	806
Moron	GBA	Jun-98	Jun-28	9,847	1,204	684
San Justo	GBA	Dec-99	Oct-29	7,012	958	593
San Miguel	GBA	May-99	May-29	6,564	1,146	611
Lomas de Zamora	GBA	Jul-91	Jun-21	6,897	790	458
Ramos Mejia	GBA	Apr-99	Apr-29	5,292	736	455
Sol	Mar del Plata	Feb-91	Jun-21	3,384	528	326
Bingo del Mar	Mar del Plata	Sep-91	Jun-21	2,596	830	464
Peatonal	Mar del Plata	Jan-91	Jun-21	1,345	244	121
Temperley	GBA	Aug-01	Aug-31[1]	1,115	214	129
Puerto	Mar del Plata	Jan-94	Jun-24	1,220	200	121
Total				**86,962**	**11,906**	**6,952**
Average				6,212	850	497
Median				6,731	894	529

Source: Codere as of December 31, 2016

(1) License is pending final administrative steps towards its formal granting.

Competition

We entered the Argentine gaming market in the early 1990s, when we opened the first bingo hall in the Province of Buenos Aires. At that time, the Province of Buenos Aires granted 46 bingo licenses for bingo halls which, to date, have continued their operations. Argentine regulation, which permits conducting bingo operations also restricts the number of bingo halls to the original 46 licenses, thereby limiting our direct competition. Our main competitors in the Province of Buenos Aires are AGG, Golden Jack, Grupo Midas and Casino Club, each of which have between three and four halls.

The rest of the private gaming market in the Province of Buenos Aires is limited to government-owned casinos and racetracks. Casinos in the Province of Buenos Aires are generally located in or near tourist areas (with the exception of Casino del Tigre, which is located 30 kilometers from the City of Buenos Aires). There are two racetracks in the Province of Buenos Aires where the installation of slot machines is currently prohibited. In the City of Buenos Aires, there are two casinos operated by Cirsa and its local partner, Casino Club. In addition to these casinos, Casino Club also operates, with other partners, the Palermo racetrack in the City of Buenos Aires.

Sales and Marketing

Argentine regulations limit the extent and manner through which we can advertise our gaming activities. In particular, promotions in cash or credits to play (freeplay) are not permitted in Argentina, and regulations forbid the explicit advertisement of gambling activities.

Italy

Our activities in Italy include three different businesses. We operate (i) 11 gaming halls where traditional paper card bingo, AWPs and VLTs are offered (335 AWPs and 774 VLTs), (ii) our traditional slot route business with 7,752 AWPs and 171 VLTs deployed throughout the country and (iii) one of the network concessions awarded by the government to provide remote tax compliance control to the regulator.

We have been conducting operations in Italy since 2001, when we entered the bingo market. Initially, our activities were principally focused on providing management services to bingo halls owned by Operbingo. We entered the AWP machine market in 2004 following the implementation of a regulation to reform the Italian gaming machine industry. We continued to expand our machine business in Italy from our purchase of Rete Franco, one of ten government concessionaires for the provision of AWP network services in April 2006 (now known as the Codere Network). In August 2009, in order to finance reconstruction efforts after damage caused in Abruzzo by an earthquake in April 2009, the Italian Parliament authorized the granting of rights for the introduction of VLTs to the AWP network concessionaires. Subsequent to obtaining the necessary permits, Codere Network started deploying VLTs in Italy.

Operations

Gaming Halls

As of December 31, 2016, we owned and operated 11 gaming halls in Italy, offering bingo, AWPs and VLT games. We have owned bingo halls since we acquired Operbingo in 2005, and have since acquired Bingo Palace, Mortara, Maxibingo and Royal (Caserta), each with one hall, as well as a greenfield bingo hall in Bologna. Following the enactment of enabling legislation in 2007 and 2010, we began installing AWPs and VLTs at our bingo halls. As a result of these installations, our bingo halls evolved into gaming halls which enabled us to offer a variety of gaming products.

Our gaming halls in Italy are located in various regions throughout the country such as Rome, Parma, Verona, Bologna and Lecce. Each of these halls are open approximately 11 hours per day.

Slot route

In the Italian AWP industry, AWP operators enter into agreements with site owners pursuant to which the operator places its AWPs at specific sites and provides maintenance services for the machines in exchange for a variable fee that is generally equal to 51% of net revenue after deducting gaming taxes and the cost of the network provision.

Since December 2010, we have conducted significant acquisitions in Italy, including a majority interest in FG Slot Service. In 2011, we acquired two other Italian operators: *Gap Games S.r.l.* in May and *Gaming RE S.r.l.*. In June 2012, we acquired a majority interest in *Dalla Pria Service, S.r.l.* We also acquired a majority interest in PGO Services, S.r.l. (*now GAP games S.r.l.*), in *G.A.R.E.T. S.r.l* and in Game Over, S.r.l. As of December 31, 2016, we operate a total of 8,087 machines in Italy.

An important asset in Italy with respect to our AWP business operations is our relationship with bar and restaurant owners. We have established relationships with thousands of bars and restaurants through installation agreements. Pursuant to the terms of these installation agreements, we are required to ensure that each machine complies with regional and national regulations as well as the payment of any required gaming taxes and, where required, post monetary guarantees with the relevant regulator. In return, we share the revenue obtained from the machines installed at such locations.

In addition, we use our collections department which is responsible for carrying out coin collection from our AWP and VLT machines throughout various sites. Each of our collectors carries an electronic portable device that provides them with a significant amount of information including the share of the cash balance in the machines payable to us and to the site owner, prize payouts, the time during which the AWP machine was in use and the payment conditions established by the applicable installation agreement.

Network Concessionaire

We operate a network in Italy as one of thirteen government concessionaires for the provision of machine interconnection and network services. In Italy, the network operator is an entity that interacts between the AWP operators and the government regulator and operates VLTs. This limit in the number of concessionaires was created by the regulator in order to concentrate market participants and to more efficiently manage relationships and tax collection with participants in the Gaming Industry throughout Italy. We obtained the concession through the purchase of Rete Franco (now Codere Network) in April 2006.

All AWPs and VLTs in Italy must be connected to a network, and the network operator is responsible for, among other things, collecting taxes from AWP and VLT machines connected to its network. Network operators are also responsible for gathering information related to the performance of the machines, which, we believe, provides an advantage in the market. The network operator obtains its earnings from two different fees: (i) a canon tax that each machine operator is required to pay to the network, which is approximately €1.0 per machine connected per day, and (ii) a fee that varies depending on the contractual arrangements with each machine operator.

Subsequent to being granted permits to operate VLTs in 2010, the network business has changed substantially as being the owner of the permits allows the network to decide how to develop that business, including placing the machines in premises that yield it with a revenue sharing of the net wins obtained by the VLTs.

As of December 31, 2016 there are 19,495 AWPs machines and 1,488 VLTs connected to Codere's Italian network. Our current concession as network operator in Italy expires in March 2022.

Competition

Competition in the Italian gaming hall market is highly fragmented and comprises a number of small operations. We are among the three largest gaming hall operators in the Italian market. Our market share in terms of bingo cards sold is approximately 10%. The slot route market in Italy is highly fragmented. Codere estimates that the top 3 operators represent around 14% of the market measured as number of connected AWPs in the Italian slot route system, in which Codere is estimated to have a 2% share. Competition in the Italian AWPs operation market is also highly fragmented. The VLT market is more concentrated, as there are only certain networks which have the rights to install VLTs. Our competitors include Bplus, Lottomatica, Sisal, Snai group, Gamenet, Admiral, HBG, Global St., Cirsa, NetWin, NTS and Intralot.

Sales and Marketing

There are severe restrictions to publicity and loyalty programs in the Italian Gaming Industry. We began advertising our gaming halls in Italy at the end of 2010. We mostly plan local campaigns with a marketing mix, which includes radio, cinema and internet. In October 2011, we started a loyalty plan in our gaming halls based on frequency of visit.

Spain

Our Spanish business comprises a slot route business that operates AWP machines, a sports betting business, including self-service terminals, online gaming, as well as our flagship, the Canoe Gaming Hall in Madrid, in which we operate SSTs, slot machines and bingo. Following a series of regulatory changes in Spain that progressively regulated the ability for more gaming products to be offered on the same premises, we combined all of our Spanish operations to extract commercial and cost synergies among the businesses. An example of the combination of our operations in Spain is the change we introduced in our Canoe Gaming Hall in Madrid. Following the implementation of sports betting regulation in Spain in 2011, we have offered sports betting at the Canoe Gaming Hall, which has since evolved from a bingo hall to a gaming hall that also offers Type B3 machines, electronic poker, blackjack and electronic roulette.

Operations

Slot route

We are a market leader with a 5.6% market share (second largest) in the highly fragmented AWPs market in Spain and have a significant presence in most of the regions of Spain, including Madrid, Catalonia and Valencia.

The most important asset in our AWP business in Spain is the relationship with the bar and restaurant owners. As with certain other jurisdictions in which operate, we have established relationships with bars and restaurants through installation agreements. These agreements generally give us the exclusive right to place one or more of our AWPs in the owner's establishment for a period of up to ten years. In return, we share the revenue obtained from the machines installed at their location.

In addition to revenue sharing, we make interest-free loans and exclusivity cash payments to high performance site owners to induce them to enter into or extend contracts and grant us exclusive rights to install AWPs in their establishments. Loans are usually provided in two installments with the second installment subject to repayment of the first installment and to agreed performance criteria. Cash payments are conditional on the performance of the establishment. We typically pay an upfront amount of approximately 30% of the total amount agreed, with further payments subject to agreed performance criteria during the length of the contract.

Upon reaching an agreement with a site owner, we install and maintain the AWPs. Working with the site owner, we also ensure that each AWP complies with regional and national regulations. We pay any required gaming taxes and, where required, post monetary guarantees with the relevant regulator.

Unlike in Mexico and Argentina where we operate gaming machines in our halls, in Spain, we have a collections department that is responsible for carrying out coin collection from our AWPs in various sites. Each of our collectors carries an electronic portable device that provides them with a significant amount of information, including the share of the cash balance in the AWPs payable to us and to the site owner, prize payout, the time during which the AWP machine was in use and the payment conditions established in the applicable installation agreement.

We continuously monitor the economic performance of our machines to make product selection choices and evaluate contract renewal decisions. The higher average daily net revenue produced by our AWPs is a key element in our negotiations with site owners, as are the exclusivity payments that we make in order to guarantee our exclusive right to install AWP machines in particular sites. The likelihood of such exclusivity payments being required, and the amount of such payments, is generally a function of the competition for any given site, with centrally located, high traffic sites attracting the most interest from our competitors. We capitalize exclusivity payments and amortize them over the length of the contract with the site owner, which averages five years.

The AWP business is regulated solely on a regional level in Spain and the regulations are periodically renewed. These changes in regulation affect parameters such as the prize pay-out, maximum prize and the maximum amount that can be waged.

Sports Betting

We conduct our sports betting activities in (dedicated betting locations) among other regions in Madrid, the Basque region, Catalonia, Valencia and Galicia such as existing gaming establishments, sports premises, bars and remotely. We are also able to offer sports betting at casino gaming halls, bingo halls and sports venues.

We have operated sports betting in Madrid and the Basque region since 2008. In recent years, we launched sports betting business in the regions of Navarra, Aragon, Valencia, Galicia, Murcia, Castilla la Mancha, Catalonia, Rioja, Extremadura, Castilla León, Cantabria, Asturias and the autonomous cities of Melilla and Ceuta. We estimate to have a market share of approximately 25.2%.

As in the case of the AWP machines, we also enter into different agreements with bar and gaming halls owners, based on a revenue sharing agreement.

Canoe Gaming Hall

We also operate the Canoe Gaming Hall, which has a number of different gaming devices offering various types of games, including traditional bingo, (similar to the game played in other countries as Mexico, Argentina or Italy) and sports betting.

Online Gaming

We hold licenses for online gaming at both the national and regional level in Spain. We launched our online gaming website in July 2012 through which we operate sports betting, slots and other games. Our online operations are focused on mobile gaming customers and sport betting services to complement our physical premises, improve our customers' experience and gain market share.

Competition

Competition in the AWP operation market in Spain is highly fragmented. Regionally, our competitors are local operators, whereas our primary competitor nationally is Cirsa. We believe that the AWP market in Spain offers considerable possibilities for further consolidation.

Competition in the sports betting business is contingent upon the number of licenses issued in each region. While in the Basque region, the number of operators are limited to licenses which are issued by national regulators, in Madrid and other regions, the number of competitors is higher given that no limit is placed upon the number of licensees permitted to conduct operations given they comply with regulatory compliance and technological requirements. We estimate we have a market share of 30% nationwide as opposed to our key competitors, including Sportium (a joint venture between Cirsa and Ladbrokes).

Sales and Marketing

Although government regulation on advertising has continued to liberalize since 2012 after the Spanish Online Gaming Act was promulgated, current regulation limits the manner and extent to which we and our competitors can advertise gaming activities throughout Spain. In particular, government regulation in Spain prohibits certain forms of direct and indirect advertisements to potential AWP players.

Other Operations

Panama

We own and operate the Presidente Remon Racetrack in Panama City, which is the only horse racetrack in Central America. We have operated this racetrack since 2005 pursuant to a 13 year contract with the Panamanian government, which, among other aspects, grants us the exclusive right to operate both live horse-races and international pari-mutuel simulcasts throughout the country. We manage this activity through our own track and through a network of agencies and franchises. We currently hold licenses to open betting locations and are permitted to install up to 500 slot machines and a bingo hall at the racetrack. Additionally, we operate a sports betting book on the premises of the racetrack which offers betting on live horse-racing and sporting events.

As of December 31, 2016, we operated 12 gaming halls in Panama with 3,069 slotmachines, 408 table seats and 8 sports betting locations, through our two brands, Crown and Fiesta. Six of our 12 casinos in Panama (including the hall at the racetrack), are located in Panama City. Two of our remaining casinos are located in Colon, Panama's second largest city. In addition, we operate two casinos in David, one in Chitre and one in a touristic area in the Province of Cocle. With a majority of the casinos operating in the country, we are the leader in the Panamanian casino market, considering full service casinos and excluding gaming halls.

Most of our casinos in Panama are open 24 hours a day. Slot machines installed at our casinos in Panama have TITO operational systems. In addition, we have installed player tracking as well as loyalty programs in each of our casinos.

Our competitors in the casino segment in Panama include Veneto Hotel & Casino S.A., Majestic Casino, which is operated by Cirsa, the Royal Casino at the Marriott Hotel and Princess Entertainment Panama, Inc. at the Four Points Sheraton Hotel and Ocean Club Casino Inc. at the Trump Ocean Club in Panama city, each of which operate one casino.

Colombia

Our Colombian business segment focuses on the ownership and operation of gaming machines. As of December 31, 2016, we operated over 5,403 gaming machines located in ten gaming halls, including six casinos operated under the Crown Casino brand as well as in arcades in major cities throughout Colombia. While our Crown Casinos are located mainly in Bogota and Cali, our arcade business is distributed in over 80-municipalities. Such arcades can be operated both directly by us under the Fantasia Royal brand or through franchise agreements with local operators.

Our gaming halls in Colombia each have different attributes, each of which are described in the table below.

Name	Location	Opening date	Size(m2)	Bingo Seats	Slots Machine Seats	Tables
Mundo Fortuna						
CosmoCentro	Cali	Mar-05	209	—	62	—
Multicentro	Ibague	Jan-08	335	—	80	—
Bocagrande	Cartagena	Jan-06	290	—	66	—
Country 79	Barranquilla	Mar-03	245	—	68	—
Crown Casinos						
Palatino	Bogota	Dec-04	1,215	150	122	7
Crown Cali	Bogota	Jan-04	3,030	150	163	9
San Rafael	Bogota	Aug-06	1,320	—	128	9
Unicentro	Bogota	Feb-06	645	200	94	—
Vizcaya	Medellin	Dec-06	552	200	75	4
Zona T	Bogota	Jul-12	5,000	150	144	15
Total			**12,841**	**850**	**1,002**	**44**

We entered the Colombian market in 1984 and rapidly became a relevant player in the slot machine market. The Colombian business was originally modeled on the Spanish slot route model of slot machines in bars and other small third-party outlets. In 1998, we inaugurated the Cali Gran Casino, effectively entering the business of managing gaming halls. In 2005, we moved further into the business of managing gaming halls when we acquired Intergames, which was the largest bingo operator in the country with four bingo halls and approximately 1,200 slot machines. A new format and design for the Fantasia Royal venues was also launched in 2007. In 2009, we launched a new premium brand, "Crown Casinos," targeted at high-income customers.

The first two Crown Casinos were the result of the remodeling and reopening of the old Cali Gran Casino in Cali, which was turned into Crown Casinos Cali, and the old Mundo Fortuna Palatino, which was turned into Crown Casino Palatino in Bogota in 2009. In 2011, we inaugurated two new Crown Casinos in Bogota, one located at the Unicentro shopping mall and one in the San Rafael area. In the summer of 2012, we opened our fifth Crown Casino, located in the Zona T area of Bogota. In completing the renovation of Fantasia Royal and Crown Casinos and converting them to the new format, we implemented a complete turnaround strategy focused on developing new value offers for each brand.

The Crown Casino halls are typically open 16 hours per day, while arcades are typically open 14 hours per day. In addition, we have installed player tracking and loyalty programs in our casinos and are developing a simplified version adapted to our arcade business.

The gaming machines in the Colombian market are generally Type-C machines, similar to U.S. Class III machines which do not have maximum wager and prize limits.

The Colombian machine market (excluding machines located in casinos), with 384 legal operators, is highly fragmented. Currently, our main competitor in the licensed market is Winner Group, which is affiliated with Cirsa, our main competitor. We also face competition from unlicensed gaming machines in Colombia.

Uruguay

As of December 31, 2016, our Uruguayan business segment operated the Maroñas and las Piedras horse racetracks and six gaming halls, including the Sofitel Hotel Casino Carrasco and five gaming halls under HRU.

In June 2002, the Uruguayan government granted RU S.A. (now HRU), an exclusive 30-year concession to operate the historic Maroñas horse racetrack in Montevideo and operate five off-track betting sites, which include slot machines as well as wagering based on simulcast sporting events. These machines, however, are managed by the *Direccion General de Casinos.*

On December 1, 2016, we acquired the remaining 50% equity interest that we did not control in HRU. Since the acquisition the HRU operation in Uruguay is fully consolidated in our financial statements. For informational purposes, certain financial figures based on HRU performance through December 31, 2016 are the following: revenues of €51.1 million, EBITDA of €16.6 million, net debt €20.6 million, maintenance capital expenditures of €8.5 million and no growth capital expenditures.

Our Uruguayan business operation of the Maroñas horse racetrack and related on-track and off-track betting and slot machine sites is our first development of the Racino Gaming Business Model. It combines generally more profitable casino gaming, such as slot machines, with a racing product, which is a generally less profitable area of the gaming business. By increasing overall profitability, purses to horsemen may be increased, attracting the best horsemen to the racetrack, which tends to increase betting. Top-class horse racing may also be leveraged by offering racing simulcasts to off-track betting sites as well as other horse racetracks.

On September 27, 2012, HRU was granted a 30 year concession to refurbish and operate the Las Piedras racetrack. The Las Piedras racetrack began operations in 2013.

Several of our horse-race betting locations are fully owned by HRU and operated under our Turff Bet & Sport Bar brand, while the others are third-party locations which take bets on races at Maroñas and las Piedras horse racetrack and to which we offer international simulcast. In addition, we have established player tracking and loyalty programs at our gaming halls.

On November 9, 2009, the *Intendencia Municipal de Montevideo* awarded the Carrasco Nobile consortium (originally, a 51%/49% partnership between Codere and Sikeston S.A., an international investor group) a 30-year concession for the reconstruction and management of the iconic Carrasco Hotel and Casino in Montevideo built in 1912. The consortium partnered with the French hotel group, Accor, to operate the hotel under the Sofitel luxury brand. The complex, which opened on March 7, 2013 as Sofitel Montevideo Casino Carrasco and Spa, has approximately 116 rooms, 395 gaming machines and 24 tables as of December 31, 2016. The total investment was approximately U.S.$78.8 million. The number of machines and tables are not limited by the concession contract. The performance of the operation of the property has not been as expected. At the end of 2014, our partner, Sikeston elected not to continue financing the operation of the Carrasco Nobile property. Consequently, their interest has been diluted to 0% and, therefore, we now hold 100% of the concession.

As of June, 2016 we had registered a full write-off of the property on our consolidated accounts. On November 2016 and in connection with the acquisition of the remaining 50% stake of HRU, the company reached an agreement with the gaming authority (Intendencia de Montevideo) to modify the gaming tax structure (effective February 13, 2017). As a result, in Q4-2016, we registered an impairment reversal of EUR 37.7mm.

Our gaming halls in Uruguay each have different attributes, which are described in the table below.

Hall name	Location	Opening date	Size (m2)	Slots Machine Seats
HRU				
Montevideo Shopping Center	Montevideo	Sep-03	2,660	612
18 de Julio	Montevideo	Jul-03	3,570	637
Geant	Montevideo	Dec-03	1,185	243
Las Piedras	Montevideo	Jun-04	1,180	226
Pando	Montevideo	Sep-11	1,180	150
Carrasco Nobile				
Carrasco	Montevideo	Mar-13	2,150	395
Total			**11,925**	**2,263**

Source: Codere as of December 31, 2016

Brazil

As of December 31, 2016, we operated 5 horse-race betting locations in Brazil under our Turff Bet & Sport Bar brand. Codere entered the Brazilian market in 2006 when it commenced the development of a network of on-track and off-track high profile betting offices that operate under horse-race betting licenses held by the JCs with a presence in the states of Rio Grande do Sul (*Jockey Club do Rio Grande do Sul*) and Paraná (Jockey Club do Paraná). Under the JCs' licenses, our betting locations are permitted to distribute (i) pooled betting products on local horse-races and (ii) fixed-odds betting products on international simulcast horse-races. The license of JCB in Rio de Janeiro expired in March 2016 and was not renewed.

The JC licenses permit JCs to operate "other lottery products," a term which is yet to be defined by national legislation. The Ministry of Agriculture regulates the JCs while lotteries are the exclusive regulatory domain of the *Ministerio da Fazenda.*

Gaming Yields in our Network

We have a diversified regional model. In particular, our gross wins per position per day averaged €72, with approximately €198 in Argentina, approximately €126 in Uruguay, approximately €75 in Italy, €55 in Panama, approximately €50 in Spain, approximately €37 in Mexico, in each case, reflecting gross win for the full year ended December 31, 2016.

Employees

The table below sets forth the number of our permanent employees for the 2015 and 2016 fiscal years and and the breakdown of those employees across our operations.

	Year ended December 31,	
Geographic Area	**2015**	**2016**
Mexico	5,679	5,489
Argentina	3,684	3,225
Spain	923	1,065
Italy	837	754
Panama	1,368	1,267
Colombia	651	577
Uruguay	364	295
Headquarters	133	145
Brazil	74	78
Total	**13,713**	**12,895**

	Year ended December 31,
Departments	**2016**
Operations	10,269
Security	1,003
Finance	513
IT	397
Human Resources	145
Product	201
Marketing	79
Other	288
Total	**12,895**

Additionally HRU reported 1,023 employees not included in the tables above.

Currently, in Spain and Mexico approximately 12% of our employment contracts are temporary, given our recruitment policy which involves employees initially joining probationary period pursuant to which their contracts of employment are temporary and which become permanent if the employee performs in accordance with certain performance milestones. This probationary period is 3 months in Mexico and 9 months in Spain. In the remaining jurisdictions in which we operate, all employees are employed under permanent contracts of employment.

We periodically apply the appropriate tools to measure the level of satisfaction and commitment of our employees. Consequently, improvement plans are developed for each jurisdiction and business segments in accordance with the results obtained from these surveys in order to apply policies which gradually increase employee satisfaction.

Except for certain groups within our corporate area which operate in certain jurisdictions all Codere employees are governed by collective bargaining agreements applicable to their professional activities. Under the relevant national and regional collective agreements, salary scales are established for each position in each industry.

We believe our relationship with employees and unions to be satisfactory.

Insurance

We have entered into all pertinent and required insurance policies which provide worldwide coverage for property, operational risk and civil liability. Such insurance policies are managed by a risk committee and by a top-tier insurance and brokerage services provider.

Licenses and Trademarks

Licenses

We hold gaming licenses or government authorizations in each jurisdiction in which we operate, directly or indirectly through our partners or clients. We expect to obtain additional licenses to operate off-line and online gambling, and betting operations in the future, as required by applicable law.

In addition, in some countries we hold licenses or authorizations permitting us to import gaming machines.

Trademarks

We operate three trademarks worldwide: Codere (gambling and bingo), Victoria (gambling, bingo and betting) and Turff (betting). We also have 197 local trademarks used for local operations and 312 Internet domains for our online business. We have registered our corporate logo which provides us with trademark protection in Spain and other jurisdictions, including the European Union.

We own a copyright on SPACE Codere, a complex customer relationship management software for performance analysis of gaming machines and gaming shops.

Litigation

In the ordinary course of business, we have been and are involved in disputes and litigation. While the result of these disputes or litigation cannot be predicted with certainty, we do not believe that the resolution of any such disputes or litigation, individually or combined, could have a material adverse effect on our business, results of operations or financial position. As of December 31, 2016, we have provisioned € 22.3 million in association with these proceedings.

Tax Contingencies

From time to time, in the ordinary course of business, we and the tax authorities in the jurisdictions in which we operate dispute the amounts that we owe to such authorities.

Mexico

In Mexico, tax disputes may arise with state tax authorities concerning the application of state lottery taxes to our bingo hall operations. In this sense, disputes may result from our interpretation of the taxable basis laid out in the legislation on state lottery taxes, the tax rate or the calculation we made to assess the tax in each state where we operate. According to our estimates, the maximum risk we may bear amounts to approximately Mex. Ps. 3,126 million, which would include taxes applied to the operations of ICELA and the Joint Opcos. However, based on our past experience, tax audits are carried out on individual basis (state by state) and the amount claimed has an economic impact in line with the size of the operation subject to tax audit.

In addition, three of our Mexican subsidiaries are currently the subject of four tax claims from federal tax authorities. During the course of 2012 and 2013, we took provisions against these claims for a total of Mex. Ps. 203.8 million. Subsequently, the accounting provision decreased during 2016 by Mex. Ps. 64.4 million as a consequence of a partial payment made (as a rectification) in the tax audit carried out by tax authorities in the subsidiaries CTH and *Promociones Recreativas Mexicanas* (Premsa).

The first claim is made against the Mexican holding company Codere México by the Federal Tax Administration Service ("SAT") and relates to certain gaming machine import duties in 2009 and 2010. The amount claimed is Mex. Ps. 147 million. Having been unsuccessful in contesting the claim before the SAT's Body (the "SATASB") and the Federal Tax and Administrative Court, we filed an injunction procedure suit on June 2, 2015, before the Circuit Court. On September 7, 2015, the Court ruled in favor of Codere México because the original sentence was not signed by all judges and on September 24, 2015 the Court corrected the defect and recognized the validity of the contested decisions. Therefore, we filed again an injunction procedure on October 26, 2015 against the decision dated September 24, 2015. On July 14, 2016 the Circuit Court issued a resolution in favor of Codere México because the tax credit resolution issued by SAT did not specify what type of equipment the gaming machines are (i.e. industrial, professional or scientific equipment). Moreover, they found that the penalty was incorrectly calculated because tax authorities did not consider the value of the gaming machines to the date of importation, which the Court determined was illegal. Therefore, the Circuit Court requested that the Tax Court solve these inconsistencies. Additionally, the Circuit Court also ruled that the arguments of unconstitutionality were not duly grounded and so we filed an appeal on August 27, 2016. On March 1, 2017, the Collegiate Court has confirmed the sentence, which means that the Tax Court has to specify if gaming machines are industrial, professional or scientific type and they fall under the import duties obligations. As of December 31, 2016, we have provisioned Mex. Ps. 23.5 million.

The second claim was filed against Operadora de Espectáculos Deportivos, S.A. de C.V ("OED") by SAT for Mex. Ps. 298 million. During 2010 Operadora Cantabria deposited certain amounts on its sister company OED. The SAT estates that, during its audit, insufficient evidence was provided to proof the fact that these amounts belong to deposits made by Operadora Cantabria at the OED accounts (prior to the July 2011 Caliente transaction). As a consequence the SAT incorrectly attributed this amounts to OED and therefore consider them taxable income under the Federal Gaming Tax ("IEPS") and was claiming the amounts due in gaming tax. The company has unsuccessfully appealed before the SATASB and the Federal Tax and Administrative Court of Justice. Following these unsuccessful claims OED filed an injunction procedure suit before the Collegiate Circuit Court in August 2015. The Collegiate Circuit Court has ruled in favor issuing a resolution that establishes that there was violation of the legal certainty of OED by the presumptive determination of Federal Gaming Tax due to the fact that tax authorities assumed that all amounts deposited derived from the gambling activities just because its corporate purpose (including in its act of incorporation) are gambling activities, therefore this conclusion was incorrect or illegal. Hence, the Collegiate Circuit Court ordered that the Tax Court must issue a new resolution in light of the foregoing. As the ruling did not entirely satisfy the Company and in order to strengthen its position in Court based on illegality arguments not assessed by the Circuit Court, the Company appealed before the Mexican Supreme Court of Justice in order to support these arguments.

The third claim was filed for a total amount of Mex. Ps. 561 million. In 2008, Complejos Turísticos de Huatulco, S.A. de C.V. ("CTH") and other subsidiaries of Codere México merged into Codere México. Prior to the merger, Codere México had large USD-denominated debt payable by CTH. These credits generated a significant exchange rate gain for Codere México during the merger and generated the corresponding exchange rate loss at CTH. When the 2008 financial accounts were submitted to the SAT following the merger, the corresponding amounts were not canceled and the accounts continued to show the forex gains and losses in the accounts as they offset each other. The SAT questioned the validity of the losses and its tax deductibility nature and does not accept the defense that such losses are offset by an equivalent gain. Codere México appealed to the SATASB in December 2012 the appeal was refused in December 2014. On March 6, 2015 we filed an appeal before the Federal Tax and Administrative Court of Justice. As a part of the appeal on December 4, 2015 our external accountant filed an accountant expert opinion on this matter. On August 1, 2016, as per the request of

Codere Mexico, the court accepted this suspension and tax credit was granted. During the course of 2012 and 2013, we made provisions for Mex. Ps. 36.2 million. Currently the process is still pending for resolution.

A fourth claim was filed against Operadora Cantabria by the Local Tax Authorities (*Secretaria de Finanzas del Distrito Federal*) for a total amount of Mex. Ps. 32.5 million. The Court has nullified this claim. Consequently, the provision of Mex Ps 5.5 million made in 2012 was cancelled at the end of 2016.

During 2016, the tax audit to our subsidiaries (CTH, Codere México, and Premsa) for years 2008 and 2009, has concluded. As part of the review proceedings, the companies filed new tax returns for the years under review accepting the tax criterion of the SAT and paying Mex. Ps. 64.4million. Additionally, the Tax Authorities issued a tax claim amounting to Mex Ps 66.7 million as the Mexican Tax Authorities denied the tax deductibility of certain royalty payments made to Codere SA. Considering that Codere Mexico has a strong argument to support the deductibility of such royalty payments, on February 10, 2017, Codere Mexico filed an administrative appeal before the Mexican Tax Authorities against the tax claim. From an accounting point of view, in December 2013, the Mexican companies took a provision for Mex.Ps. 138.5 million. An amount of Mex.Ps. 64.4 million of this provision was used during 2016 to cover for the payments made under the new tax returns filed and an amount of Mex. Ps.74 million is outstanding to cover the potential risk derived from the administrative appeal filed.

Argentina

We are involved in a dispute with the Argentine federal tax authorities regarding the application of Section 73 of the Argentine Income Tax law to certain intercompany loans with our Argentine affiliates. Section 73 also generally applies to loans to third parties and we have argued that the Argentine companies involved in the questioned loans are part of a single economic group. If this dispute is determined adversely to us, we estimate that we would be required to pay AR$5.93 million.

Bingos del Oeste S.A. is also involved in a dispute with the Argentine federal tax authorities concerning the application of the credit debit tax to the amounts of money we periodically pay to the Buenos Aires province gaming authorities (34% of net win in the case of slot machines, and 21% of the total amounts wagered in the case of bingo). We have argued that these amounts are not subject to the credit debit tax, as they are owed to the Province of Buenos Aires and are therefore not subject to the federal credit debit tax law. If this dispute is determined adversely to us, Bingos del Oeste S.A. would be required to pay approximately AR$8.3 million.

Italy

We are awaiting the decision of ADM Lazio regarding the credit we have claimed with respect to PREU payments for 2009, 2010 and 2011. On November 20, 2014, Codere Network received a notice from ADM stating that Codere Network does not owe any amount for the PREU 2012 but that it is obliged to pay ADM a fine of €28,315.73 for two late payments related to that tax. On December 16, 2014 Codere Network sent a response to ADM. On May 12, 2015, Codere Network received a notice from ADM that annulled the fine and accepted Codere Network's credit as €1,199,296.

On September 15, 2015, Codere Network received a notice from ADM stating that Codere Network does not owe any amount for the PREU from 2013 and has a credit of €1,000,804.74. Codere Network did not reply to this notice.

On January 3, 2013, Codere Network received a notice from the AAMS Lazio stating that Codere Network does not owe any PREU payments for the year 2010, and recognizing a credit of approximately €4.0 million in favor of Codere Network. On January 29, 2013, Codere Network sent a notice to the AAMS Lazio restating the amount of credit claimed to approximately €480,000 as a result of having offset part of the credit against periodic PREU payments (in consultation with AAMS Lazio). ADM did not expressly reply to the letter sent by Codere Network but in the following notices related to the PREU for the fiscal year ended 2011, 2012 and 2013, ADM corrected the miscalculation.

Our bingo subsidiaries Bingo RE S.r.l. (acquired by Operbingo Italia S.p.A. on January 1, 2013) and Bintegral SpA are currently subject to three VAT claims in respect of the years 2003 and 2007 for Bingo Re S.r.l. and the year 2007 for Bintegral. The Italian Tax Authorities challenged the way in which we allocate expenses for VAT calculation purposes and claim an aggregate amount of approximately €900,000. These matters are pending resolution.

On October 2016 Codere Network received a notice from the AAMS Lazio stating that Codere Network does not owe any amounts refered to the PREU for the fiscal year 2014 but owes € 320.762,94 as reduced fines, and € 27.067,12, as accrued interests, for the late payment of the 2014 taxes. Codere Network filed allegations stating that the delay on the payment was due to the seizure ordered by the Court and promoted by the concessionaire Partenopea and others. We are awaiting a notice from ADM annulling the fine.

On January 25, 2016 Codere Network received a certified e-mail as a reply from ADM by means of which that same Agency specified that "in light of the particular event occurred and of the notice made by this company", on a case like this as well as for what concerns the PREU, it might have been actually applicable the institute of the so-called "active repentance", as referred to article 13 of the Legislative Decree 18 December 1997 no 472, providing for sanctions and interests which are supposed to be quantified on 1.67% of the sum paid for those delays occurred within 90 days from the expiration of the term as well as on 3.75% for those delays between 91 days and one year from it and considering anyhow October 7, 2016 as the expiration term for the deposit of the sum which has been set aside.

On January 31, 2017 Codere Network paid the sums as requested by ADM. Following the deposit of those sums, on 2nd February 2017, Codere Network sent a notice to ADM via certified e-mail specifying that those amounts as requested by the administration were successfully deposited, even though the same company considered that it had properly and diligently fulfilled with its own monetary obligations and that the delay in the collection of the due sums was supposed to be the result of episodes and events which fall outside of the concessionaire's direct imputability.With the payment of these sums, the dispute over the 2014 PREU ended.

Other Tax Disputes

In Bogota, Colombia, we resolved a dispute with local tax authorities regarding certain gaming taxes on slot machines operated by us at locations owned by third parties in the second half of 2009. Codere Colombia S.A. paid approximately COP$1,678.3 million in resolution of that dispute. The tax authorities have since ceased the related judicial process and confirmed that we have complied with applicable regulations. On May 12, 2010, the Constitutional Court of Colombia declared that the law under which that dispute was resolved and by which the Congress authorized the resolution of tax disputes by way of payment of agreed amounts with local tax authorities was unconstitutional. Unexpectedly, and without notification to Codere Colombia S.A., the Colombia's Council of State decided to reopen the judicial process. On September 26, 2013, Colombia's Council of State issued a sentence against Codere Colombia S.A. On December 19, 2013, Codere Colombia S.A. presented an appeal for review *(Recurso Extraordinario de Revisión)* before Colombia's Council of State. In March 2015, the Colombian tax authority proposed a reduced payment plan, based on Article 57 of Law 1759 which Codere Colombia S.A. accepted in May 2015. Codere Colombia S.A. paid COP$3,543.2 million. However, according to our local legal advisors, this payment does not result in a termination of our appeal, which could still be successful, in which case our payment would be refunded. In December 2015, the Constitutional Court of Colombia declared article 57 of Law 1739 unconstitutional, however, the effects of this declaration are only applicable to future payments, and thus the payment made in May 2015 is valid.

In Panama, we have been involved in a dispute with the Panama national tax authority since January 2014 regarding income tax and VAT. Some of the matters have already been resolved in our favor. If outstanding matters under dispute are determined adversely, we estimate that we will be required to pay approximately USD2 million in income tax and VAT.

Other Litigation and Disputes

Argentina

Central Bank of Argentina Litigation

On March 12, 2010, the Central Bank of Argentina served notice of the proceedings against Codere Argentina S.A. (Proceeding No. 4259) and San Jaime S.A. (Proceeding No. 4258), and members of their Board of Directors and attorneys, under foreign exchange control laws and regulations. The applicable laws and regulations impose fines in the range of one to ten times the amount of the alleged infraction, but the fines are normally levied in the minimum amount. The Central Bank of Argentina is investigating alleged infractions for inaccurate disclosure in sworn statements made by us with respect to transfers abroad for a total amount of U.S.$4.1 million and €0.3 million, on account of "foreign portfolio investments" and "payment of loans received from foreign lenders." With respect to approximately U S $3.1 million of such amounts, we argued that the statute of limitations has expired. As for the remaining U.S.$1.0 million and €0.3 million of such amounts, although we believe that the transactions in question were carried out in compliance with the applicable foreign exchange regulation we provisioned €1.4 million for potential contingencies. Nonetheless, as a consequence of the resolution on the San Jaime S.A. proceeding, in February 2017 such amount was reduced to U.S. $0.8 million and only remained for Codere Argentina S.A. The Judge dismissed the proceeding No. 4258 against San Jaime S.A. and its directors, and ordered the acquittal of Jaime Molina Herrera, Antonio Cabo Lobo and San Jaime S.A. The Judge considered that the transactions in question were not the transactions mentioned in the regulation of the Central Bank of Argentina.

On November 2013, we became aware of a new proceeding (Proceeding No. 5553) initiated by the Central Bank of Argentina for the purchase of foreign currency during October 2008. Notice of this Proceeding No. 5553 was served on Intermar Bingos S.A. on June 2016. On January 2015, Intermar Bingos S.A. was served of a new proceeding for the same facts (Proceeding No. 5982), and the defense was filed on February 2015. Although we believe that the transactions were carried out in compliance with foreign exchange regulation applicable at that time, initially we have provisioned €0.4 million for potential losses. Intermar Bingos S.A. argued the claim expired based on the statute of limitations. In Proceeding No. 5553 we also argued the "non bis in idem" defense. If the Central Bank of Argentina dismisses the aforementioned argument, we will argue the double jeopardy defense and, as new legislation in this matter has changed the limit that was imposed at the moment of the operation for the purchase of foreign currency, we will argue the application of the most benign criminal law. In light of the above, the amount provisioned has been dismissed and the contingency is now remote.

Mexico

Monterrey and General Escobedo, Nuevo León

Between February 27, 2013 and March 13, 2013, the local authorities of the cities of Monterrey and General Escobedo, which are both in the state of Nuevo León, closed the following gaming venues: (i) Gonzalitos, Monterrey operated by Operadora Cantabria, S.A. de C.V., (ii) Valle Oriente, Monterrey operated by Operadora Cantabria, S.A. de C.V., (iii) Jacales, Monterrey operated by Libros Foráneos, S.A. de C.V., (iv) Cumbres, Monterrey operated by Administradora Mexicana de Hipódromo, S.A. de C.V., (v) Valle Oriente, Monterrey operated by Administradora Mexicana de Hipódromo, S.A. de C.V. and (vi) Sendero, General Escobedo operated by Administradora Mexicana de Hipódromo, S.A. de C.V. The local authorities closed the gaming venues based on the alleged lack of "use of land certificates" for casinos, in accordance with the city ordinances of those municipalities disregarding the fact that all of the gaming venues operate with the necessary permits and licenses required both by the SEGOB, and those required by the local authorities at the time the venues were first open to the public. The relevant permit holders filed challenge (injunction procedure) lawsuits, claiming that the foreclosures were illegal and that the venues were opened to the public before the zoning catalogue was amended and therefore the new catalogue of activities should not be retroactively applied.

These injunction procedure lawsuits have been resolved adversely to our interests , in respect of each of the above mentioned sites, excluding Sendero, General Escobedo, which, in application of the injunction procedure lawsuit resolution, the local authority began a new administrative procedure, regarding the use of land certificate. In May 2016, the authorities again resolved the foregoing lawsuits adversely, and a revoking procedure was filed to revert the resolution issued by the municipal authorities of General Escobedo. On November 30, 2016, the Administrative Courts declared the nullity of the resolution issued, on the grounds of the acquired rights of AMH, dating back to 2002, date in which the gaming venue commenced its operation, and since there was no regulation or prohibition related to the land use, and considering that all the preceding required by the municipal authorities or its operation had been met, and therefore the gaming venue had all necessary permits for its operation.

On December 23, 2016, the municipal authorities of General Escobedo issued a resolution ceasing the effects of the administrative proceeding as well as of the challenged resolution, and on the same date ordered that the closure seals were removed from the venue.

On January 31, 2013, the gaming venue operated by Promojuegos de México, S.A. de C.V., located in the city of Tuxtla Gutierrez, state of Chiapas, was closed by several state authorities, specifically by the Civil

Protection Agency of the State and the State of Chiapas Prosecutor Agency, under allegations that the alcoholic beverages were altered.

On February 14, 2017, the injunction procedures filed against the state authorities, was resolved favorably to our interests. On this behalf, on February 24, 2017, the state authorities in compliance to the resolution to the injunction procedure, ceased the closure and returned the definitive possession of the gaming venue.

AMH anti-money laundering information requests

During December 2015, our subsidiary AMH received several requests for information issued by a federal authority (Secretaría de Hacienda y Crédito Público) about completion of anti-money laundering duties with respect to some months of the fiscal years 2014 and 2015. At this stage, the company is responding to the authority's comments and providing additional documentation, as requested by the authority with a view to terminating these administrative proceedings.

On February 15, 2017, the federal authority, issued a resolution that declares the nullity of the administrative proceeding, as well as the nullity regarding any sanction linked to such proceeding.

Italy

Gaming Operators Litigation

Codere Network is currently a party to various proceedings pursuant to which it is claiming an aggregate of €4.5 million (as of December 31, 2016) from various gaming operators relating to unpaid network interconnection fees and gaming taxes which Codere Network collects on behalf of the AAMS. Codere Network interconnects the machines for such operators.

CdC Allegation

In May 2007, the Italian CdC, the constitutional body charged with auditing the management and accounts of governmental departments, including the ADM, claimed that the ADM had failed to seek €3.0 billion in penalties from network concessionaires, including Codere Network for alleged noncompliance with certain obligations. In February 2012, the CdC ruled against all ten AWP network concessionaires, including Codere Network, and required the concessionaires to pay a total of €2.5 billion, of which Codere Network was liable for €115 million plus interest amounting to €1.9 million. Together with the other concessionaires, Codere Network appealed the ruling.

On November 11, 2013, the CdC offered all network concessionaires the opportunity to settle the dispute by paying 30% of the amount of the claim, plus legal interest. In October 2014, Codere Network paid €34.5 million (30% of the total €115 million) plus legal interest. In order to fund the settlement, our prior senior facility agreement lenders agreed to increase the available amount under our prior senior facility agreement by up to €35 million.

In July 2015, Codere Network filed an appeal before the European Court of Human Rights requesting the return of all or part of the settlement paid, under the argument that it was "forced" to pay the 30% settlement because it was unable to risk a confirmatory judgment of the first instance decision, which would have compromised its business activity. European Court rejected Codere's Network claim arguing that it had not exhausted the Italian judicial remedies before appealing.

Stability Law Litigation before TAR Lazio

The Stability Law was enacted in Italy on December 29, 2014 and implements a new fee on gaming companies in Italy amounting to €500 million per annum. Beginning from 2015, the annual payment will be distributed among the 13 network concession holders based on the number of interconnected machines of each operator. Codere Network will be required to pay €22 million according to a decree published by the ADM dated January 15, 2015 (the "ADM Decree"). This amount will be distributed among all participants in the value chain of Codere Network. In February 2015 Codere Network (and twelve other concessionaires) challenged the ADM Decree before the TAR Lazio, asking for a suspension of the decree as a precautionary measure and the submission of the proceeding to the Constitutional Court. On April 1, 2015, TAR Lazio rejected the suspension and the hearing took place on July 1, 2015. In August 2015, TAR Lazio ordered the reopening of the case and set a hearing for October 21, 2015.

After the hearing, TAR Lazio did not suspend the efficacy of the gaming contribution but referred the law to the Constitutional Court as considered “not clearly unfounded” the concessionaires’ arguments about the violation of the principles of disparity of treatment and plausibility because the criteria of allocation of the €500 million contribution, based on the mere number of installed machines regardless of the revenues generated through them, does not take into account that the ability to generate revenues of each machines depends on a number of factors rather than just their number. The Constitutional Court might take months or even more than a year to decide.

Codere Network (and the rest of concessionaires) challenged the TAR Lazio rejection of the suspension before the Consiglio di Stato. On December 2, 2015, the Consiglio di Stato also denied the rejection of the suspension arguing that the concessionaires might have executed the guarantees granted by the game operators. The Constitutional Court has not set the date for the hearing of the case yet.

The Law of Stability 2016 (L. 28.12.2015 n. 208) clarified that concessionaires and the other AWP slot and VLT operators should contribute proportionally to the payment of the ADM assessed obligations only for 2015, on the basis of the relevant contractual agreements, and also abrogated the provisions of the Stability Law 2015 that had introduced this new tax for the concessionaires (500 million per annum) and this obligation is no longer in effect. Effective as of January 1, 2016, the PREU levied on the amount wagered on VLTs is 5.5% (an increase from 5.0%), plus an additional 6% on the quota of wins exceeding € 500. In addition, as is the case for slot machines, is required to pay a separate tax to the ADM of 0.8% of the amounts wagered.

In April 2016 ADM requested the concessionaires an update about i) legal actions carried out against its gaming operators to claim the amounts still owed ii) amounts collected from them iii) gaming operators that have not paid.

In October 2016 Codere Network informed ADM about the limited results of its legal actions. From that moment onwards, Codere Network only sends periodic reports informing about the debtors.

Spain

On April 18, 2013, Codere, Perella Weinberg Partners UK L.L.P. and Perella Weinberg Partners (Europe) L.P. (together, “Perella”) entered into a service agreement (the “Perella Agreement”). Codere chose Perella to provide financial advisory services in relation to our debt and to lead the negotiations with creditors.

On September 3, 2015, Codere filed a claim in the Alcobendas Court of First Instance because Perella had breached the Perella Agreement. In the claim, Codere requested that: (i) the Perella Agreement be discharged, (ii) Codere not to be obliged to pay Perella any further amounts pursuant to the Agreement and (iii) the Court order the defendants to compensate Codere for the damages suffered due to the breach of the Perella Agreement, which are to be settled in the subsequent legal proceedings.

On October 16, 2015, Perella challenged the jurisdiction of the Spanish courts and, on December 23, 2015, before a decision was handed down, filed a claim at the High Court of Justice Queen’s Bench Division (England). In this claim, Perella seeks the payment of sums of £233,315.65 and €11,377,960.

On April 18, 2016, the Spanish court expressed a provisional view that the Engagement Letter did not confer exclusive jurisdiction on the English court, but decided to stay the Spanish Proceedings pending the determination of the English court as to whether it had exclusive jurisdiction.

On May 17, 2016, the English High Court of Justice Queen’s Bench Division held that the Perella Agreement did not vest the English court with exclusive jurisdiction.

On July 14, 2016, the Spanish court rejected the request to lift the stay of the proceedings because Perella could still appeal the English judgment.

On 24 April 2017 Perella filed a request with the Spanish court requesting to lift the stay of the proceedings and to resolve on jurisdiction. This request has not yet been processed and therefore, at present, the stay of the Spanish proceedings has not been lifted. *Uruguay*

On July 28, 2010, Dongara Investment Inc. requested the annulment of the concession of the Carrasco Hotel and Casino project awarded to the Carrasco Nobile consortium. Dongara Investment Inc. was the runner-up in the concession process. In addition, the plaintiff requested a preliminary injunction to cease the remodeling of the Carrasco Hotel and Casino's building (currently withdrawn). Notwithstanding that the petitions were filed against the Municipal Government of Montevideo, which granted the concession, Carrasco Nobile voluntarily intervened in these proceedings to contribute evidence and facts supporting the conclusion that the concession process complied with applicable laws and regulations. In connection with Codere becoming sole shareholder of HRU, S.A. by the acquisition of the remaining 50% of its equity, Dongara Investment Inc filed an action to dismiss these proceedings which has been approved by the Court in March 2017.

As a result of the financial difficulties undergone by Carrasco Nobile, in 2014 and 2015 the company's equity had fallen below the figure required by Uruguayan legislation, therefore the shareholders of such company approved a series of capital reductions and subsequent capital increases in order to restore the balance between share capital and equity. The minority shareholder, Sikeston, S.A., refused to take part in such capital increases and filed for a series of preliminary injunctions (dismissed by the Court of Appeal) and challenged the aforementioned shareholders resolutions. At Carrasco Nobile's request, the Court resolved that all ordinary procedures in connection with the shareholders meetings would be consolidated into a single file. Codere Mexico, S.A. de C.V. argued lack of jurisdiction, given that the Shareholders Agreement between Codere Mexico, S.A. de C.V. and Sikeston, S.A. established that any dispute between the shareholders ought to be resolved by arbitration. In a resolution dated 8 March 2017, the Court accepted Codere Mexico, S.A. de C.V.'s claim and determined that arbitration is the appropriate forum. This resolution has not been appealed by Sikeston, S.A.

Real Property

Our principal executive offices are located at Avenida de Bruselas 26, Alcobendas, Madrid, Spain. The majority of our offices and gaming facilities are leased and the leases generally run for at least as long as the relevant gaming license in the relevant jurisdiction.

PRINCIPAL SHAREHOLDERS

The Issuer

As of December 31, 2016, the Issuer had issued and outstanding 32,000 fully paid up shares, each with a par value of 1.25 U.S. dollars, all of which were indirectly held by Codere, S.A.

Principal Shareholders of Codere, S.A.

As of the date hereof, the authorized and outstanding share capital of Codere, S.A. was €505,942,912.20, consisting of 2,529,714,561 fully paid-up ordinary shares, forming part of the same series, each with a par value of €0.20. The following table sets forth information regarding the major holdings of Codere, S.A. shares as of December 31, 2016.

	As of December 31 , 2016	
	Number of shares	**Ownership**
Martínez Sampedro Family	421,690,973	16.670%
José Antonio Martínez Sampedro (1)	*358,473,744*	*14.171%*
Luis Javier Martínez Sampedro (2)	*63,217,229*	*2.499%*
Silver Point Capital Management, LLC.	590,922,076	23.359%
M&G Investment Management Limited (Prudential Plc)	271,761,974	10.743%
Abrams Capital Management LLC	222,317,639	8.788%
Contrarian Capital Management LLC	183,996,037	7.273%
Alden Global Capital LLC	154,459,710	6.106%
Invesco Limited	92,023,087	3.638%
VR Global Partners L.P.	62,780,491	2.482%
Joseph Zappala	278,738	0.011%
Treasury shares	306,733	0.012%
Rest - Not reported to the *Comisión Nacional del Mercado de Valores* (CNMV)	529,177,103	20.918%
TOTAL	**2,529,714,561**	**100.000%**

(1) José Antonio Martínez Sampedro is the Executive Chairman of our Board of Directors, and the brother of Luis Javier Martínez Sampedro, who is a member of our Board of Directors.

(2) Luis Javier Martínez Sampedro is the Executive Director of Codere América, S.A.U. and Executive Vice Chairman of our Board of Directors.

ANNEX

CODERE, S.A. AND SUBSIDIARIES

Consolidated financial statements for the year ended December 31, 2016 and 2016 Group management report

CONTENTS

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2016
(Thousands of euros)

		At December 31	
ASSETS	**Note**	**2016**	**2015**
Non-current assets		**1,051,309**	**1,069,889**
Intangible assets	7	376,136	413,045
Property, plant and equipment	8	358,258	318,460
Investment properties	8	56,102	66,565
Goodwill	10	190,672	193,860
Investments in equity-accounted investees	9	585	11,607
Non-current financial assets	11	21,474	21,405
Non-current loans		17,020	17,225
Held-to-maturity investments		4,454	4,180
Deferred tax assets	12	48,082	44,947
Current assets		**428,141**	**371,155**
Inventories	14	11,356	11,625
Accounts receivable	15	192,489	188,346
Trade receivables		41,135	40,273
Current tax assets		2,115	3,298
Sundry receivables		40,469	42,125
Accrued tax receivable		108,770	102,650
Financial assets	16	63,253	42,750
Short-term securities portfolio		-	2
Other loans and investments		63,253	42,748
Prepayments		18,986	18,108
Cash and cash equivalents	24	142,057	110,326
TOTAL ASSETS		**1,479,450**	**1,441,044**

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2016
(Thousands of euros)

		At December 31	
EQUITY AND LIABILITIES	**Note**	**2016**	**2015**
Equity attributable to equity holders of the parent	17	**98,503**	**(609,658)**
Issued capital		505,943	11,007
Share premium		561,950	231,280
Legal reserve and retained earnings		419,066	(522,446)
Revaluation reserves		3,727	3,881
Translation differences		(266,297)	(220,188)
Profit/(loss) for the year attributable to equity holders of the parent		(1,125,886)	(113,192)
Non-controlling interests		**(24,822)**	**(6,282)**
Total equity		**73,681**	**(615,940)**
Non-current liabilities		**997,084**	**249,658**
Deferred revenue		14	31
Non-current provisions	18	30,932	32,341
Non-current financial liabilities	19	870,810	113,657
Bank borrowings		49,619	76,375
Issued notes		788,335	-
Other borrowings		32,856	37,282
Deferred tax liabilities	12	95,328	103,629
Current liabilities		**408,685**	**1,807,326**
Provisions and other	18	9,252	9,429
Bank borrowings	19	23,313	147,496
Notes and other marketable securities	19	12,223	1,276,209
Other non-trade payables	19	213,024	235,326
Trade payables		99,229	103,233
Current tax liabilities	19	51,644	35,633
TOTAL EQUITY AND LIABILITIES		**1,479,450**	**1,441,044**

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2016
(Thousands of euros)

	Note	Year ended December 31 2016	2015
Operating income		1,497,420	1,639,524
Revenue		1,486,287	1,630,617
Other income	23	11,133	8,907
Operating expenses	23	(1,411,782)	(1,510,218)
Raw materials and consumables used and other external expenses		(47,541)	(49,791)
Employee benefits expense	23.d	(245,506)	(276,595)
Depreciation and amortization	7.8	(102,364)	(122,115)
Change in provisions for bad debt		(5,808)	(128)
Other operating expenses	23.c	(1,024,045)	(1,058,468)
Asset impairment	7, 8, 10 & 13	13,482	(3,121)
Gain/(loss) on derecognition/disposal of assets	6	12,583	(4,907)
OPERATING PROFIT/(LOSS)		**98,221**	**124,399**
Finance income		5,023	3,557
Finance costs		(1,190,458)	(156,429)
Net exchange losses		(37,076)	(50,469)
NET FINANCE COST	23.g	**(1,222,511)**	**(203,341)**
CONSOLIDATED PROFIT/(LOSS) BEFORE TAX		**(1,124,290)**	**(78,942)**
Income tax	21	(36,738)	(63,220)
Share of profits of equity-accounted investees		3,953	2,716
PROFIT/(LOSS) FOR THE PERIOD		**(1,157,075)**	**(139,446)**
Attributable to:			
Non-controlling interests		(31,189)	(26,254)
Equity holders of the parent		(1,125,886)	(113,192)
Basic and diluted earnings per share (euros)	23.f	**(0.62)**	**(2.55)**
Basic and diluted earnings per share from continuing operations attributable to equity holders of the parent (euros)	23.f	**(0.59)**	**(2.07)**

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016
(Thousands of euros)

	Note	Year ended December 31	
		2016	**2015**
Profit/(loss) for the year		**(1,157,075)**	**(139,446)**
Foreign currency translation differences		(40,004)	(46,797)
Other comprehensive income		**(40,004)**	**(46,797)**
Total comprehensive income for the year		**(1,197,079)**	**(186,244)**
Attributable to non-controlling interests		**(25,084)**	**(24,586)**
Attributable to equity holders of the parent		**(1,171,995)**	**(161,658)**

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016
(Thousands of euros)

	Issued capital	Share premium	Retained earnings	Reserves of equity-accounted investees	Revaluation reserves	Translation differences	Profit/(loss) attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total equity
BALANCE at December 31, 2015	**11,007**	**231,280**	**(526,447)**	**4,001**	**3,881**	**(220,188)**	**(113,192)**	**(609,658)**	**(6,282)**	**(615,940)**
Profit/(loss) for the period	- -	- -	- -	- -	-	-	(1,125,886)	**(1,125,886)**	(31,189)	**(1,157,075)**
Other comprehensive income for the period	- -	- -	- -	- -	-	(46,109)	-	**(46,109)**	6,105	**(40,004)**
Total comprehensive income	- -	- -	- -	- -	-	(46,109)	(1,125,886)	**(1,171,995)**	(25,084)	(1,197,079)
Reversal of revaluation reserves	-	-	154	-	(154)	-	-	**-**	-	-
Issuance of shares (notes 3.f & 17)	494,936	330,670	1,054,296	-	-	-	-	**1,879,902**	-	1,879,902
Changes in ownership interests	-	-	-	-	-	-	-	**-**	11,356	11,356
Business combination (note 4)	-	-	-	-	-	-	-	**-**	-	-
Reserve for own shares (note 17)	-	-	15	-	-	-	-	**15**	-	15
Acquisition of non-controlling interests	-	-	(10,974)	-	-	-	-	**(10,974)**	-	(10,974)
Share-based payments (note 4.f)	-	-	11,213	-	-	-	-	**11,213**	-	11,213
Gain/(loss) on trading in own shares	-	-	-	-	-	-	-	**-**	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	**-**	-	-
Dividends paid (*)	-	-	-	-	-	-	-	**-**	(4,812)	(4,812)
Amounts transferred to retained earnings	**-**	**-**	(115,908)	2,716	-	-	113,192	**-**	**-**	**-**
Total changes in equity	494,936	330,670	938,796	2,716	(154)	-	113,192	**1,880,156**	6,544	1,886,700
BALANCE at December 31, 2016	**505,943**	**561,950**	**412,349**	**6,717**	**3,727**	**(266,297)**	**(1,125,886)**	**98,503**	**(24,822)**	**73,681**

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

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015
(Thousands of euros)

	Issued capital	Share premium	Retained earnings	Reserves of equity-accounted investees	Revaluation reserves	Translation differences	Profit/(loss) attributable to equity holders of the parent	Equity attributable to equity holders of the parent	Equity attributable to non-controlling interests	Total equity
BALANCE at December 31, 2014	**11,007**	**231,280**	**(354,053)**	**3,303**	**4,060**	**(171,722)**	**(173,005)**	**(449,130)**	**17,280**	**(431,850)**
Profit/(loss) for the period	-	-	-	-	-	-	(113,192)	**(113,192)**	(26,255)	(139,447)
Other comprehensive income for the period	-	-	-	-	-	(48,466)	-	**(48,466)**	1,669	(46,797)
Total comprehensive income	-	-	-	-	-	(48,466)	(113,192)	**(161,658)**	(24,586)	(186,244)
Reversal of revaluation reserves	-	-	179	-	(179)	-	-	**-**	-	**-**
Changes in ownership interests and business combinations (note 4)	-	-	-	-	-	-	-	**-**	-	**-**
Changes in ownership interests	-	-	-	-	-	-	-	**-**	5,504	**5,504**
Business combinations	-	-	-	-	-	-	-	**-**	-	**-**
Reserve for own shares (note 9)	-	-	25	-	-	-	-	**25**	-	**25**
Acquisition of non-controlling interests	-	-	-	-	-	-	-	**-**	-	**-**
Provision for options	-	-	1,116	-	-	-	-	**1,116**	-	**1,116**
Gain/(loss) on trading in own shares	-	-	(11)	-	-	-	-	**(11)**	-	**(11)**
Acquisition of non-controlling interests	-	-	-	-	-	-	-	**-**	-	**-**
Dividends paid (*)	-	-	2,269	(2,269)	-	-	-	**-**	(4,479)	**(4,479)**
Amounts transferred to retained earnings	-	-	(175,972)	2,967	-	-	173,005	**-**	-	**-**
Total changes in equity	-	-	(172,393)	698	(179)	-	173,005	1,130	1,025	**2,154**
BALANCE at December 31, 2015	**11,007**	**231,280**	**(526,447)**	**4,001**	**3,881**	**(220,188)**	**(113,192)**	**(609,658)**	**(6,282)**	**(615,940)**

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

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016 (Thousands of euros)

	Note	Year ended December 31, 2016	December 31, 2015
Profit/(loss) before tax		(1,124,290)	(78,942)
Net finance (income)/cost		1,222,511	203,341
Operating profit/(loss)		98,221	124,399
Non-cash expenses		106,137	134,115
Depreciation and amortization	7 & 8	102,364	122,115
Asset impairment	7, 8, 10 & 13	(13,482)	3,121
Other operating expenses	24	17,255	8,879
Non-cash income	24	(15,896)	(191)
Changes in working capital		12,278	(8,294)
Inventories		708	(1,183)
Accounts receivable		6,730	(1,042)
Accounts payable		(2,394)	(10,163)
Other		7,234	4,094
Income tax paid		(48,765)	(43,172)
CASH FLOWS FROM OPERATING ACTIVITIES		**151,975**	**206,857**
Purchase of property, plant and equipment		(75,570)	(67,071)
Proceeds from the sale of property, plant and equipment		-	2,126
Loans to establishment owners: cash outflows		(22,545)	(21,436)
Loans to establishment owners: cash inflows		21,943	21,069
Payments for investments		(25,792)	(5,269)
Payments for other financial assets		(15,951)	(24,989)
Proceeds from disposals		930	-
Dividends received		-	2,269
Interest received		2,646	1,667
CASH FLOWS USED IN INVESTING ACTIVITIES		**(114,339)**	**(91,634)**
Notes issue		1,164,153	-
Redemption of notes		(889,298)	-
Drawdown of Codere's senior debt		(130,000)	-
Repayment of other borrowings		(356)	-
Change in borrowings		**(130,356)**	-
Proceeds from bank loans		1,138	1,514
Repayment of bank loans		(19,742)	(29,436)
Change in other bank loans		**(18,604)**	**(27,922)**
Dividends paid		**(4,619)**	**(4,627)**
Payments in respect of other financial borrowings		(12,500)	(10,167)
Repayment of other financial borrowings		(30,293)	-
Change in other financial borrowings		**(42,793)**	**(10,167)**
Other cash flows due to impact of exchange rates on collections and payments		**443**	**(7,406)**
Buyback of own equity instruments		-	(14)
Disposal of own equity instruments		-	123
Net investment in own shares		**-**	**109**
Interest paid		**(79,616)**	**(32,680)**
CASH FLOWS USED IN FINANCING ACTIVITIES		**(690)**	**(82,693)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**36,946**	**32,530**
Reconciliation			
Cash and cash equivalents, opening balance		110,326	86,672
Net foreign exchange difference		(5,215)	(8,876)
Cash and cash equivalents, closing balance		142,057	110,326
Net increase/(decrease) in cash and cash equivalents		**36,946**	**32,530**

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

1. General information

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

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

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

The accompanying consolidated annual financial statements were authorized for issue by the Board of Directors on February 27, 2017.

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 preparation

The consolidated financial statements were prepared from the accounting records of Codere, S.A. and the consolidated companies and are presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). These consolidated financial statements are presented using the historical cost convention, except for the Group's available-for-sale and derivative financial instruments, which are measured at fair value, and its land and buildings, which were measured at their fair value as at the date of first-time application of IFRS-EU.

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

a.1) Going concern

In 2016, the Group recognized a loss of 1,157,075 thousand euros as a result, primarily, of the treatment for accounting purposes of the loan capitalization transaction and the financial restructuring exercise outlined in note 3.f below (in 2015, the Group reported a loss of 139,446 thousand euros).

The Parent's directors have prepared the accompanying financial statements on a going concern basis as they believe that the Company's business prospects, having taken the required actions, as outlined in note 3.f below, will translate into positive earnings and cash flows in the years to come.

a.2) New and amended standards and interpretations issued

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

The accounting standards used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2015. The standards and interpretations approved by the European Union for application this year have not had any impact on the consolidated financial statements for the year ended December 31, 2016.

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

The Group intends to apply the new standards, interpretation and amended standards issued by the IASB whose application is not mandatory in the European Union as at the date of authorizing the accompanying consolidated financial statements for issue when they are effective, to the extent applicable to the Group.

Group management believes that application of *IFRS 16 Leases* will have a significant impact on its financial statements. IFRS 16 stipulates that companies acting as lessees recognize the assets and liabilities deriving from all of their lease agreements (with the exception of short-term leases and leases of low-value assets) in their statements of financial position.

Given the significant number of leases that currently classify as operating leases, the Group is in the process of analyzing the impact IFRS 16 will have on it, estimating that it will have a material impact on its fixed assets and finance lease obligations. On account of the various alternatives, the complexity of the estimates required and the sheer number of agreements, the Group is still in the process of getting ready to implement this new standard, which is why it is not yet in a position to reasonably estimate the impact of its first-time application.

a.3) Comparison of information

The 2015 financial statement figures are provided for comparison purposes.

b) Accounting policies

b.1) Basis of consolidation

- *Subsidiaries and business combinations*

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

- *Joint ventures*

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

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

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

- *Investments in associates*

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

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

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

- *Disposal of subsidiaries*

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

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

b.2) Segment reporting

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

b.3) Foreign currency translation

b.3.1) Functional and presentation currency

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

b.3.2) Transactions and balances

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

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

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

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

b.3.3) Group companies

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

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

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

b.4) Intangible assets

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

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

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

(Thousands of euros)

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

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

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

b.5) Property plant and equipment

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

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

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

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

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

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

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

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

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

b. 5.1) Investment properties

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

b.6) Goodwill

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

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

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

b.7) Impairment of non-financial assets

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

b.8) Financial assets

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

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

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

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

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

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

b.9) Inventories

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

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

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

b.10) Impairment of financial assets

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

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

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

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

b.11) Derivative financial instruments and hedging activities

The Group used to regularly hedge its exposure to foreign currency risk. The economic risk identified by the Group related to the impact of exchange rate fluctuations on its earnings in Argentina and Mexico, markets which represent a significant percentage of total Group revenue.

The Group used to arrange these instruments with the aim of hedging a significant percentage of consolidated revenue. Using these instruments, it would hedge exposure to variability in these exchange rates with the aim of mitigating fluctuations in the Group's consolidated earnings in euros. The Group did not have any hedging arrangements outstanding at either December 31, 2016 or 2015.

b.12) Trade receivables

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

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

b.13) Cash and cash equivalents

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

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

b.14) Share capital

Ordinary shares are classified as equity.

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

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

b.15) Trade payables

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

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

b.16) Borrowings

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

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

Derecognition

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

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

b.17) Current and deferred tax

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

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

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

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

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

Deferred income tax assets and liabilities are offset when, and only when, there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax 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) Employees benefits

- Termination benefits

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

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

- Bonuses

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

- Provision for retirement bonuses

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

- Share-based payments

The Group has determined the services received under the lock-up agreement from employees and external advisors in exchange for equity instruments in the Group in the wake of the financial restructuring to be equity-settled share-based payments. The fair value of the services received from employees and external advisors in exchange for these options is recognized as employee benefits expense with a balancing entry in equity. The total expense is determined by reference to the fair value of the shares granted, factoring in, among other considerations, the vesting period, vesting date and the probability of delivery of the vesting terms (note 3.e).

b.19) Provisions and contingent liabilities

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

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

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

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

b.20) Revenue recognition

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

The Group recognizes its revenue as follows:

- Gaming machines: at the net amount collected, including associated gaming taxes.

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

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

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

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

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

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

b.21) Leases

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

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

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

b.22) Earnings per share

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

3. Financial risk management targets and policies

a) Group sources of financing and debt policy

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

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

- Funding the Group companies' business operations.

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

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

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

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

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

b) Key Group risks

The main risks to which the Group is exposed include, but are not limited to: risks related to the gaming sector (regulatory risk, as it is a closely regulated industry, public perception of the gaming sector, risk of increased competition) and risks specific to the Group (political, economic and monetary risks associated with international operations, lawsuits, risks related to the Group's indebtedness, dependence on third parties as a result of not holding certain of the gaming licenses used, risks deriving from the growth strategy, concentration risk in respect of the supply of slot machines in Spain, the risk of not being able to offer safe gaming products or to defend the integrity and security of the business lines and the risk of doing business in alliances with third parties in certain operations).

c) Financial risk factors

The Group's business activities expose it to various types of financial risk: market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group did not have any hedging instruments at either year-end.

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

c.1) Market risk

Foreign currency risk

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

The Group's policy is to match the assets and liabilities denominated in the various currencies to achieve a natural hedge so that the possible devaluation of any of the currencies to which it is exposed would not have a significant impact on its financial position.

The Group did not arrange any hedging instruments in 2016.

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

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

					Thousands of euros
		10% depreciation of the euro		10% appreciation of the euro	
Currency	Exchange rate at 31/12/2016	Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
ARS/EUR	16.7703	566	-	(566)	-
BRL/EUR	3.4354	-	2,015	-	(2,015)
COP/EUR	3163.0484	143	-	(143)	-
USD/EUR	1.0541	1,135	-	(1,135)	-
UYU/EUR	30.9273	(117)	-	117	-
MXN/EUR	21.7819	115	1,280	(115)	(1,280)

					Thousands of euros
		10% devaluation of the US dollar		10% appreciation of the US dollar	
Currency	Exchange rate at Dec 31, 2016	Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
ARS/USD	29.3400	369	(614)	(369)	614
BRL/USD	3.2591	-	3,602	-	(3,602)
COP/USD	3000.7100	87	-	(87)	-
MXN/USD	20.6640	86,925	38,879	(86,925)	(38,879)
UYU/USD	29.3400	6,837	-	(6,837)	-
EUR/USD	0.9487	3,410	(36,232)	(3,410)	36,232

					Thousands of euros
		10% depreciation of the euro		10% appreciation of the euro	
Currency	Exchange rate at Dec 31, 2015	Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
ARS/EUR	14.2097	122	-	(122)	-
BRL/EUR	4.2512	-	1,880	-	(1,880)
COP/EUR	3428.8280	98	-	(98)	-
USD/EUR	1.0887	813	-	(813)	-
UYU/EUR	32.6044	(294)	-	294	-
MXN/EUR	18.8778	88	1,050	(88)	(1,050)

					Thousands of euros
		10% devaluation of the US dollar		10% appreciation of the US dollar	
Currency	Exchange rate at Dec 31, 2015	Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
ARS/USD	13.0400	(176)	(559)	176	559
BRL/USD	3.9048	-	3,265	-	(3,265)
COP/USD	3149.4700	(152)	-	152	-
MXN/USD	17.3398	12,863	37,050	(12,863)	(37,050)
UYU/USD	29.9480	4,399	-	(4,399)	-
EUR/USD	0.9185	(22,164)	(37,947)	22,164	37,947

Price risk

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

Interest-rate risk

The Group has issued bonds in the international capital markets at the corporate level (300 million US dollars and 500 million euros); these bonds carry fixed coupons. It has also issued marketable bonds at a fixed rate in Uruguay (145 million Uruguayan pesos of indexed bonds and 4 million US dollars). The rest of the Group's borrowings, which stood at around 73 million euros at December 31, 2016, are typically benchmarked to floating rates (Euribor/Libor/TIIE).

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

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

		Thousands of euros	
Input change	**Increase (+) / decrease (-) in interest rate (basis points)**	**2016**	**2015**
Impact on after-tax profit	+50	(459)	(627)
	-50	459	627
Impact on equity	+50	(459)	(627)
	-50	459	627

c.2) Credit risk

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

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

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

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

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

Maximum exposure

The Group's exposure to credit risk, mitigated by its takings, is mainly attributable to trade receivables, which mainly comprise amounts advanced to owners of hospitality establishments in respect of their share of the takings from the slot machines located in their establishments, and the balances due from the CIE Group companies. The amounts corresponding to these items are presented in the consolidated statement of financial position net of bad debt impairment provisions of 81,202 thousand euros at December 31, 2016 (81,419 thousand euros at year-end 2015).

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

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

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

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

	Thousands of euros	
	Year-end 2016	**Year-end 2015**
Trade receivables	81,202	81,419
Cash and cash equivalents	142,057	110,326
Other financial assets	63,253	42,750
	286,512	**234,495**

c.3) Liquidity risk

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

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

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

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

	Balance at December 31, 2016	Between 01/01/2017 and 31/03/2017	Between 01/01/2017 and 31/12/2017	Between 01/01/2017 and 31/12/2018	Between 01/01/2017 and 31/12/2021
Current assets					
Short-term securities portfolio	-	-	-	-	-
Cash and cash equivalents	142,057	142,057	142,057	142,057	142,057
Total current assets	**142,057**	**142,057**	**142,057**	**142,057**	**142,057**
Non-current liabilities					
Bonds and other marketable securities	788,335	-	-	4,575	788,335
Non-current bank borrowings	49,619	-	-	22,391	49,619
Total non-current liabilities	**837,954**	**-**	**-**	**26,966**	**837,954**
Current liabilities					
Current bonds	12,223	1,053	12,223	12,223	12,223
Current bank borrowings	23,313	5,969	23,313	23,313	23,313
Total current liabilities	**35,536**	**7,022**	**35,536**	**35,536**	**35,536**
Net liquidity	**(731,433)**	**135,035**	**106,521**	**79,555**	**(731,433)**

					Thousands of euros
	Balance at December 31, 2015	**Between 01/01/2016 and 31/03/2016**	**Between 01/01/2016 and 31/12/2016**	**Between 01/01/2016 and 31/12/2017**	**Between 01/01/2016 and 31/12/2021**
Current assets					
Short-term securities portfolio	2	2	2	2	2
Cash and cash equivalents	110,326	110,326	110,326	110,326	110,326
Total current assets	**110,328**	**110,328**	**110,328**	**110,328**	**110,328**
Non-current liabilities					
Bonds and other marketable securities	-	-	-	-	-
Non-current bank borrowings	76,375	-	-	22,788	76,375
Total non-current liabilities	**76,375**	**-**	**-**	**22,788**	**76,375**
Current liabilities					
Current bonds	1,276,209	1,276,209	1,276,209	1,276,209	1,276,209
Current bank borrowings	147,496	133,588	147,496	147,496	147,496
Total current liabilities	**1,423,705**	**1,409,797**	**1,423,705**	**1,423,705**	**1,423,705**
Net liquidity	**(1,389,752)**	**(1,299,469)**	**(1,313,377)**	**(1,336,165)**	**(1,389,752)**

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

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

d) Capital management

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

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

- Internal cash flow generation across its core businesses.

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

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

At December 31, 2016, the Group presented equity attributable to equity holders of the parent of 98,503 thousand euros, which is 708,161 thousand euros more than at December 31, 2015, due mainly to the Group restructuring exercise, offset by a loss of 1,125,886 thousand euros attributable to equity holders of the parent in 2016 and a 46,109 thousand euro increase in negative net translation differences.

e) Fair value estimation

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

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

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

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

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

Assets /liabilities (Level 2)	**Thousands of euros**	
	2016	**2015**
Provision for options	(3,097)	(3,433)

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

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

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

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

The fair value of the Group's notes at December 31, 2016 is as follows:

	Thousands of euros
	Year-end 2016
Notes issued by Hípica Rioplatense Uruguay, S.A.	20,008
Notes issued by Codere Finance II, S.A.	787,661
	807,669

At December 31, 2015, Group management determined that the fair value of its notes was dictated by the then-ongoing process of restructuring the said notes, as outlined in note 3 f). As a result, that fair value was deemed to constitute the following concepts:

1. The fair value of the New Notes exchanged: the fair value coincided with their face value, which was 519.9 million US dollars (equivalent to 475 million euros using the exchange rate agreed upon on December 10, 2015).

2. The fair value of 97.78% of the shares of Codere, S.A.: the Group concluded, based on its financial advisors’ analysis, that the quoted share price was not representative of the shares' fair value for the following reasons:

   - High volatility coupled with scant liquidity (free float: 30%).
   - Scant coverage by the research analyst community.
   - Highly subjective price formation due to the Group's 'distressed' situation.
   - Unique characteristics of the shares, which will be subject to certain transfer restrictions, to be issued pursuant to the capitalization exercise.

   As a result of the foregoing, the Group determined the value of the Codere, S.A. shares using existing internal financial projections; this yielded a valuation range of between approximately 225 and 325 million euros for 100% of the shares, a figure impacted significantly by the trend in exchange rates.

The fair value of the bonds outstanding at December 31, 2015 so determined amounted to 744 million euros, of which 475 million euros corresponded to the fair value of the New Notes exchanged and 269 million euros to the fair value of 97.78% of the shares of Codere, S.A (using the mid-point of the valuation range obtained).

As for the senior debt facility outstanding at December 31, 2015, management determined that its fair value was equivalent to its face value due to both the terms and conditions of the intercreditor agreement between the holders of the notes and of the senior debt facility (under which the later ranked senior to the former) and the terms of the restructuring agreement itself, which guaranteed the full repayment of this instrument.

As for its other financial liabilities, beyond the impact that the then-ongoing debt renegotiation could have, and in light of the fact that the subsidiaries holding them showed no signs of risk, their amortized cost, subject to variable market conditions, was considered a reasonable approximation of their fair value.

Fair value of investment properties.

The fair value of the Banamex Center was assessed at 93 million euros in 2012 by an independent expert with renowned expertise and experience. This appraisal had been conducted against the backdrop of the acquisition of Icela. However, management decided that an *ad hoc* appraisal of that property, using objective and comparable real estate market benchmarks, was not the best indicator of the building's fair value as the property is subject to a 50-year government concession (which terminates in 2048) that attaches certain conditions for its exploitation as a private service that make it unique. The Group accordingly updated its assessment of the fair value of that property based on the estimated future cash flows due under the lease agreement outlined in note 8, which defines both the cash flows and investment commitments assuming continuity of the agreement (assuming growth and using a discount rate of 10.5%, in line with the rate used to test the Mexican CGU for impairment). The growth rate used to calculate the terminal value of each CGU is equivalent to the annual change in the consumer price index contemplated in prevailing macroeconomic forecasts for each country over the long term; in the case of Mexico this value is 3%. Based on that analysis, the fair value at December 31, 2016 amounted to 64.4 million euros (year-end 2015: 79.1 million euros).

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

f) Financial restructuring process

The Codere Group completed its financial restructuring process in April 2016. The highlights of this process are detailed below:

Conclusion of the restructuring process

On December 23, 2015, the Scheme of Arrangement (the "Scheme") became effective following the delivery of the order of the High Court of Justice of England and Wales sanctioning the Scheme to the Registrar of Companies in England and Wales.

The purpose of the Scheme, a procedure provided for under the UK Companies Act, was to obtain judicial authorization binding on all creditors for implementation of the Restructuring.
All the milestones envisaged under the scope of the Scheme were delivered on April 29, consummating the Restructuring of the bonds issued as of that date, namely:

- 760,000,000 euros of 8.25% senior notes due 2015.
- 300,000,000 US dollars of 9.25% senior notes due 2019.

The New Notes

Codere Finance 2 (Luxembourg) S.A., a Luxembourg-domiciled subsidiary of Codere, has issued (note 19):

(a) 218,940,000 US dollars (being the US dollar equivalent of 200,000,000 euros) of second lien senior notes (the "**New Cash Notes**");

(b) 164,205,000 US dollars (being the US dollar equivalent of 150,000,000 euros) of second lien senior notes (the "**New Second Lien Exchange Notes**"); and

(c) 355,778,000 US dollars (being the USD equivalent of 325,000,000 euros) of third lien senior notes (the "**New Third Lien Notes**").

The New Notes have a 5.25 year term. The New Cash Notes and the New Second Lien Exchange Notes carry a 5.5% cash pay coupon and a 3.5% PIK coupon. The New Third Lien Notes have a 9% PIK coupon. The New Second Lien Notes rank in priority to the New Third Lien Notes. The obligations under the New Notes have the benefit of guarantees and security from companies within the Codere Group.

The exchange rate applied in determining the US dollar equivalent of the above euro amounts is the spot FX rate published by Thomson Reuters as at 5 p.m. London time on December 10, 2015, being EUR1 = USD1.0947.

Exchange of the Existing Notes

The holders of the Existing Bonds (the "**Scheme Creditors**") agreed the exchange of:

(a) The US dollar equivalent of 475,000,000 euros of the Existing Notes (519,982,500 US dollars) for the New Second Lien Exchange Notes and Third Lien Notes; and

(b) The remaining Existing Notes for new shares issued by Codere.

Provision of New Money

The Codere Group has raised 437,800,000 US dollars (being the US dollar equivalent of 400,000,000) of new money by means of the issue of:

a) 218,940,000 US dollars (being the US dollar equivalent of 200,000,000 euros) of second lien senior notes (the "**New Cash Notes**");

b) 218,940,000 US dollars (being the US dollar equivalent of 200,000,000 euros) of new senior private notes, issued by Codere Finance 2 (Luxembourg) S.A. (the "**New Senior Private Notes**"). The New Senior Private Notes have a five year term and carry an annual cash coupon of Euribor (subject to a minimum rate of 1%) plus 7%. The New Senior Private Notes are senior in ranking to the New Notes. The obligations under the New Senior Private Notes have the benefit of guarantees and security from companies within the Codere Group.

Issue of new shares in Codere and reallocation of the Codere shares

On April 6, 2016, Codere issued 2,474,678,091 new shares with the relevant share premium, each such share having a par value of 0.20 euros (the "**Codere Shares**").

Pursuant to the Scheme, the Scheme Creditors agreed that the Codere Shares allocated to them pursuant to the Note Exchange would be reallocated. Immediately following such reallocation, the Codere Shares were held as follows:

(a) 61.311% were held by the New Cash Notes Purchasers;

(b) 4.007% were held by Scheme Creditors holding New Second Lien Notes;

(c) 2.004% were held by Scheme Creditors holding New Third Lien Notes;

(d) 19.614% were held by Scheme Creditors (the "**Set Aside Shares**") (as a prelude to the sale of certain shares in Codere to two key members of management);

(e) 10.018% were held by the New Cash Notes Backstop Providers;

(f) 1.002% were held by the New Senior Private Notes Backstop Providers; and

(g) 2.044% were held by the Global Coordinator.

The Codere Shares are freely tradeable, subject to the restrictions contained in a shareholders' agreement dated April 6, 2016 (the "**Shareholder Agreement**"). The shares existing at the time of the above share issue represent 2.176% of Codere's total issued capital in the wake of the issue and are not party to the Shareholder Agreement.

Shares delivered to the Key Executives

In order to preserve the value of the New Notes issued pursuant to the Restructuring and maximize the creation of future value in the equity of Codere, the Scheme Creditors considered it of critical importance that two key members of management (José Antonio Martinez Sampedro and Javier Martinez Sampedro) (the "**Key Executives**") invest in the shares of Codere once restructured in order to align their economic interests on a permanent basis and thus preserve their continuity of ownership in light of the institutional and governmental relationships considered necessary to the successful continuation of the Codere Group's licensed businesses. Therefore, pursuant to the Scheme and as a condition to the Restructuring, the Scheme Creditors sold, and the Key Executive Purchasers purchased, the Set Aside Shares.

Corporate restructuring

Pursuant to the Restructuring:

(a) Codere contributed all of its assets and liabilities to a newly formed Spanish subsidiary, Codere Newco, S.A. ("**Codere Newco"**) in return for all the shares in Codere Newco, in accordance with article 72 of the Spanish Law on Structural Changes to Corporate Enterprises.

(b) Codere Luxembourg 2 S.à r.l. ("LUXCO 2") was incorporated as a wholly-owned subsidiary of Codere by way of a share for share contribution, i.e. Codere received shares in Luxco 2 in exchange for transferring all of its shares in Spanish Newco to Luxco 2; and

(c) Codere Luxembourg 1 S.à r.l. ("**Luxco 1**") was incorporated as a subsidiary of Codere by way of a share for share contribution, i.e. Codere received shares in Luxco 1 in exchange for transferring all of its shares in Luxco 2 to Luxco 1.

Board appointments and resignations

Pursuant to the terms of the Restructuring:

(a) With effect from April 28, 2016, the following parties resigned from the Board of Directors of Codere:

  (i) Encarnación Martínez Sampedro;
  (ii) José Ramón Romero Rodríguez;
  (iii) José Ignacio Cases Méndez;
  (iv) Juan Junquera Temprano;
  (v) Eugenio Vela Sastre; and
  (vi) Juan José Zornoza Pérez.

(b) On that same date, the following parties were newly appointed to the Board of Directors of Codere:
   (i) Manuel Martínez-Fidalgo Vázquez;
   (ii) Norman Raúl Sorensen Valdez;
   (iii) Matthew Turner;
   (iv) David Anthony Reganato; and
   (v) Timothy Lavelle.

Repayment of the existing senior facilities agreement

The senior facilities agreement originally dated October 19, 2007 (as amended and/or restated from time to time) between, amongst others, Codere as borrower and the lenders thereunder has been repaid (or, in the case of the letters of credit issued thereunder, cash collateralized) in full and the guarantees and security thereunder released.

Accounting impact of the capitalization of existing loans into shares

Codere capitalized loans into shares on April 6, 2016. The capitalization exercise implied, from a corporate law standpoint, an increase in issued capital of 494,935,618.20 euros and an increase in the share premium of 330,670,249.07 euros.

Under International Financial Reporting Standards, the equity instruments issued (which represent 97.78% of Codere's shares) must be measured at fair value and the difference between the carrying amount of the financial liability extinguished (825.6 million euros) and the fair value of the equity instruments issued must be recognized in profit or loss.

From an accounting standpoint, in order to recognize the capitalization in its consolidated financial statements, the Codere Group decided to stringently apply the fair value hierarchy guidance stipulated in IFRS 13 *Fair Value Measurement,* which prioritizes the use of Level 1 inputs, namely *"quoted prices in an active market"*.

As a result, the Group used the quoted price for Codere's shares on the continuous market as of the capitalization date, i.e., April 6, 2016 (0.76 euros per share), as its reference price. This implied, multiplying this price by the total number of shares issued by Codere (2,473,554,898 shares, equivalent to 97.87% of capital), measuring the increase in the Company's equity at 1,879.9 million euros for accounting purposes. Given that the carrying amount of the financial liability extinguished was 825.6 million euros, the difference (in this case a loss of 1,054.3 million euros) had to be recognized as finance cost in profit or loss for the period.

The Group considered whether this accounting treatment might not properly reflect the economic substance of the transaction. Among other things, it was prompted to do so because the resulting accounting entry in equity may not reflect the value of the capital injection actually made which, in theory, would be roughly the market value of the debt cancelled as of the date of its cancellation (as acknowledged in IFRIC 19, *Extinguishing financial liabilities with equity instruments*). In fact, the accounting treatment used implies applying a value to the debt cancelled that is substantially higher than its face value, which is not consistent with the fact that the notes in question were in default at maturity.

The range of possible methods for arriving at the fair value of Codere's shares included the following:

- Quoted price on the continuous market as of the date of their capitalization.

- Valuation, with the assistance of an external expert, using generally accepted discounted cash flow and comparable company valuation methods.

- Trading prices on secondary markets.

From a fair value standpoint, the analysis performed calls the use of the quoted price into question from several vantage points. First of all, there was the matter of the significant difference between the face value of the issued notes, whose cancellation was essentially the reason for the equity issue and whose value was that contributed to the firm as part of the capitalization exercise, and the figure resulting from application of the quoted price of the equity instrument issued. Secondly, the existence of additional market information regarding transaction prices (quotes) for the newly-issued shares, namely the prices at which the shares were being exchanged by specialized agents (given the trading restrictions in force under the shareholder lock-up agreement to which the new shares are subject). Thirdly, the trend in the share price during the period analyzed in terms of (i) share price volatility relative to its peer set; (ii) trading volume instability and scant liquidity post-restructuring; and (iii) very considerable differences between the high and low share prices over the prior six and 12 months. Fourthly, the distressed nature of the Company's finances and the price formation subjectivity implied by this situation, exacerbated by a lack of coverage by the equity analyst community. Lastly, the analysis conducted by the Company itself, with the assistance of independent experts, using generally accepted business valuation methods (discounted cash flow and comparable companies analysis) called into question the appropriateness of the quoted price on the continuous market as a proxy for fair value.

As a result, the Group explored the potential arguments put forward in IFRS 13 as grounds for not using Level 1 inputs (in this instance, the quoted price in an active market) to account for the transaction. Among other things, the Group assessed the unit of account for valuation purposes (a sole traded share compared to the universe of shares representing 97.78% of the firm), the circumstances warranting the application of an adjustment to a Level 1 input and the examples provided in the standard for when a Level 1-determined fair value might be called into question.

Although the above-mentioned analysis reinforces the notion that the quoted price may not have duly represented the economic substance of the transaction, it did not provide an incontrovertible interpretation of the corresponding paragraphs of IFRS 13 concluding that the use of Level 1 inputs should be disregarded or adjusted, as advocated in the standard's wording.

As a result, despite the fact that the Codere Group believes that the quoted share price may not properly reflect the economic substance of the capitalization transaction, it was decided, interpreting the prescribed accounting treatment in the strictest sense, to use the quoted price on the continuous market as the benchmark for the fair value of the shares issued by Codere representing 97.78% of total shares. As a result, the Group recognized a loss of 1,054.3 million euros within finance costs in its statement of profit or loss for the six months ended June 30, 2016.

The shares' fair value restatement has been recognized under “Retained earnings”; the increases in the issued capital (494,936 thousand euros) and share premium (330,670 thousand euros) accounts have been recognized at their registered amounts.

It is worth noting that the choice of valuation methodology (quoted price vs. discounted cash flow analysis vs. comparable company analysis) for arriving at the fair value of the shares of Codere, S.A. does not vary the impact on equity.

Financial refinancing process

On November 8, 2016, the Company closed the issuance of 500,000,000 euros of senior secured notes due November 1, 2021 (the "Euro Notes") and 300,000,000 US dollars of senior secured notes due November 1, 2021 (the "US Dollar Notes" and, together with the Euro Notes, the "Notes"). The annual coupon on the Euro Notes is 6.750%, while the coupon on the US Dollar Notes is 7.625%.

The total aggregate proceeds from the two issues, coupled with cash at hand, have been used to refinance USD1,006.9 million of existing notes (principal and interest accrued as of the repayment date), including:

- 218.9 million US dollars of New Senior Private Bonds and 1.6 million US dollars of interest.

- 389.6 million US dollars of Second Lien Notes (series 3), 5.2 million US dollars of interest and a 7.8 million US dollar early cancellation fee.

- 371.3 million US dollars of Third Lien Notes (series 3), 4.9 million US dollars of interest and a 7.4 million US dollar early cancellation fee.

The Notes carry issue ratings of B24 and B from Moody's Investor Services and S&P Global Ratings, respectively, in line with Moody's and S&P's issuer ratings of B2 (stable) and B (stable).

Bank of America Merrill Lynch acted as global coordinator of the Notes offering, alongside Barclays, Jefferies and Morgan Stanley, which acted as placement agents. In addition, Codere, S.A., in its capacity as parent guarantor, and Codere Newco, S.A.U., as borrower, entered into a 95 million-euro super senior multi-currency revolving facility on October 24, 2016. This facility had not been drawn down as of the date of publication of the accompanying consolidated financial statements.

4. Critical accounting estimates and judgments

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

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

a) Estimated impairment of goodwill

The Group tests its goodwill for impairment annually, 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).

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

b) Income tax

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

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

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

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

c) Fair value of derivatives and other financial assets

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

d) Provisions for litigation and other contingencies

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

e) Claims in Mexico

(i) <u>Tax lawsuits in Mexico</u>

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

- The inspection of Codere Mexico and one of its subsidiaries in respect of 2008 and 2009 concluded in 2016. As a result, the Mexican companies have filed additional returns for those years in an aggregate amount of 64.4 million Mexican pesos (3 million euros at December 31, 2016). In addition, as a result of differing interpretations of tax law by the Group and the tax authorities, the latter have raised a tax assessment of 66.7 million pesos (3.1 million euros at December 31, 2016) which the Group plans to appeal before the corresponding courts.

- In March 2015, Codere Mexico filed an appeal before the Federal Court of Tax and Administrative Justice of Mexico against the tax assessment raised in 2012 as a result of the overruling of the deduction of certain exchange losses in 2008.

- The appeal filed against the claim presented by the Secretariat of Finance of the Federal District of Mexico in relation to the omission of local tax for bonuses paid and the inadmissible deduction of the bonuses in arriving at taxable income has been ruled on in favor of the subsidiary.

- A claim presented by the Mexican tax authorities in relation to the import of slot machines by Codere Mexico in 2009 and 2010 seeking fines for failure to comply with official Mexican rules regarding equipment imports. In August 2016, the Group presented an appeal before the country's Supreme Court of Justice.

- A claim presented by the Mexican tax authorities in relation to the non-payment of Mexican gaming taxes (IEPS) on certain bank deposits. In August 2016, the Group presented an appeal before the country's Supreme Court of Justice.

In relation to the last two claims, the lodging of appeals against the assessments raised has required the presentation of sureties before the Mexican tax authorities (note 22).

The claims associated with these tax contingencies amount to approximately 62.6 million euros (1.36 billion Mexican pesos) at most. The Group's directors, based on the reports of its legal advisors, believe that the amounts provided for, as disclosed in note 18.1, to cover the risks associated with its Mexican businesses are sufficient and adequate (provision of 134.1 million Mexican pesos, equivalent to 6.2 million euros at December 31, 2016).

f) Accounting impact of share-based payments

The share-based payments made in 2016 are itemized below:

1. Issuance of warrants to Executive Directors and Senior Officers

The shareholders, in general meeting on November 10, 2016, ratified the terms of the Shareholder Agreement of April 6, 2016 in relation to the issuance of the following warrants:

- A first tranche of warrants for the Company's Executive Directors, by means of the issuance of new ordinary shares, with a current par value of 0.20 euros apiece: these warrants will be issued with an exercise price of 0.4074 euros per share. The term for exercising them is from their date of issuance until October 29, 2017.

- A second tranche of warrants for the Company's Senior Officers, by means of the issuance of new ordinary shares, with a current par value of 0.20 euros apiece: these warrants will be issued with an exercise price of 0.4074 euros per share. The term for exercising these warrants is up to five years from their date of issuance.

The terms of the warrants for the Executive Directors were defined in the Shareholder Agreement entered into on April 6, 2016 and the warrants themselves were granted on November 10, 2016, the date of the Annual General Meeting, which is why the obligation is deemed to have been accrued by Codere, S.A. at the reporting date.

In contrast, the obligation in respect of the warrants for the Senior Officers is not deemed to have accrued at December 31, 2016 for the following reasons:

- It has not been determined to which senior officers the shares will be awarded or how the warrants will be divided up among them. As a result, as of the reporting date, there is no counterparty in a position to claim their right vis-a-vis the Company to exercise the warrants.

- The Board of Directors of Codere is authorized to to determine which members of the Codere Group's senior management will be eligible for award of the warrants. Given that the power to determine how the warrants will be awarded has been delegated in the Board, we believe that Codere will not accrue the related obligation until the Board specifies the above aspects relating to these warrants.

- The Board of Directors of Codere has not committed or assumed any obligation whatsoever regarding the issuance of the warrants to the Senior Officers, such that it cannot be construed to be an obligation for the Company.

The date of measurement of the warrants granted to the Executive Directors is, therefore, November 10, 2016, the date of the Annual General Meeting. As for the accounting treatment of the warrants, the first step is to determine the fair value of the call option that Codere, S.A. has awarded the Executive Directors. In order to value the option, the following variables were considered:

- Spot price: the fair value of the Codere, S.A. shares delivered.
- Market conditions stipulated for the resulting shares (in this instance related to their transferability once exercised).
- Exercise price: 0.4074 euros.
- Share price volatility.
- Other variables (risk-free rate, duration of the warrant, etc.)

Regarding the fair value of Codere, S.A.'s shares, it is important to note that the shares to be delivered to the Executive Directors, in the event they exercise their warrants, are subject to the terms of the Shareholder Agreement, which means that certain restrictions are attached to their transfer.

Among other matters, and at all times in keeping with prevailing legislation, the Shareholder Agreement defines the following:

- The duties and roles of the Executive Chairman and the mechanisms for substituting him and the Company's management team.
- The mechanisms for appointing members of the Board of Directors of Codere, S.A. and definition of the Board Committees and their duties.
- Limitations, restrictions and obligations incumbent upon the Agreement signatories in the event of share issues, mergers with third parties or the sale of the Company.
- Transfer limitations (obligation on the part of the seller to ensure that the buyer endorses the Shareholder Agreement).
- Conditions for amending the Shareholder Agreement and for terminating it.

It is therefore deemed that, given the existence of permanent restrictions on the transfer of the shares in question after their grant, the fair value of Codere, S.A.'s shares for these purposes must be determined using the fair value of the shares bound by the Shareholder Agreement. In fact, these shares are traded in the OTC market and, based on available market information (including transaction data), trading in these restricted shares is unrelated to that in the Codere, S.A. shares traded on the stock exchange. Accordingly, the fair value on the OTC market is deemed the appropriate measure for the equity instrument awarded.

The price references for these transactions were taken from information published by financial sources. The fair value of the warrants, using the above measure, amounts to 6 million euros and has been recognized under 'Employee benefits expense' in the consolidated statement of profit or loss with a balancing entry in equity.

2. <u>Share-based payments to the financial advisor, Houlihan Lockey</u>

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

In this instance, the Company is in a position to value the service provided by the financial advisor on the basis of comparable transactions as there are figures for similar services provided by other financial advisors. The fair value of the service provided in exchange for these shares amounts to 5 million euros and has been recognized under 'Other operating expenses' in the consolidated statement of profit or loss with a balancing entry in equity.

g) Stability Act in Italy

The Stability Act passed in Italy on December 29, 2014 included the introduction of a new gaming tax from 2015 to be levied on gaming companies operating in Italy with the aim of boosting annual tax revenue by 500 million euros. The annual payment, from 2015, was to be distributed among the 13 network concessionaires on the basis of each operator's number of network-connected slot machines. *Amministrazione Autonoma dei Monopoli dello Stato* (Italy's betting and gaming authority, the AAMS for its acronym in Italian) determined on January 15, 2015 that the tax payable by Codere Network, S.p.A. in this respect was 22 million euros. This amount was to be distributed among all of the participants in Codere Network, S.p.A.'s value chain.

Of the 22.4 million euros corresponding to Codere Network, S.p.A., 12.9 million euros have been paid to the AAMS as of the date of publication of the accompanying financial statements, leaving approximately 9.5 million euros pending collection and settlement. The Group believes, based on the opinion of its legal advisors, that Codere Network, S.p.A. is not liable for the amount pending payment, the obligation to make the payment being incumbent upon the rest of the participants in Codere Network, S.p.A.'s value chain, which are not Codere Group companies.

In addition, the Codere Group companies have paid an additional 1.4 million euros in respect of the tax levied under the Stability Act for the machines connected up to the networks operated by other concessionaires.

h) Non-controlling interests

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

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

	Thousands of euros	
Summarized financial information on subsidiaries with material non-controlling interests at December 31, 2016	**Icela S.A.P.I. de C.V.**	**Grupo Caliente S.A.P.I. de C.V**
Intangible assets	140,194	66,760
Property, plant and equipment	113,425	25,175
Investment properties	54,171	-
Deferred tax assets	2,206	10,126
Other non-current assets	527	1,189
Cash and cash equivalents	18,913	5,204
Profit/(loss) for the year	(20,853)	19,500

	Thousands of euros	
Summarized financial information on subsidiaries with material non-controlling interests at December 31, 2015	**Icela S.A.P.I. de C.V.**	**Grupo Caliente S.A.P.I. de C.V**
Intangible assets	166,993	84,907
Property, plant and equipment	133,554	30,780
Investment properties	64,607	-
Deferred tax assets	3,113	12,960
Other non-current assets	565	1,191
Cash and cash equivalents	13,141	4,349
Profit/(loss) for the year	19,589	(68,419)

The table below itemizes the non-cancelable commitments under operating leases of the two above-mentioned companies at December 31, 2016 and 2015:

	Thousands of euros			
				Total payments
	In the next year	1-5 years	Over 5 years	Beyond
Total non-cancelable commitments, year-end 2016	4,194	12,567	-	16,761
Total non-cancelable commitments, year-end 2015	6,655	8,863	-	15,518

Dividends paid to these non-controlling interests totaled 1,668 thousand euros in 2016 (1,680 thousand euros in 2015).

5. Information about reportable segments

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

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

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

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

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

(Thousands of euros)

a) Operating segments

2016 statement of profit or loss	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Inter-segment transactions (*)	Total
Revenue											
External customers	170,226	329,784	532,772	24,724	321,537	18,635	1,577	98,149	16	-	1,497,420
Inter-segment	-	-	-	-	-	-	-	-	38,943	(38,943)	-
	170,226	329,784	532,772	24,724	321,537	18,635	1,577	98,149	38,959	(38,943)	1,497,420
Operating expenses											
Depreciation and amortization	(20,542)	(39,177)	(10,110)	(3,029)	(16,814)	(1,816)	(425)	(9,557)	(894)	-	(102,364)
Change in provisions for bad debt	(804)	5	-	6	(983)	(3,903)	-	(129)	-	-	(5,808)
Other operating expenses	(138,473)	(231,677)	(395,254)	(19,547)	(295,575)	(30,574)	(6,160)	(79,359)	(120,473)	-	(1,317,092)
Asset impairment	-	-	-	-	-	13,482	-	-	-	-	13,482
	(159,819)	(270,849)	(405,364)	(22,570)	(313,372)	(22,811)	(6,585)	(89,045)	(121,367)	-	(1,411,782)
Gain/(loss) on derecognition/disposal of assets	(697)	(735)	6	63	(544)	14,490	-	-	-	-	12,583
Inter-segment expenses	(2,415)	(11,843)	(18,976)	(1,269)	(1,027)	(66)	-	(3,347)	-	38,943	-
OPERATING PROFIT/(LOSS)	7,295	46,357	108,438	948	6,594	10,248	(5,008)	5,757	(82,408)	-	98,221
Finance income - external	136	1,437	2,169	106	63	66	32	120	894	-	5,023
Finance income - inter-segment	-	-	-	-	-	-	-	-	55,631	(55,631)	-
Finance costs - external	(2,101)	(4,125)	(1,747)	(433)	(899)	(3,483)	(21)	(319)	(1,173,530)	-	(1,186,658)
Finance costs - inter-segment	1,398	(44,175)	253	121	(6,405)	(1,552)	(4,132)	(1,139)	-	55,631	-
Change in financial-asset impairment provisions	-	-	-	-	(731)	(953)	-	-	(2,116)	-	(3,800)
Net exchange differences	(5)	(32,228)	280	(51)	-	(834)	453	160	(4,851)	-	(37,076)
NET FINANCE INCOME/(COST)	(572)	(79,091)	955	(257)	(7,972)	(6,756)	(3,668)	(1,178)	(1,123,972)	-	(1,222,511)
PROFIT/(LOSS) BEFORE TAX	6,723	(32,734)	109,393	691	(1,378)	3,492	(8,676)	4,579	(1,206,380)	-	(1,124,290)
Income tax	(6,710)	11,623	(38,484)	(351)	(2,049)	(136)	(582)	(798)	749	-	(36,738)
Share of profit/(loss) of equity-accounted investees	-	(2)	-	-	(225)	4,180	-	-	-	-	3,953
PROFIT/(LOSS) FOR THE YEAR	13	(21,113)	70,909	340	(3,652)	7,536	(9,258)	3,781	(1,205,631)	-	(1,157,075)
GROUP PROFIT/(LOSS) FOR THE YEAR											
Attributable to:											
Non-controlling interests	869	(21,421)	917	106	(89)	(11,909)	-	338	-	-	(31,189)
Equity holders of the parent	(856)	308	69,992	234	(3,563)	19,445	(9,258)	3,443	(1,205,631)	-	(1,125,886)
GROUP PROFIT/(LOSS)	13	(21,113)	70,909	340	(3,652)	7,536	(9,258)	3,781	(1,205,631)	-	(1,157,075)

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

(Thousands of euros)

2015 statement of profit or loss	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Inter-segment transactions (*)	Total
Revenue											
External customers	155,884	355,302	681,753	28,653	284,210	27,857	2,415	103,434	16	-	1,639,524
Inter-segment	-	-	-	-	-	-	-	-	42,313	(42,313)	-
	155,884	355,302	681,753	28,653	284,210	27,857	2,415	103,434	42,329	(42,313)	1,639,524
Operating expenses											
Depreciation and amortization	(19,066)	(50,788)	(15,665)	(3,535)	(16,514)	(2,834)	(492)	(12,001)	(1,220)	-	(122,115)
Change in provisions for bad debt	338	(2)	-	(6)	(315)	(25)	-	(31)	(87)	-	(128)
Other operating expenses	(129,695)	(252,594)	(511,821)	(20,603)	(256,179)	(30,844)	(3,783)	(88,447)	(90,888)	-	(1,384,854)
Asset impairment	-	-	-	4,820	(7,941)	-	-	-	-	-	(3,121)
	(148,423)	(303,384)	(527,486)	(19,324)	(280,949)	(33,703)	(4,275)	(100,479)	(92,195)	-	(1,510,218)
Gain/(loss) on derecognition/disposal of assets	(423)	(4,416)	-	47	(109)	-	-	(6)	-	-	(4,907)
Inter-segment expenses	(1,558)	(11,173)	(23,863)	(1,157)	(1,294)	(100)	-	(3,168)	-	42,313	-
OPERATING PROFIT/(LOSS)	5,480	36,329	130,404	3,399	1,858	(5,946)	(1,860)	(219)	(49,866)	-	124,399
Finance income - external	181	1,128	272	43	239	8	2	129	1,555	-	3,557
Finance income - inter-segment	-	-	-	-	-	-	-	-	54,364	(54,364)	-
Finance costs - external	(2,385)	(7,439)	(3,568)	(254)	(159)	(3,300)	(56)	(706)	(117,397)	-	(135,264)
Finance costs - inter-segment	623	(43,620)	252	156	(6,252)	(579)	(4,118)	(826)	-	54,364	-
Change in financial-asset impairment provisions	(32)	-	-	-	(45)	-	-	-	(21,088)	-	(21,165)
Net exchange differences	(2)	(25,835)	(550)	210	-	(8,083)	(461)	826	(16,574)	-	(50,469)
NET FINANCE INCOME/(COST)	(1,615)	(75,766)	(3,594)	155	(6,217)	(11,954)	(4,633)	(577)	(99,140)	-	(203,341)
PROFIT/(LOSS) BEFORE TAX	3,865	(39,437)	126,810	8,374	(4,359)	(17,900)	(6,493)	(796)	(149,006)	-	(78,942)
Income tax	(1,538)	(10,568)	(47,699)	(1,000)	(2,895)	(3)	(580)	700	363	-	(63,220)
Share of profit/(loss) of equity-accounted investees	-	(107)	-	-	(256)	3,079	-	-	-	-	2,716
PROFIT/(LOSS) FOR THE YEAR	2,327	(50,112)	79,111	7,374	(7,510)	(14,824)	(7,073)	(96)	(148,643)	-	(139,446)
GROUP PROFIT/(LOSS) FOR THE YEAR											
Attributable to:											
Non-controlling interests	1,108	(22,802)	1,418	44	(325)	(4,766)	-	(931)	-	-	(26,254)
Equity holders of the parent	1,219	(27,310)	77,693	7,330	(7,185)	(10,058)	(7,073)	835	(148,643)	-	(113,192)
GROUP PROFIT/(LOSS)	2,327	(50,112)	79,111	7,374	(7,510)	(14,824)	(7,073)	(96)	(148,643)	-	(139,446)

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

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

Statement of financial position at December 31, 2016	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Total
Intangible assets	44,165	206,954	43,913	118	37,461	26,594	687	14,451	1,793	376,136
Property, plant and equipment	56,290	138,600	30,828	15,920	18,382	84,001	932	12,782	523	358,258
Goodwill	21,478	68,109	14,426	-	44,393	8,934	-	33,332	-	190,672
Investment properties	1,931	54,171	-	-	-	-	-	-	-	56,102
Investments in equity-accounted investees	-	714	-	-	(129)	-	-	-	-	585
Non-current financial assets	4,969	1,002	2,034	24	8,298	-	-	3,316	1,831	21,474
Deferred tax assets	2,908	12,333	2,150	387	7,951	5,941	-	591	15,821	48,082
Current assets	27,267	141,289	55,350	5,918	70,278	20,144	1,896	19,988	86,011	428,141
TOTAL ASSETS	**159,008**	**623,172**	**148,701**	**22,367**	**186,634**	**145,614**	**3,515**	**84,460**	**105,979**	**1,479,450**
Deferred income	-	-	-	-	-	-	-	-	14	14
Provisions	630	11,378	7,161	865	9,745	-	-	1,153	-	30,932
Non-current borrowings	29,264	82,453	1,553	1,968	16,091	50,029	-	4,554	780,226	966,138
Current liabilities	58,771	142,814	71,142	6,195	46,274	33,473	4,928	15,198	29,890	408,685
TOTAL LIABILITIES	**88,665**	**236,645**	**79,856**	**9,028**	**72,110**	**83,502**	**4,928**	**20,905**	**810,130**	**1,405,769**
OTHER DISCLOSURES										
Additions to non-current assets	**27,325**	**22,145**	**5,204**	**2,762**	**10,099**	**2,012**	**342**	**5,249**	**431**	**75,569**
Intangible assets	11,616	-	-	-	2,896	46	34	-	133	**14,725**
Property, plant and equipment	15,709	22,145	5,204	2,762	7,203	1,966	308	5,249	298	**60,844**
Other non-cash charges	2,045	955	1,690	33	1,627	-	-	-	10,905	**6,351**

(Thousands of euros)

Statement of financial position at December 31, 2015	**Spain**	**Mexico**	**Argentina**	**Colombia**	**Italy**	**Uruguay**	**Brazil**	**Panama**	**Holdcos**	**Total**
Intangible assets	37,986	251,901	56,659	85	45,074	28	688	18,316	2,308	413,045
Property, plant and equipment	48,802	164,334	32,495	13,836	17,973	26,629	687	13,142	562	318,460
Goodwill	21,478	78,691	17,026	-	44,392	-	-	32,273	-	193,860
Investment properties	1,958	64,607	-	-	-	-	-	-	-	66,565
Investments in equity-accounted investees	-	(105)	-	-	(205)	11,917	-	-	-	11,607
Non-current financial assets	4,559	1,860	2,053	23	6,940	-	-	3,135	2,835	21,405
Deferred tax assets	8,231	16,074	2,255	677	9,667	-	-	611	7,432	44,947
Other non-current assets	-	-	-	-	-	-	-	-	-	-
Current assets	22,486	147,793	37,242	6,237	65,983	15,420	680	20,045	55,269	371,155
TOTAL ASSETS	**145,500**	**725,155**	**147,730**	**20,858**	**189,824**	**53,994**	**2,055**	**87,522**	**68,406**	**1,441,044**
Deferred income	-	-	-	-	-	-	-	-	31	31
Provisions	623	16,525	4,885	88	9,089	-	-	1,131	-	32,341
Non-current borrowings	31,732	113,977	7,971	2,409	18,083	37,674	-	5,440	-	217,286
Current liabilities	59,605	177,131	54,983	5,544	45,832	12,150	3,255	21,384	1,427,442	1,807,326
TOTAL LIABILITIES	**91,960**	**307,633**	**67,839**	**8,041**	**73,004**	**49,824**	**3,255**	**27,955**	**1,427,473**	**2,056,984**
OTHER DISCLOSURES										
Additions to non-current assets	**19,473**	**16,645**	**10,034**	**3,327**	**6,771**	**1,274**	**1,194**	**3,182**	**577**	**62,477**
Intangible assets	6,741	-	3	-	2,924	23	676	-	440	**10,807**
Property, plant and equipment	12,732	16,645	10,031	3,327	3,847	1,251	518	3,182	137	**51,670**
Other non-cash charges	2,286	4,453	1,975	3	156	-	-	6	-	**8,879**

b) Business lines

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

6. Business combinations and changes in the scope of consolidation

a) Business combinations

a.1) 2016

Acquisition of 50% of HRU, S.A.

On November 30, 2016, Codere Uruguay, S.A. acquired 100% of Panama's Verfin Overseas, S.A., the holding company which owns 50% of Uruguay's HRU, S.A. (formerly called Hípica Rioplatense de Uruguay, S.A.) for 33 million dollars. This acquisition has the effect of increasing the Codere Group's shareholding in HRU, S.A. from 50% to 100%.

The following table sums up the carrying amounts, consideration and acquisition-date fair values of the identifiable assets acquired and liabilities assumed, determined on the basis of an independent expert report, and the non-controlling interest acquired:

Acquisition-date consideration	**Thousands of euros**
Cash	31,030
Fair value of the already-held interest	31,030
	62,060
Recognized amounts of identifiable assets acquired and liabilities assumed	
Intangible assets	26,624
Property, plant and equipment	40,770
Non-current financial assets	-
Deferred tax assets	5,929
Current assets	8,623
Cash and cash equivalents	7,645
Non-current liabilities	(16,463)
Provisions and contingent liabilities	
Deferred tax liabilities	(6,241)
Current liabilities	(13,782)
Total identifiable net assets	53,105
Non-controlling interest	-
Goodwill	8,955
Total	**62,060**

The fair value of the intangible assets acquired (the racetrack concession), in the amount of 24,842 thousand euros, is based on the valuation work performed by an independent expert using a discounted cash flow model built using the same projections as were used for impairment testing purposes.

The revenue contributed by HRU since November 30, 2016 and included in the consolidated statement of profit or loss amounts to 4,379 thousand euros. During that same two-month period, this company contributed 129 thousand euros of operating profit.

In addition, as stipulated in IFRS 3, Codere has remeasured its pre-existing 50% interest in HRU, S.A., unlocking a gain of 14,002 thousand euros, which is recognized under “Gain/(loss) on derecognition/disposal of assets” in the 2016 consolidated statement of profit or loss. The valuation provided by the independent expert ascribed a fair value to the Group's pre-existing 50% interest in HRU of 31,030 thousand euros.

a.2) 2015

The Group acquired PGO Services, S.r.l. for 2,755 thousand euros on July 29, 2015.

It acquired Garet, S.r.l. for 1,970 thousand euros on October 28, 2015.

Also on October 28, 2015, the Group acquired Game Over, S.r.l. for 224 thousand euros, of which 100 thousand euros was structured as a contingent consideration arrangement. That arrangement obliged Codere to pay the former shareholders a sum of cash in October 2016 as a function of EBITDA between November 2015 and October 2016. The fair value of the contingent consideration was estimated assuming that the probability of payment was 100%.

With the acquisition of the above three companies, the Codere Group expects to continue to expand its presence in the Italian market.

Of the intangible assets recognized in connection with the above business combinations, 2,704 thousand euros corresponded to customer portfolios of PGO Services, S.r.l. and 2,167 thousand euros to customer portfolios of Garet, S.r.l. The portfolios were measured at fair value using discounted cash flow methodology.

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

	PGO Services, S.r.L	Garet, S.r.L.	Game Over, S.r.L	Business combination
Acquisition date	July 29, 2015	October 28, 2015	October 28, 2015	
Shareholding acquired by the Group, %	51%	51%	51%	
Consideration:				
Cash	2,755	1,970	124	**4,849**
Contingent consideration			100	**100**
Goodwill	749	764	-	**1,513**
Intangible assets	3,427	2,167	-	**5,594**
Property, plant and equipment	1,465	305	178	**1,948**
Other non-current assets	659	101	-	**760**
Deferred tax assets	(18)	-	-	**(18)**
Current assets	1,102	272	93	**1,467**
Cash and cash equivalents	280	771	282	**1,333**
Non-current liabilities	(42)	(118)	(8)	**(168)**
Deferred tax liabilities	(852)	(683)	-	**(1,535)**
Current liabilities	(2,090)	(451)	(98)	**(2,639)**
Total identifiable net assets	3,931	2,364	447	**6,742**
Non-controlling interest	(1,927)	(1,159)	(219)	**(3,305)**
Revenue contributed since the date of acquisition	5,493	440	119	**6,052**
Profit/(loss) contributed since the date of acquisition	(507)	213	70	**(224)**
Revenue generated since January 1, 2015	12,521	2,099	574	**15,194**
Profit/(loss) generated since January 1, 2015	23	519	86	**628**

b) Changes in the scope of consolidation

b.1) 2016

The main changes in the consolidation scope included:

- Three Italian companies, PGO Service, S.r.l., Bintegral, S.p.A. and Parisienne, S.r.l., merged into another three Italian companies, Gap Games, S.r.l., Operbingo Italia, S.p.A. and Palace Bingo, S.r.l., respectively, on January 1, 2016.

- Administración Mexicana del Hipódromo IV, S.A. de C.V. was liquidated on March 31, 2016.

- On April 1, 2016, all of the assets and liabilities of Codere, S.A. were spun off and transferred to Codere Newco, S.A.U., a company incorporated on that same date.

- Codere Luxembourg 1, S.à.r.l. was incorporated on April 28, 2016. It is a holding company and the sole subsidiary of Codere, S.A.

- Codere Luxembourg 2, S.à.r.l. was incorporated on April 28, 2016. It is a holding company and the sole subsidiary of Codere Luxembourg 1, S.à.r.l.

- The Uruguayan branch of Codere Apuestas España, S.L. was incorporated on May 5, 2016; this entity's corporate object is to manage software licenses for sports-betting operations and to provide administrative support functions.

- Operibérica, S.A. acquired 100% of the shares of Milennial Gaming, S.A. for 31 thousand euros on August 2, 2016. This company's corporate object is the operation of gaming rooms and machines and the provision of sport-betting services.

- The 670 million peso capital increase ratified at the Extraordinary Assembly of Carrasco Nobile, S.A. on November 30, 2015 was executed on September 16, 2016. Codere México, S.A. de C.V. injected the sum corresponding to its ownership interest, namely 494 million pesos. As a result of the non-participation in this rights offering by the non-controlling shareholder, Sikeston, S.A., Codere México, S.A. de C.V. increased its shareholding from 73.7% to 100%.

- On September 29, 2016, Codere Apuestas España, S.L. sold 49% of Codere Apuestas Galicia, S.L. for 980 thousand euros, reducing its shareholding to 51%.

- Codere Apuestas Baleares, S.A. was incorporated on September 29, 2016.

- Codere Asesoría, S.A. and Codere Sagunto, S.L. merged into Operibérica, S.A. on September 30, 2016.

- Codere Apuestas Andalucía, S.A. was incorporated on November 17, 2016.

- 100% of Panama's Verfin Overseas, Inc., which owns 50% of HRU, S.A. (Hípica Rioplatense de Uruguay, S.A.), was acquired for 33 million dollars on November 30, 2016. This acquisition had the effect of increasing the Group's ownership interest in HRU, S.A. from 50% to 100% (note 6.a.1.). On that same date, the Group acquired 100% of Panama's Dongara Investments, Inc. for 1 million dollars. This company's corporate object is to manage the lawsuit filed by the Liberman Group against the Codere Group in respect of the Casino Carrasco concession. This sum of 1 million dollars is recognized within finance costs in the 2016 consolidated statement of profit or loss.

b.2) 2015

The main changes in the consolidation scope were:

- The consortium (UTE for its acronym in Spanish) set up by Argentine Group company Bingos del Oeste, S.A. and Bingos del Puente, S.A. to operate a gaming hall in the province of Buenos Aires was registered with the competent Argentine authority on January 8, 2015. Bingos del Puente, S.A. will bring the deeds to the building from which the gaming hall will operate to the consortium, while Bingos del Oeste, S.A. will contribute the permit to operate, run and manage the bingo gaming hall. The initially agreed-upon profit-sharing arrangement was that 43% of the consortium's profits would be allocated to Bingos del Puente, S.A. and 57% to Bingos del Oeste, S.A. As a result of investments made in the hall in 2015, which were funded in full by Bingos del Oeste, S.A., the latter increased its share of the consortium's earnings in 2015 to 92%; this percentage will decline in future years as the consortium generates profits. The consortium is treated as a joint operation for accounting purposes. At the date of authorizing these consolidated financial statements for issue, the consortium has not obtained the permits needed to start business operations.

- On January 23, 2015, Codere Mexico SA de CV participated in the Carrasco Nobile, S.A. rights issue ratified at the latter's extraordinary shareholder meeting on October 29, 2014, injecting 267.7 million Uruguayan pesos (approximately 8.2 million euros at December 31, 2015). As a result of that rights issue, in which the non-controlling shareholder decided not to participate, Codere Mexico, S.A. de C.V. increased its shareholding in Carrasco Nobile, S.A. from 51% to 73.7%.

- The Group acquired Brazil's Simulcasting Brasil Som e Imagem, Ltda., whose corporate object is to manage the cash deriving from the placement of sports bets through various channels, on March 26, 2015. At the date of authorizing these consolidated financial statements for issue, this company had yet to start business operations.

- Codere Navarra S.A. was incorporated on June 6, 2015.

- Codere Castilla León, S.L. was incorporated on July 9, 2015.

- Codere Apuestas Cantabria, S.A. was incorporated on August 3, 2014.

- The Group acquired Italy's PGO Services, S.r.l. for 2,755 thousand euros on July 29, 2015.

- Codere Finance 2, S.A. was incorporated on August 5, 2015. This company initially received the proceeds from the offerings carried out as part of the restructuring process (note 3.f.).

- Codere Apuestas Melilla, S.A. was incorporated on October 14, 2015.

- The Group acquired Italy's Garet, S.r.l. for 1,970 thousand euros on October 28, 2015.

- It also acquired Game Over, S.r.l. in Italy for 224 thousand euros on October 28, 2015.

- Codere Apuestas Asturias, S.A. was incorporated on November 4, 2015.

- Codere Latam, S.L. was incorporated on December 17, 2015 as a result of the hive-down by Codere América, S.A. of its investments in Mexico, Colombia, Brazil and Uruguay to Codere Latam, S.L.

7. Intangible assets

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

2016							Thousands of euros
Cost	Balance at Dec. 31, 2015	Business combinations	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2016
Licenses	312,932	-	35	-	-	(29,034)	283,933
Trademarks	34,177	-	-	(36)	-	(4,379)	29,762
Rights	210,507	24,928	12,254	(6,510)	-	(15,093)	226,086
Computer software	37,812	1,119	3,859	(630)	-	(723)	41,437
Other intangible assets	21,953	703	711	(506)	-	(1,584)	21,277
	617,381	**26,750**	**16,859**	**(7,682)**	**-**	**(50,813)**	**602,495**
Accumulated amortization	**Balance at Dec. 31, 2015**	**Business combinations**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2016**
Licenses	(65,217)	-	(11,724)	-	-	6,852	(70,089)
Rights	(95,416)	(126)	(20,306)	4,846	-	1,688	(109,314)
Computer software	(30,169)	-	(3,016)	399	-	659	(32,127)
Other intangible assets	(8,138)	-	(1,883)	-	-	633	(9,388)
	(198,940)	**(126)**	**(36,929)**	**5,245**	**-**	**9,832**	**(220,918)**
Impairment	(5,396)	-	(45)	-	-	-	(5,441)
Carrying amount	**413,045**	**26,624**	**(20,115)**	**(2,437)**	**-**	**(40,981)**	**376,136**

The column headed "Business combinations" includes the fair value of the assets associated with the acquisition of 50% or Uruguay's HRU, S.A. (note 6.a.1.).

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

2015							Thousands of euros
Cost	Balance at December 31, 2014	Business combinations	Additions	Derecognitions	Transfers	Translation differences	Balance at December 31, 2015
Licenses	356,165	-	129	-	(14,000)	(29,362)	312,932
Trademarks	35,986	-	6	-	-	(1,815)	34,177
Rights	194,747	5,594	8,935	(7,753)	15,485	(6,501)	210,507
Computer software	38,193	-	2,139	(150)	(1,485)	(885)	37,812
Other intangible assets	22,165	-	880	(436)	-	(656)	21,953
	647,256	**5,594**	**12,089**	**(8,339)**	**-**	**(39,219)**	**617,381**
Accumulated amortization	**Balance at December 31, 2014**	**Business combinations**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at December 31, 2015**
Licenses	(36,941)	-	(15,456)	-	(14,000)	1,180	(65,217)
Rights	(98,703)	-	(21,252)	7,170	12,464	571	(99,750)
Computer software	(28,977)	-	(3,665)	142	1,536	795	(30,169)
Other intangible assets	(6,141)	-	(2,052)	93	-	4,296	(3,804)
	(170,762)	**-**	**(42,425)**	**7,405**	**-**	**6,842**	**(198,940)**
Impairment	(5,396)						(5,396)
Carrying amount	**471,098**	**5,594**	**(30,336)**	**(934)**	**0**	**(32,377)**	**413,045**

(Thousands of euros)

The column headed "Business combinations" includes the fair value of the customer portfolio associated with the acquisition of 51% of the Italian companies, PGO Services, S.r.l, Garet, S.r.l and Game Over, S.r.l (note 6.a.2).

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

7.a) Other disclosures

The Group's sole indefinite-lived intangible assets are its installation rights and trademarks, which were carried at 46,604 thousand euros at December 31, 2016 (48,829 thousand euros at year-end 2015.

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

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

	2016		2015	
	Trademarks	Installation rights (not subject to amortization)	Trademarks	Installation rights (not subject to amortization)
Spain	1,299	16,841	1,335	14,651
Mexico	28,464	-	32,843	-
	29,763	**16,841**	**34,178**	**14,651**

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

Asset class	Carrying amount	Remaining useful life
Argentina hall licenses	43,875	Between 4 and 15 years
Panama casino licenses	20,935	Between 6 and 7 years
Mexico licenses	167,641	Between 16 and 30 years
Italian gaming machine concessions	13,030	Between 5 and 8 years

The Group had no material contractual commitments for the acquisition or sale of intangible assets at December 31, 2016.

8. Property, plant and equipment and investment properties

8.a) Property, plant and equipment

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

2016							Thousands of euros
Cost	Balance at Dec. 31, 2015	Business combinations	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2016
Amusement machines	203,697	7,235	27,638	(16,724)	9,245	(8,288)	222,803
Gaming machines and sports-betting terminals	24,014	-	3,852	(2,517)	116	(262)	25,203
Other fixtures, fittings and tools	92,261	3,385	6,357	(1,965)	539	(5,642)	94,935
Computer equipment	37,833	398	5,559	(2,883)	652	(1,070)	40,489
Prepayments and PP&E in progress	6,995	2,651	24,392	(4,117)	(17,576)	(635)	11,710
Vehicles	3,957	51	412	(692)	94	(11)	3,811
Land	12,133	-	-	-	-	(240)	11,893
Buildings	192,067	-	248	(1,506)	(14)	(21,464)	169,331
Refurbishment of leased premises	222,264	27,050	6,558	(618)	5,421	(10,892)	249,783
Plant and machinery	57,889	-	4,514	(9,763)	1,523	(2,680)	51,483
Total	**853,110**	**40,770**	**79,530**	**(40,785)**	**-**	**(51,184)**	**881,441**
Accumulated depreciation	**Balance at Dec. 31, 2015**	**Business combinations**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2016**
Amusement machines	(143,239)	-	(22,523)	14,471	(2)	5,794	(145,499)
Gaming machines and sports-betting terminals	(17,484)	-	(2,883)	2,162	(23)	234	(17,994)
Other fixtures, fittings and tools	(65,961)	-	(6,297)	1,480	(190)	4,242	(66,726)
Computer equipment	(30,804)	-	(3,737)	2,591	23	1,095	(30,832)
Vehicles	(3,178)	-	(305)	638	-	28	(2,817)
Buildings	(84,706)	-	(8,336)	370	1,097	8,264	(83,311)
Refurbishment of leased premises	(110,050)	-	(15,865)	361	(18)	5,755	(119,817)
Plant and machinery	(45,073)	-	(3,337)	9,567	(887)	3,288	(36,442)
Total	**(500,495)**	**-**	**(63,283)**	**31,640**	**-**	**28,700**	**(503,438)**
Impairment	**(34,155)**	**-**	**(24,085)**	**37,614**	**-**	**881**	**(19,745)**
Carrying amount	**318,460**	**40,770**	**(7,838)**	**28,469**	**-**	**(21,603)**	**358,258**

The additions and decreases recorded under "Amusement machines" correspond mainly to Spain, Colombia, Argentina, Panama and Icela and reflect the renewal of the stock of machines in 2016.

The column headed "Business combinations" includes the fair value of the assets associated with the acquisition of 50% or Uruguay's HRU, S.A. (note 6.a.1.).

The movements recorded under "Impairment" correspond mainly to entries in respect of the Hotel Casino Carrasco in Uruguay: in 2016, the Group recognized additions under this sub-heading of 24 million euros as well as reversing 37 million euros of previously-recognized charges (note 13). At December, 31, 2016 and December 31, 2015, "Impairment" mainly includes the remaining impairment charge corresponding to Hotel Casino Carrasco de Uruguay (4,793 thousand euros and 18,322 thousand euros, respectively) and asset impairment charges of 8,149 thousand euros, in both reporting periods, in Colombia.

The movement under “Prepayments and PP&E in progress” corresponds mainly to the acquisition of gaming terminals in Spain.

2015							Thousands of euros
Cost	**Balance at Dec. 31, 2014**	**Business combinations**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2015**
Amusement machines	226,821	1,064	23,516	(30,592)	3	(17,115)	203,697
Gaming machines and sports-betting terminals	23,801	-	2,550	(2,245)	17	(109)	24,014
Other fixtures, fittings and tools	85,633	762	3,988	(1,357)	6,849	(3,614)	92,261
Computer equipment	34,257	12	4,941	(1,038)	1,443	(1,782)	37,833
Prepayments and PP&E in progress	5,782	-	16,276	(3,226)	(11,196)	(641)	6,995
Vehicles	4,530	52	267	(755)	47	(184)	3,957
Land	13,561	-	-	-	(715)	(713)	12,133
Buildings	205,656	-	131	(777)	(1,100)	(11,843)	192,067
Refurbishment of leased premises	225,665	-	6,226	(2,010)	7,232	(14,849)	222,264
Plant and machinery	63,835	58	3,293	(252)	(4,628)	(4,417)	57,889
Total	**889,541**	**1,948**	**61,188**	**(42,252)**	**(2,048)**	**(55,267)**	**853,110**
Accumulated depreciation							
Amusement machines	(164,567)	-	(28,984)	24,973	14,754	10,585	(143,239)
Gaming machines and sports-betting terminals	(15,540)	-	(2,987)	945	-	98	(17,484)
Other fixtures, fittings and tools	(55,734)	-	(7,818)	838	(5,665)	2,418	(65,961)
Computer equipment	(36,729)	-	(3,868)	929	7,631	1,233	(30,804)
Vehicles	(3,602)	-	(381)	672	-	133	(3,178)
Buildings	(57,306)	-	(10,309)	518	(22,321)	4,712	(84,706)
Refurbishment of leased premises	(97,879)	-	(18,677)	1,259	-	5,247	(110,050)
Plant and machinery	(50,214)	-	(4,168)	144	5,674	3,491	(45,073)
Total	**(481,571)**	**-**	**(77,192)**	**30,278**	**73**	**27,917**	**(500,495)**
Impairment	**(39,305)**	**-**	**(43)**	**4,820**	**-**	**373**	**(34,155)**
Carrying amount	**368,665**	**1,948**	**(16,047)**	**(7,154)**	**(1,975)**	**(26,977)**	**318,460**

The additions and decreases recorded under “Amusement machines” corresponded mainly to Spain, Argentina and Icela and reflect the renewal of the stock of machines in 2015.

The amount derecognized under “Impairment” in 2015 corresponded to the partial reversal of the charge recognized against assets in Colombia (note 13).

The movement under “Prepayments and PP&E in progress” corresponded to the investments completed to refurbish leased premises in Mexico and Argentina.

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

						Thousands of euros
			2016			**2015**
	Cost	**Accumulated depreciation**	**Carrying amount**	**Cost**	**Accumulated depreciation**	**Carrying amount**
Amusement machines	11,737	(4,154)	7,583	5,243	(2,618)	2,625
Plant and machinery	-	-	-	10,036	(9,794)	242
Computer equipment	788	(518)	270	1,690	(1,219)	471
Vehicles	319	(62)	257	339	(207)	132
	12,844	**(4,734)**	**8,110**	**17,308**	**(13,838)**	**3,470**

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

The Group holds certain assets under operating leases. Those leases primarily take the form of rental agreements or concessions and cover the head offices in the Group's various operating markets, the premises in which it carries out its gaming activities, car parks, etc. In most cases the rents paid are restated annually in line with consumer price inflation. These leases do not impose any restrictions on the Group. The Group recognized operating lease expense of 115,762 thousand euros in 2016 (2015: 124,453 thousand euros). The leases terminate in between three and 10 years' time.

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

				Thousands of euros
				Total payments
	In the next year	1-5 years	Over 5 years	Beyond
Total non-cancelable commitments, year-end 2016	14,316	23,095	10,312	47,723
Total non-cancelable commitments, year-end 2015	15,385	18,247	10,183	43,815

8.b) Investment properties

At year-end 2016, this heading primarily included the Banamex Center and Spanish assets transferred in 2015.

At year-end 2015, this heading only included the Banamex Center. Certain plots of land and buildings belonging to the Spanish unit that had been recognized within property, plant and equipment at year-end 2014 were transferred to investment properties in 2015.

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

						Thousands of euros
Cost	**Balance at Dec. 31, 2015**	**Additions**	**De-recognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2016**
Other fixtures, fittings and tools	4,025	102	-	-	(538)	3,589
Computer equipment	1,064	22	-	-	(142)	944
Vehicles	107	-	-	-	(14)	93
Land	715	-	-	-	-	715
Buildings	83,998	-	-	-	(11,021)	72,977
Refurbishment of leased premises	4,591	41	-	-	(612)	4,020
Plant and machinery	950	61	-	-	(127)	884
Total	**95,450**	**226**	**-**	**-**	**(12,454)**	**83,222**
Accumulated depreciation						
Other fixtures, fittings and tools	(3,211)	(172)	-	-	428	(2,955)
Computer equipment	(925)	(79)	-	-	123	(881)
Vehicles	(67)	(10)	-	-	9	(68)
Buildings	(22,565)	(1,627)	-	-	2,950	(21,242)
Refurbishment of leased premises	(1,385)	(114)	-	-	185	(1,314)
Plant and machinery	(732)	(26)	-	-	98	(660)
Total	**(28,885)**	**(2,028) -**	**-**	**-**	**3,793**	**(27,120)**
Carrying amount	**66,565**					**56,102**

					Thousands of euros	
Cost	**Balance at Dec. 31, 2014**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2015**
Other fixtures, fittings and tools	4,110	129	-	-	(214)	4,025
Computer equipment	1,115	8	-	-	(59)	1,064
Vehicles	71	40	-	-	(4)	107
Land	-	-	-	715	-	715
Buildings	87,234	-	(2)	1,333	(4,567)	83,998
Refurbishment of leased premises	4,777	64	-	-	(250)	4,591
Plant and machinery	971	31	-	-	(52)	950
Total	**98,278**	**272**	**(2)**	**2,048**	**(5,146)**	**95,450**
Accumulated depreciation						
Other fixtures, fittings and tools	(3,188)	(201)	-	-	178	(3,211)
Computer equipment	(804)	(163)	-	-	42	(925)
Vehicles	(58)	(12)	-	-	3	(67)
Buildings	(21,711)	(1,920)	1	(73)	1,138	(22,565)
Refurbishment of leased premises	(1,335)	(120)	-	-	70	(1,385)
Plant and machinery	(731)	(39)	-	-	38	(732)
Total	**(27,827)**	**(2,455)**	**1**	**(73)**	**1,469**	**(28,885)**
Carrying amount	**70,451**					**66,565**

Banamex Convention Center Lease Agreement

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

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

The estimated minimum receipts under this agreements are as follows:

- Year 1: 9 million euros
- 2 to 5 years: 41 million euros
- Beyond year 6: 11 million euros

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

9. Investments in equity-accounted investees

The entities with which the Group has joint ventures are disclosed in Appendix I. At December 31, 2016, the Group companies that constitute joint ventures are Hippobingo Firenze, S.r.l., New Joker, S.r.l. (as a result of application of IFRS 11), Hotel Icela S.A.P.I. de C.V., Calle Icela S.A.P.I. de C.V., Centro de Convenciones Las Américas S.A de C.V. and Hotel Entretenimiento Las Américas S.A de C.V.

						Thousands of euros
Item	**Balance at Dec. 31, 2015**	**Business combinations**	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Dec. 31, 2016**
Equity-accounted investees	11,607	(16,774)	4,999	(9)	762	585
	11,607	**(16,774)**	**4,999**	**(9)**	**762**	**585**

					Thousands of euros
Item	**Balance at Dec. 31, 2014**	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Dec. 31, 2015**
Equity-accounted investees	12,415	632	(331)	(1,109)	11,607
	12,415	**632**	**(331)**	**(1,109)**	**11,607**

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

Joint ventures 2016	**New Joker, S.R.L.**	**Hippobingo Firenze, Srl**	**Total**
Non-current assets	**2,504**	**3,214**	**5,718**
Fixed and intangible assets	2,488	3,214	5,702
Deferred taxes	16	-	16
Current assets	**617**	**613**	**1,230**
Current assets	221	396	617
Cash and cash equivalents	396	217	613
TOTAL ASSETS	**3,121**	**3,827**	**6,948**
Non-current liabilities	**(1,922)**	**(1,480)**	**(3,402)**
Non-current financial liabilities	(1,922)	-	(1,922)
Non-current financial liabilities	-	(1,480)	(1,480)
Current liabilities	**(1,073)**	**(2,773)**	**(3,846)**
Current liabilities	(1,073)	(2,418)	(3,491)
Current financial liabilities	-	(355)	(355)
TOTAL LIABILITIES	**(2,995)**	**(4,253)**	**(7,248)**
Revenue	5,148	1,890	7,038
Operating expenses	(5,364)	(2,390)	(7,754)
Operating profit/(loss)	**(216)**	**(500)**	**(716)**
Finance income	1	-	1
Finance costs	-	(62)	(62)
Net finance income/(cost)	**1**	**(62)**	**(61)**
Tax (expense)/income	(24)	117	93
Profit/(loss) for the year	**(239)**	**(445)**	**(684)**

Joint ventures 2015	Hípica Rioplatense Uruguay, S.A.	New Joker, S.R.L.	Hippobingo Firenze, Srl	Total
Non-current assets	**43,869**	**2,991**	**3,317**	**50,177**
Fixed and intangible assets	38,716	2,961	3,317	44,994
Non-current financial assets	-	9	-	9
Deferred taxes	5,153	21	-	5,174
Current assets	**9,453**	**671**	**375**	**10,499**
Current assets	7,863	138	173	8,174
Cash and cash equivalents	1590	533	202	2325
TOTAL ASSETS	**53,322**	**3,662**	**3,692**	**60,676**
Non-current liabilities	**18,182**	**2,439**	**1,490**	**22,111**
Deferred taxes	40	122	-	162
Non-current financial liabilities	18,142	2,226	1,480	21,848
Non-current financial liabilities	-	91	10	101
Current liabilities	**11,307**	**1,167**	**2,852**	**15,326**
Current liabilities	5,004	488	1,556	7,048
Current financial liabilities	6,303	679	1296	8,278
TOTAL LIABILITIES	**29,489**	**3,606**	**4,342**	**37,437**
Revenue	53,927	5,452	612	59,991
Operating expenses	(42,156)	(5,427)	(1,235)	(48,818)
Operating profit/(loss)	**11,771**	**25**	**(623)**	**11,173**
Finance income	39	1	-	40
Other interest and similar expenses	(2,751)	-	-	(2,751)
Finance costs	(1,460)	-	(39)	(1,499)
Net finance income/(cost)	**(4,172)**	**1**	**(39)**	**(4,210)**
Tax (expense)/income	(1,441)	(128)	-	(1,569)
Profit/(loss) for the year	**6,158**	**(102)**	**(662)**	**5,394**

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

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

The table below itemizes the non-cancelable commitments under operating leases December 31, 2016 and 2015:

				Thousands of euros
				Total payments
	In the next year	1-5 years	Over 5 years	Beyond
Total non-cancelable commitments, year-end 2016	95	-	-	95
Total non-cancelable commitments, year-end 2015	1,076	2,928	5,076	9,080

10. Goodwill

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

						Thousands of euros
2016	**Balance at Dec. 31, 2015**	**Additions**	**Derecognitions**	**Impairment**	**Translation differences**	**Balance at Dec. 31, 2016**
Spain	21,477	-	-	-	-	21,477
Argentina	17,032	-	-	-	(2,610)	14,422
Italy	44,391	-	-	-	-	44,391
Panamá(*)	32,271	-	-	-	1,062	33,333
Mexico	78,689	-	-	-	(10,574)	68,115
Uruguay	-	8,955	-	-	(21)	8,934
Total	**193,860**	**8,955**	**-**	**-**	**(12,143)**	**190,672**

The main addition recognized in 2016 relates to the acquisition of 50% of Hípica Ríoplatense Uruguay, S.A (note 6.a.1).

The impairment tests performed at year-end, as outlined in note 13, did not reveal the need to recognize any additional impairment charges in 2016.

						Thousands of euros
2015	**Balance at Dec. 31, 2014**	**Additions**	**Derecognitions**	**Impairment**	**Translation differences**	**Balance at Dec. 31, 2015**
Spain	21,477	-	-	-	-	21,477
Argentina	23,244	-	-	-	(6,212)	17,032
Italy	50,819	1,513	-	(7,941)	-	44,391
Panama (*)	28,938	-	-	-	3,333	32,271
Mexico	83,083	-	-	-	(4,394)	78,689
	207,561	**1,513**	**-**	**(7,941)**	**(7,273)**	**193,860**

The additions recognized in 2015 corresponded to the acquisitions of PGO Services S.r.l. and Garet S.r.l. in Italy (note 6.a.1).

The impairment tests performed at year-end, as outlined in note 13, indicated the need to recognize an impairment loss of 7,971 thousand in respect of the Italian CGU in 2015.

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

	Thousands of euros				
		Impairment losses			
2016	**Cost**	**2014 and earlier**	**2015**	**2016**	**Carrying amount**
Spain	100,805	(79,328)	-	-	21,477
Argentina	14,422	-	-	-	14,422
Italy	113,525	(61,193)	(7,941)	-	44,391
Panama	33,333	-	-	-	33,333
Mexico	92,445	(24,330)	-	-	68,115
Uruguay	8,934	-	-	-	8,934
	363,464	**(164,851)**	**(7,941)**	**-**	**190,672**

	Thousands of euros				
		Impairment losses			
2015	**Cost**	**2012 and earlier**	**2014**	**2015**	**Carrying amount**
Spain	100,805	(79,328)	-	-	21,477
Argentina	17,032	-	-	-	17,032
Italy	113,525	(45,193)	(16,000)	(7,941)	44,391
Panama	32,271	-	-	-	32,271
Mexico	103,019	-	(24,330)	-	78,689
	366,652	**(124,521)**	**(40,330)**	**(7,941)**	**193,860**

11. Non-current financial assets

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

2016	Thousands of euros					
Item	**Balance at Dec. 31, 2015**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2016**
Loans and receivables	17,225	2,256	(1,664)	(367)	(430)	17,020
Held-to-maturity investments	4,180	365	(163)	70	2	4,454
Other financial assets	-	-	-	-	-	-
	21,405	**2,621**	**(1,827)**	**(297)**	**(428)**	**21,474**

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

2015	Thousands of euros						
Item	**Balance at Dec. 31, 2014**	**Business combination**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2015**
Loans and receivables	18,091	659	2,738	(4,518)	731	(476)	17,225
Held-to-maturity investments	6,184	101	412	(2,725)	-	208	4,180
Other financial assets	1,441	-	-	(1,460)	-	19	-
	25,716	**760**	**3,150**	**(8,703)**	**731**	**(249)**	**21,405**

The derecognition under “Other financial assets” related to investments made by the Group's Argentine company Bingos del Oeste in the joint venture between it and Bingos del Puente, S.A. in 2015.

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

Currency	**Thousands of euros**	
	2016	**2015**
Euros	15,098	14,335
US dollars	3,493	3,281
Argentine pesos	1,943	1,946
Mexican pesos	916	1,820
Uruguayan pesos	-	-
Colombian pesos	24	23
	21,474	**21,405**

a) "Loans and receivables"

		Thousands of euros	
Type	**Company holding the asset**	**2016**	**2015**
Non-current loans	Hípica de Panamá, S.A.	618	585
Non-current loans	Alta Cordillera, S.A.	2,698	2,549
Non-current loans	Grupo Operbingo Italia, S.p.A.	2,911	2,913
Non-current loans	Operibérica, S.A.	855	559
Non-current loans	Codere Newco S.A.	815	-
Non-current loans	Codere S.A.	-	1,852
Non-current loans	Codere Mexico, S.A.	1,002	1,861
Other smaller loans to third parties		8,121	6,906
		17,020	**17,225**

The Alta Cordillera, S.A. and Hípica de Panamá, S.A. balances include long-term deposits placed with financial institutions to secure certain employee payment obligations (*Fondo de Cesantía*).

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

The Codere, S.A. balance mainly reflects a loan extended to S.E.V.A, S.r.L. of Italy, which owns 15% of King Slot, S.r.L.

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

	Thousands of euros	
	2016	**2015**
2017	-	7,390
2018	8,744	2,320
2019	1,238	1,261
2020	84	120
2021	200	-
Beyond	6,754	6,134
	17,020	**17,225**

b) Held-to-maturity investments:

Investment type	Thousands of euros 2016	2015
Hopper deposits	3,071	2,833
Long-term fixed-rate deposits	241	241
Other	1,142	1,106
	4,454	**4,180**

12. Deferred taxes

The analysis of deferred tax assets and liabilities is as follows:

	Thousands of euros 2016		2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	3,417	(79,457)	3,384	(89,032)
Property, plant and equipment	12,084	(2,303)	11,732	174
Financial assets	898	(8,651)	168	(629)
Exchange differences	-	(163)	-	(163)
Tax credits	21,268	-	20,501	-
Other	10,415	(4,754)	9,161	(13,978)
	48,082	**(95,328)**	**44,946**	**(103,628)**
Deferred tax assets/(liabilities) to be recovered after more than 12 months	35,035	(81,527)	29,082	(82,349)
Deferred tax assets/(liabilities) to be recovered within 12 months	13,047	(13,801)	15,864	(21,279)
	48,082	**(95,328)**	**44,946**	**(103,628)**

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

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

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

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

  - The provision of corporate services.

  - Returns on loans extended.

  - Dividends receivable.

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

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

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

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

						Thousands of euros
2016	**Balance at 31/12/2015**	**Recognized in profit or loss for the year**	**Business combinations**	**Reclassifications**	**Translation differences**	**Balance at 31/12/2016**
Assets						
Tax credits	20,501	735	-	-	32	21,268
Financial assets	168	-	-	730	-	898
Intangible assets	3,384	50	-	-	(17)	3,417
Property, plant and equipment	11,731	(1,060)	-	1,473	(60)	12,084
Other	9,161	(1,529)	5,625	-	(2,842)	10,415
	44,945	**(1,804)**	**5,625**	**2,203**	**(2,887)**	**48,082**
Liabilities						
Revaluation of properties and investments in fixed assets	174	4,406	(5,742)	-	(1,141)	(2,303)
Financial assets	(629)	(7,967)	(55)	-	-	(8,651)
Exchange differences	(163)	-	-	-	-	(163)
Intangible assets	(89,032)	1,051	-	-	8,524	(79,457)
Other	(13,978)	6,202	25	-	2,995	(4,756)
	(103,628)	**3,692**	**(5,772)**	**-**	**10,380**	**(95,328)**
	(58,683)					**(47,246)**

The deferred taxes in respect of Spanish companies were recognized at the rate expected to prevail then they revert, i.e., 25%.

					Thousands of euros
2015	**Balance at 31/12/2014**	**Recognized in profit or loss for the year**	**Reclassifications**	**Translation differences**	**Balance at 31/12/2015**
Assets					
Tax credits	23,988	(3,357)	(18)	(112)	20,501
Financial assets	303	(135)	-	-	168
Intangible assets	3,371	19	-	(6)	3,384
Property, plant and equipment	11,844	(479)	-	367	11,732
Other	9,167	2,032	-	(2,038)	9,161
	48,673	**(1,919)**	**(18)**	**(1,790)**	**44,946**
Liabilities					
Revaluation of properties and investments in fixed assets	(56)	436	-	(206)	174
Financial assets	(629)	-	-	-	(629)
Exchange differences	(163)	-	-	-	(163)
Intangible assets	(98,137)	5,187	-	3,918	(89,032)
Other	(16,860)	10,402	-	(7,520)	(13,978)
	(115,845)	**16,025**	**-**	**(3,808)**	**(103,628)**
	(67,172)				**(58,682)**

The amendments introduced to Spain's Corporate Income Tax Act under Royal Decree-Law 3/2016 (of December 2, 2016) limit the ability to utilize tax losses to 25% of taxable income, among other things. As a result of the Group's analysis of the recoverability of its deferred tax assets in light of the new legislation and considering the Group's new financial situation in the wake of the corporate debt restructuring work, it has proceeded to recognized tax assets in respect of unused tax losses in the amount of 8 million euros.

Elsewhere, in keeping with transitional provision 16 of that same Royal Decree-Law, obliging the inclusion within taxable income in fifths of investee impairment losses that were deducted for tax purposes prior to January 1, 2013, the Group has recognized a deferred tax liability in the amount of 8 million euros, which is equivalent to four-fifths of the impairment losses still pending reversal during the next four years.

The decline in tax credits in 2015 mainly reflects the adjustment for the new tax rate in effect in Italy from January 1, 2017 (cut from 27.5% to 24%). The decline in deferred tax liabilities is mainly related to the reversal of deferred liabilities related to differences in depreciation charges for tax and accounting purposes in Mexico and Panama mainly, as well as the reversal of other deferred tax liabilities.

13. Impairment of non-financial assets

The Group carried out two asset impairment tests in 2016, the first at the June 30 reporting date in light of the indication that the Carrasco Nobile may have become impaired. Specifically, the indication was a far weaker than expected business performance, mainly in the VIP tables business, prompting its temporary closure due to the lack of visibility into a structural turnaround in the short term. The main reason for this business's failure was the high tax burden (termed a royalty in Uruguay) imposed on the concession and a lack of sufficiently expert resources, as a result of the which the projections pointed to a shortfall of future cash flows. This initial test triggered the recognition by the Group of a 24.5 million euro impairment loss against the Carrasco Nobile unit in the first half of 2016.

The second impairment test was performed in response to the requirement under IFRS-EU that the Group test its assets at least at the end of the reporting period. Following that second test, and for the reasons outlined below, the Carrasco Nobile impairment losses recognized in prior years and at June 30, 2016 have been partially reversed.

The main reason for the reversal is the agreement reached between Carrasco Nobile and the Montevideo municipal authorities substantially reducing the royalty levied on gaming activities, facilitating the business's viability and paving the way for the re-opening of the VIP tables business. The negotiated terms were signed on December 18, 2016; in addition to modifying the terms of the concession, most notably the aforementioned significant reduction in the royalty payable, the new agreement obliges Carrasco Nobile to invest 4 million dollars to upgrade the Casino over the next three years, extend the municipal authorities an 8 million-dollar surety (already extended as of the date of authorizing the financial statements for issue) and repay outstanding debt within 24 months.

The most significant modifications for the business and, by extension, calculation of its future cash flows, are:

- Elimination of the fixed component of the royalty. Under the old concession terms, the Group was obliged to pay a fixed levy of 2.9 million dollars during the first three years (until March 2016) and of 5.8 million dollars from year four onwards.

- During the first three years of effectiveness, Carrasco will pay a royalty equivalent to 7.5% of gaming revenues.

(Thousands of euros)

- After the first three years, there is now a minimum annual payment of 11.5 million Indexed Units of Account (approximately 1.4 million dollars). In the event that annual revenue from gaming activities exceeds a series of thresholds, the royalty payable will be determined on a sliding scale ranging from 18.8% of gaming revenues (for the first 30 million Indexed Units) to 15% (in respect of gaming revenues in excess of 400 million Indexed Units) as outlined in the next table (in which Uruguay's unit of account metrics have been translated into dollars to facilitate reader comprehension):

From	Until	Royalty, %
-	3,684,211	18.8%
3,684,212	7,368,421	12.0%
7,368,422	11,052,632	9.0%
11,052,633	24,561,404	7.5%
24,561,405	36,842,105	9.0%
36,842,106	49,122,807	12.0%
49,122,808		15.0%

The cash flow projections modeled on the basis of prior experience suggest that the royalty will range between an estimated 7.5% and 9% of revenue.

These changes substantially improve the outlook for this business relative to when the impairment losses were recognized both in prior years and at June 30, 2016 as the VIP business that was temporarily closed in August 2016 because it was not profitable can now be operated profitably. It is expected to be reopened between the end of 2017 and 2018.

The ability to generate revenues akin to those already posted in prior years will generate an attractive return under the new regime.

As a result of the foregoing, the impairment losses recognized against Carrasco Nobile have been reversed by 37.6 million euros. The net impact in 2016 is a reversal of 13.1 million euros, compared to the impairment loss of 18.3 million recognized at year-end 2015.

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

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

Cash flow projections

Each cash-generating unit's future cash flows were projected using models that encompass the most pertinent business, financial and macroeconomic indicators. The explicit projection horizon used was five years. Beyond the projection period, a terminal value was calculated using the growth-in-perpetuity method. The projections used specifically for year one are based on the detailed budgets approved for 2017 adjusted, in necessary, for the estimated impact of any material changes in applicable regulations, the competitive environment, business model or performance of each unit.
The projections for the remaining years of the projection period reflect the trends that can be reasonably expected given the strategies and action plans defined by the Group as a function of the unit's distinctive characteristics and unique competitive dynamic. The capital expenditure projections reflect the level of investment needed to keep each business in its current condition (i.e., maintenance capital expenditure). Only the growth investments explicitly approved in the 2017 budgets and those needed for the natural development of businesses that have yet to reach maturity were factored into the projections.

The impairment test performed for HRU, the unit in which the Group acquired an additional 50% interest in December 2016, was based on the estimates used by the Group when concluding that acquisition given the absence of a formally-approved budget for that particular unit.

The cash flow projections were discounted using the local-currency weighted average cost of capital calculated for each CGU. The weighted average cost of capital factors in the cost of equity and debt financing, weighted in keeping with a defined target leverage structure. The cost of equity varies for each CGU, depending on the corresponding market risk premium and the country risk premium (which also reflects exchange rate risk). For practical reasons, the discount rates used are after-tax rates. Similarly, the undiscounted cash flows factor in tax effects. The growth rate used to calculate the each CGU's terminal value is equivalent to the annual change in the consumer price index contemplated in prevailing macroeconomic forecasts for each country over the long term, i.e., it does not contemplate growth in real terms. For cash-generating units whose functional currency is not the euro, the cash flows were projected in the corresponding local currency and the resulting net present value was translated into euros at the exchange rate prevailing as of December 31, 2016.

Key assumptions

The most significant assumptions used to project gaming operations in general relate to installed gaming capacity (the number of halls, casinos, racetracks, installed gaming machines, bingo hall capacity, gaming tables, etc.) and the average daily take either by machine, room seating, table or gaming room-goer. The trend in these variables determines the trend in revenue during the projection period. The projected levels of operational efficiency and gearing are also key drivers of EBITDA margins. The table below shows the carrying amount assigned to each cash-generating unit at December 31, 2016, along with the key assumptions used to calculate the unit's value in use and the resulting impairment loss or reversal thereof, if any. The key inputs include the after-tax discount rate, the organic growth rate used to determine the terminal values, the compound average annual rate of growth in local-currency revenues estimated for the explicit projection period and the change in percentage points in the EBITDA margin between the 12 months ended December 31, 2016 and the last year of the explicit projection period:

Cash-generating unit	Carrying amount of the CGU assets(1) at December 31, 2016 (thousands of euros)	Impairment loss / reversal of loss at December 31, 2016 (thousands of euros)	After-tax discount rate
Argentina	48,514	-	18.3%
Mexico	397,854	-	10.5%
Banamex Convention Center	54,171	-	10.5%
Spain(3)	117,238	-	6.9%
Italy(4)	94,107	-	7.0%
Panama	61,669	-	9.5%
Colombia	14,127	-	9.7%
Uruguay - Carrasco	(2,544)	13,482	15.2%
Uruguay - HRU	77,258	-	14.3%
Holdcos and other	(17,446)		
Total	**844,948**	**13,482**	**N/A**

Cash-generating unit	Organic growth rate used to calculate the terminal value	Compound annual growth rate in local-currency revenues(2)	Change in EBITDA margin in percentage points(2)
Argentina	5.0%	12.9%	(7.2pp)
Mexico	3.0%	3.1%	(0.5pp)
Banamex Convention Center	3.0%	3.9%	-
Spain(3)	1.6%	5.6%	3.1pp
Italy(4)	1.2%	2.0%	(0.5pp)
Panama	2.0%	2.2%	1.0pp
Colombia	3.0%	7.4%	7.2pp
Uruguay - Carrasco	5.0%	28.7%	N/A
Uruguay - HRU	5.0%	7.2%	0.9pp
Holdcos and other			
Total	**N/A**	**N/A**	**N/A**

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

(2) Obtained by comparing the figures corresponding to the last year of the explicit projection horizon with those corresponding to the 12 months ended December 31, 2016 (as reported quarterly and translated into local currency using average exchange rates).

(3) Includes all the business lines in Spain that were unified for organizational purposes in 2011 (AWP machines, sports betting, traditional and online bingo). Contemplates the rollout of sports betting in Madrid, the Basque region, Navarre, Valencia, Aragon, Murcia, Galicia, Ceuta, Castile la Mancha, La Rioja, Castile Leon, Catalonia, Extremadura, Cantabria, Melilla and Asturias).

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

(5) The change in the EBITDA margin in Argentina is attributable to the tax increase passed in December 2016; the change in Spain is driven by the growth forecast in the sports-betting line for which the start-up costs in respect of the regions where this business was launched in 2016 have already been incurred; and in Colombia, the change reflects non-recurring charges of 0.9 million euros recognized in 2016 and the launch of sports-betting operations in that market.

Cash-generating unit	**Carrying amount of the CGU assets(1) at December 31, 2015 (thousands of euros)**	**Impairment losses at December 31, 2015 (thousands of euros)**	**After-tax discount rate**
Argentina	71,963	-	27.6%
Mexico	456,381	-	10.2%
Banamex	64,607	-	10.2%
Spain(3)	104,290	-	10.7%
Italy(4)	106,224	(7,941)	9.6%
Panama	62,199	-	12.8%
Colombia	7,024	4,820	12.0%
Uruguay - Carrasco	26,880	-	14.4%
Holdcos and other	(10,124)	-	-
Total	**889,444**	**(3,121)**	**N/A**

Cash-generating unit	Organic growth rate used to calculate the terminal value	Compound annual growth rate in local-currency revenues(2)	Change in EBITDA margin in percentage points(2)
Argentina	5.0%	16.7%	(1.8pp)
Mexico	3.0%	3.0%	(0.1pp)
Banamex Convention Center	3.0%	4.2%	-
Spain(3)	1.5%	5.6%	1.3pp
Italy(4)	1.3%	3.8%	(2.5pp)
Panama	2.0%	2.4%	6.6pp
Colombia	3.0%	5.4%	(3.6pp)
Uruguay - Carrasco	5.0%	25.4%	N/A
Total	**N/A**	**N/A**	**N/A**

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

(Thousands of euros)

(2) Obtained by comparing the figures corresponding to the last year of the explicit projection horizon with those corresponding to the 12 months ended December 31, 2015 (as reported quarterly and translated into local currency using average exchange rates). Stripping out non-recurring expenses incurred in Panama in 2015 (2.3 million euros of staff restructuring charges), the change in the EBITDA margin narrows to 4.6pp.

(3) Includes all the business lines in Spain that were unified for organizational purposes in 2011 (AWP machines, sports betting and traditional bingo). Contemplates the rollout of sports betting in Madrid, the Basque region, Navarre, Valencia, Aragon, Murcia, Galicia, Ceuta, Castile la Mancha, La Rioja, Castile Leon, Catalonia and Extremadura).

(4) Encompasses all the business lines operated in Italy (indirect operation of AWP machines, traditional bingos operations, VLT machines and the interconnection network). The adverse impact on the EBITDA margin is driven by the increase in gaming machine taxes from 2016.

(5) The EBITDA margin is projected to contract in Colombia due mainly to the impact of the tax hike that took partial effect in October 2015 and will be fully implemented in the course of 2016.

(6) The projected revenue growth at Carrasco is driven by the fact that this is an early-stage, fast-growing business.

Sensitivity analysis - reasonably possible changes in key assumptions

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

		Key assumption values required to eliminate the surplus between CGUs' value in use and carrying amounts. 2016
Cash-generating unit	After-tax discount rate	Organic growth rate used to calculate the terminal value (1)
Argentina	88.0%	N/A
Mexico	12.3%	N/A
Banamex Convention Center	11.9%	1.0%
Spain	16.2%	N/A
Italy	N/A	N/A
Panama	16.1%	N/A
Colombia	25.7%	N/A
Uruguay - Carrasco	-	-
Uruguay - HRU	33.0%	0.0%

		Key assumption values required to eliminate the surplus between CGUs' value in use and carrying amounts. 2015
Cash-generating unit	After-tax discount rate	Organic growth rate used to calculate the terminal value (1)
Argentina	123.2%	N/A
Mexico	12.3%	N/A
Banamex	11.8%	0.7%
Spain	15.0%	N/A
Italy	N/A	N/A
Panama	18.6%	N/A
Colombia	16.9%	N/A
Uruguay - Carrasco	19.2%	N/A

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

14. Inventories

	Thousands of euros	
	2016	**2015**
Gaming machines	515	34
Machine parts	3,322	4,272
Hospitality supplies	2,137	2,206
Bingo cards	1,106	1,318
Other items	4,276	3,795
	11,356	**11,625**

In 2016, the Group expensed 33,027 thousand of inventories (2015: 36,287 thousand euros).

15. Accounts receivable

a) Trade receivables:

At December 31, 2016, “Trade receivables” includes, among other items, 3,666 thousand euros due for the provision of hospitality and management services to hospitality establishments in Spain (3,260 thousand at year-end 2015).

b) Sundry receivables:

	Thousands of euros	
	2016	**2015**
Sundry receivables	73,305	70,216
Due from staff	403	978
Provision for impairment	(33,239)	(29,069)
	40,469	**42,125**

At year-end 2016, “Sundry receivables” includes approximately 21,416 thousand euros (20,478 thousand euros at year-end 2015) of advances paid to hospitality establishment owners in respect of their share of the takings from the gaming machines located in their establishments. These advances are recovered as a function of takings obtained.

This heading also includes 4,330 thousand euros (10,348 thousand euros at December 31, 2015) receivable from CIE group companies, mainly Make Pro, S.A. de C.V., for advertising and sponsorship services.

Lastly, this heading includes 18,927 thousand euros (14,664 thousand euros at December 31, 2015) recognized by Codere Network, S.p.A. in connection with accounts receivable from gaming machines operators in Italy. The remainder comprises a significant number of smaller-sized accounts receivable.

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

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

	Thousands of euros
Balance at Dec. 31, 2015	**(29,069)**
New businesses incorporated	(199)
Provision for receivables impairment	(8,296)
Unused amounts reversed	2,479
Receivables written off during the year as uncollectible	2,156
Translation differences	(310)
Balance at Dec. 31, 2016	**(33,239)**
Balance at Dec. 31, 2014	**(32,291)**
Provision for receivables impairment	(3,849)
Unused amounts reversed	1,807
Receivables written off during the year as uncollectible	5,147
Translation differences	117
Balance at Dec. 31, 2015	**(29,069)**

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

c) Accrued tax receivable:

At December 31, 2016, “Accrued tax receivable” amounts to 108,770 thousand euros (102,650 thousand euros at year-end 2015). That sum includes 71,553 thousand euros (79,607 thousand euros receivable at year-end 2015) of VAT due from the Mexican tax authorities. In Mexico this type of indirect taxation is recovered as a function of the cash flows deriving from the underlying transactions.

The remaining 37,217 thousand euros correspond to taxes receivable from the authorities in the rest of the Group's business markets.

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

Currency	**Thousands of euros**	
	2016	**2015**
Euros	40,010	35,171
US dollars	46,005	73,305
Argentine pesos	23,006	15,961
Mexican pesos	79,246	61,435
Uruguayan pesos	622	309
Colombian pesos	2,207	1,578
Brazilian real	1,393	587
	192,489	**188,346**

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

16. Other current financial assets

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

						Thousands of euros
2016	**Balance at Dec. 31, 2015**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2016**
Short-term securities portfolio	2	-	(2)	-	-	-
Other credit	42,748	54,524	(36,529)	2,569	(59)	63,253
	42,750	**54,524**	**(36,531)**	**2,569**	**(59)**	**63,253**

The main movements under "Other credit" were recognized by Codere Finance 2, S.A. which set up a deposit at Credit Suisse, and by Colonder, S.A., in connection with the purchase-sale of Argentine sovereign bonds.

							Thousands of euros
2015	**Balance at Dec. 31, 2014**	**Business combination**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2015**
Short-term securities portfolio	106	-	-	(104)	-	-	2
Other credit	35,882	563	21,819	(15,408)	584	(692)	42,748
	35,988	**563**	**21,819**	**(15,512)**	**584**	**(692)**	**42,750**

The main movement under "Other credit" was recognized by Codere S.A. for the purchase-sale of Argentine bonds.

"Other credit" breaks down as follows:

		Thousands of euros
	2016	**2015**
Short-term loans	13,157	22,762
Deposits and guarantees extended	50,096	19,981
Short-term deposits	-	5
	63,253	**42,748**

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

"Deposits and guarantees extended" include the deposits recognized by Codere Network, S.p.A. as a result of the concession agreement under which this company operates in the amount of 12,892 thousand euros and the deposit provided as part of the debt capitalization exercise.

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

Currency		Thousands of euros
	2016	**2015**
Euros	30,248	24,692
US dollars	25,591	10,678
Argentine pesos	299	465
Mexican pesos	7,038	6,727
Uruguayan pesos	54	179
Colombian pesos	23	9
	63,253	**42,750**

(Thousands of euros)

17. Equity

a) Issued capital

On April 6, 2016, Codere capitalized loans into shares, issuing 2,474,678,091 new shares, each with a par value of 0.20 euros, with the relevant share premium, increasing capital by 494.935.618,20 euros and the share premium account by 330,670,249.07 euros (note 3.g).

In the wake of the above capitalization, the Parent's issued capital amounts to 505,942,912.20 euros and is represented by 2,529,714,561 shares, each with a par value of 0.20 euros. The Parent's shares have been traded on the Madrid stock exchange since October 19, 2007.

At December 31, 2015, Codere, S.A.'s issued capital amounted to 11,007,294 euros, represented by 55,036,470 bearer shares, each with a par value of 0.20 euros.

The Parent's shareholder structure at year-end:

		Shareholding
	%	%
Shareholder	**2016**	**2015**
Silver Point Luxembourg Platform, S.A.R.L.	21.80%	
Alden Global Opportunities Master Fund, L.P.	3.49%	
AcpII Europe, S.A.R.L.	7.06%	
Luis J. Martínez Sampedro	2.44%	
Masampe Holding, B.V.	14.17%	51.35%
José A. Martínez Sampedro	-	12.42%
Other minority shareholders	51.04%	36.23%
	100%	**100%**

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

No members of the Group's key management personnel sold Company shares in the market in 2016 or 2015. Nor did they buy any shares in either reporting period.

b) Share premium

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

c) Own shares

At December 31, 2016, the Company held 306,733 own shares (year-end 2015: 270,733) that were carried in equity at 233 thousand euros (year-end 2015: 219 thousand euros). These shares are fully paid.

d) Legal reserve

The Spanish Corporate Enterprises Act stipulates that 10% of profit for each year be transferred to the legal reserve until it represents at least 20% of share capital. At 31 December 2016 and 2015, the legal reserve amounted to 2,201 thousand euros.

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

e) Revaluation reserves

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

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

f) Restrictions on the distribution of dividends

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

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

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

g) Disclosures by company

The breakdown of equity by Group company at year-end 2016 is provided in Appendix II.

18. Provisions

18.1. Non-current provisions

					Thousands of euros
2016	**Balance at Dec. 31, 2015**	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Dec. 31, 2016**
Provision for taxes	13,633	3,245	(3,566)	(1,700)	11,612
Provision for retirement bonuses	9,979	3,132	(1,666)	(422)	11,023
Other provisions	8,729	5,322	(5,107)	(647)	8,297
	32,341	**11,699**	**(10,339)**	**(2,769)**	**30,932**

2015	Balance at Dec. 31, 2014	Business combination	Additions	Derecognitions	Translation differences	Balance at Dec. 31, 2015
						Thousands of euros
Provision for taxes	15,033	-	1,117	(1,560)	(957)	13,633
Provision for retirement bonuses	6,204	85	4,236	(325)	(221)	9,979
Other provisions	12,228	-	6,924	(8,930)	(1,492)	8,729
	33,465	**85**	**12,277**	**(10,815)**	**(2,671)**	**32,341**

a) Provision for taxes

This heading includes provisions recognized by the Group's Mexican companies to cover liabilities of a tax and labor nature in the amount of 7,495 thousand euros at December 31, 2016 (12,509 thousand euros at year-end 2015) and tax contingencies in Argentina in the amount of 3,329 thousand euros.

b) Provision for retirement bonuses

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

c) Other provisions

At December 31, 2016, this heading includes 900 thousand euros recognized by Codere Network, S.p.A. to cover potential liabilities that could arise from claims ongoing in Italy (year-end 2015: 1,410 thousand euros).

At December 31, 2016, it also includes a provision of 1,215 thousand euros for the inspection carried out by the Argentine central bank (BCRA) in respect of 2002, 2003 and 2004 related to certain foreign currency transactions (1,658 thousand euros at year-end 2015) .

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

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

18.2. Current and other provisions

	Thousands of euros 2016	2015
Provision for options	3,097	3,433
Other	6,155	5,996
Total current and other provisions	**9,252**	**9,429**

“Other” in the table above mainly includes 4,830 thousand euros (3,582 thousand euros at year-end 2015) of income collected in advance by the Icela Group and the provision for possible prizes in Italy, Panama and Argentina.

The "Provision for options" reflects the market value of the share put option granted to several executives of Codere, S.A. Group executives were sold 1,000,000 ordinary shares that were held at the time as treasury stock at 7.88 euros per share, the same price at which several transactions had been performed with third parties. The purchase of these shares was financed by Codere, S.A. by means of the provision of loans to these same executives totaling 7,880 thousand euros; these loans accrued interest at an annual rate of 2.5% in both 2016 and 2015. The amount of accumulated accrued interest, which totals 976 thousand euros (1,471 thousand euros at year-end 2015) has been provided for in full.

In turn, the Company granted these executives the right to offset the outstanding balances of their loans (principal plus interest) at maturity by delivering the shares financed by the loans in the first place. This right has been considered a put option and has been valued as such. Changes in the value of this put option are recognized directly in equity.

Under the terms of this arrangement, each executive was given the chance to repay their loans to Codere, S.A. 18 months after the share purchase date. This term has been renewed successively until December 2015. Codere has a right of first refusal over the shares held by these executives, exercisable in the event that an executive expresses an intention to sell the shares to a third party that is not a Company shareholder.

2016

				Thousands of euros
	Balance at Dec. 31, 2015	Additions	Derecognitions	Balance at Dec. 31, 2016
Provision for executive call options	**3,433**	327	(663)	**3,097**

2015

				Thousands of euros
	Balance at Dec. 31, 2014	Additions	Derecognitions	Balance at Dec. 31, 2015
Provision for executive call options	**4,454**	47	(1,068)	**3,433**

In December 2016, the Board of Directors agreed to extend the term of the loans granted to executives. However, it has provisioned the full amount of interest accrued under those loans based on management's belief that the probability of collecting it is low.

The loans extended to executives accrued 36 thousand euros of interest in 2016 (54 thousand euros in 2015). In addition, for those executives still employed by the Company, the provision for the call options reflects the restatement to fair value of the put option at the reporting date for all loans extended to executives that are not past due and the difference between Codere's closing share price at the reporting date and the established repurchase price of 7.88 euros for those loans that were past due at year-end.

At both reporting dates, this heading only includes the fair value of the options in respect of loans still pending repayment. The options are measured at fair value, factoring in the volatility of the underlying securities, the loan redemption values and other considerations.

The inputs used in the valuation model are as follows:

	2016	2015
Strike price	10.597	10.597
Implied volatility	84.972%	118.594%
Annual rate	(0.207%)	(0.055%)
Implicit rate	0.7734	8.1460
Total price	**9.85**	**9.81**

19. Financial liabilities

a) Non-current financial liabilities

		Thousands of euros
	2016	2015
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by Hipica Rioplatense Uruguay, S.A.	788,335	-
Bank borrowings	49,619	76,375
Other borrowings	30,711	36,295
Finance lease payables	2,145	987
	870,810	**113,657**

a.1) Issued bonds - non-current

On April 5, 2016, as part of the refinancing process, Codere Finance 2 (Luxembourg), S.A. issued the following bonds or notes:

- 383,145 thousand US dollars of second lien notes, 218,940 thousand euros of which corresponding to Cash Notes.
- 355,778 thousand US dollars of third lien notes.

The New Notes have a 5.25 year term. The second lien notes carry a 5.50% cash coupon and a 3.50% PIK coupon. The third lien notes carry a 9% PIK coupon. The second lien notes are senior in ranking to the third lien notes. The obligations under the new notes are secured by guarantees and collateral provided by Codere Group companies.

The Group also issued 218,940 thousand US dollars of senior private notes. The New Senior Private Notes have a five year term and carry an annual cash coupon of Euribor (subject to a minimum rate of 1%) plus 7%. The New Senior Private Notes are senior in ranking to the New Notes. The obligations under the New Senior Private Notes are secured by guarantees and collateral provided by Codere Group companies.

On November 8, 2016, the Company issued the following notes:

- 500,000,000 euros of senior secured notes due November 1, 2021 (the “Euro Notes”); and
- 300,000,000 US dollars of senior secured notes due November 1, 2021 (the “US Dollar Notes” and, together with the Euro Notes, the “Notes”).

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

The total aggregate proceeds from the two issues, coupled with cash at hand, have been used to refinance 1,006.9 million US dollars of existing notes issued in April 2016 (principal and interest accrued as of the repayment date), including:

- 218.9 million US dollars of New Senior Private Bonds and 1.6 million US dollars of interest.

- 389.6 million US dollars of Second Lien Notes (series 3), 5.2 million US dollars of interest and a 7.8 million US dollar early cancellation fee.

- 371.3 million US dollars of Third Lien Notes (series 3), 5 million US dollars of interest and a 7.4 million US dollar early cancellation fee.

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

	Thousands of euros					
	Face value	Currency	Effective interest rate	Maturity	2016	2015
Notes issued by Codere Finance 2 (Luxembourg), S.A.	500,000	Euros	7.27%	October 31, 2021	492,135	-
Notes issued by Codere Finance 2 (Luxembourg), S.A.	300,000	US dollars	8.18%	October 31, 2021	280,118	-
Marketable notes issued by Hípica Rioplatense Uruguay	20,000	US dollars	4.90%	November 28, 2021	12,455	-
Marketable notes issued by Hípica Rioplatense Uruguay	4,000	US dollars	4.02%	November 28, 2022	2,472	-
Marketable notes issued by Hípica Rioplatense Uruguay	8,000	US dollars	5.02%	November 28, 2018	1,155	-
					788,335	**-**

In the loan agreement, the security trustee is Glas Trust Corporation Limited and the parent guarantor is Codere Finance Luxembourg 2 S.à.r.l. The other entities guaranteeing the transaction are:

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

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

At December 31, 2016, the interest accrued and outstanding amounted to 8,010 thousand euros.

a.2) Non-current bank borrowings

	Effective average interest rate	Maturity	Thousands of euros 2016	2015
Spanish Group	2.55%	2018-2026	1,690	1,020
Italian Group	2.97%	2018-2019	291	313
Mexican Group	TIIE (Mex. benchmark rate) + 3.25%	2019	18,263	35,554
Colombian Group	DTF TA (Col. benchmark rate) + 5.5%	2020	1,897	2,336
Uruguay (Carrasco Nobile)	6.91%	2018-2023	27,478	37,152
			49,619	**76,375**

The borrowings are mainly arranged locally to finance growth of the Group's operations in each market. They are arranged at prevailing market rates. The most significant borrowings are those held by ICELA, on account of the various investments made in the Banamex Center, those taken on to fund the racetrack and casino in Uruguay and the financing contracts in force with Rospide Sociedad de Bolsa S.A, Urraburo & Hijos Corredor de Bolsa, S.R.L and Compañía de Valores Pérez Marexiano S.B.S.A . The scheduled repayments were concentrated in Mexico and Uruguay.

The facility extended to Administradora del Hipódromo, S.A. de C.V. by Inbursa was extended for a four-year term on November 26, 2015.

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

a.3) Other non-current borrowings

The amount recognized under "Other non-current borrowings" in the amount of 30,711 thousand euros at December 31, 2016 (36,295 thousand euros at December 31, 2015) includes non-current accounts payable by Spanish companies for exclusivity rights in the amount of approximately 8,251 thousand euros at December 31, 2016 (4,837 thousand euros at year-end 2015).

At year-end, it also includes the sum of 10,695 thousand euros (year-end 2015: and 15,546 thousand euros) corresponding to long-term debts deriving from the deferral of gaming taxes following approval for such deferral in respect of a certain number of machines in the regions of Madrid, Cantabria, Valencia and Catalonia. The related current balances are recognized within “Other current non-trade debts”. The interest accrued on these debts is set at the legal interest rate prevailing in Spain.

This heading also includes the third-party borrowings used to fund the acquisition of licenses by Codere Network, S.p.A. for the installation and operation of VLT devices in Italy in the amount of 8,185 thousand euros at December 31, 2016 (9,306 thousand euros at December 31, 2015).

a.4) Finance lease obligations

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

	Thousands of euros			
	Face value		Present value	
	2016	2015	2016	2015
In the next reporting period	4,545	1,489	4,461	1,533
Between 2 and 5 years, inclusive	2,222	1,044	2,145	987
Beyond year 6	-	-	-	-
	6,767	**2,533**	**6,606**	**2,520**
Less:				
Future finance costs	(161)	(14)		
Recognized as				
Non-current finance lease obligations			**2,145**	**987**
Current finance lease obligations			**4,461**	**1,533**

At December 31, 2016 and December 31, 2015, the Group's finance lease obligations amounted to 2,145 and 987 thousand euros, respectively. Of these totals, 1,765 and 768 thousand euros, respectively, correspond to the non-current portion of the finance lease obligations deriving from the lease of gaming machines in Spain.

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

The carrying amounts of “Other non-current borrowings” are not materially different from their fair values at either reporting date.

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

Currency	Thousands of euros	
	2016	2015
Euros	31,914	35,320
US dollars	795,040	29,031
Argentine pesos	626	836
Mexican pesos	18,798	37,140
Uruguayan pesos	22,464	8,923
Colombian pesos	1,968	2,407
	870,810	**113,657**

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

						Thousands of euros
			Year-end 2016			Year-end 2015
Due	Bank borrowings	Other non-current borrowings	Total	Bank borrowings	Other non-current borrowings	Total
2017	-	-	-	26,894	13,705	40,599
2018	22,391	6,668	29,059	26,641	8,529	35,170
2019	12,368	9,784	22,152	12,408	2,932	15,340
2020	3,913	4,884	8,797	2,761	490	3,251
2021	10,377	788,041	798,418	-	-	-
Later	570	11,814	12,384	7,671	11,626	19,297
	49,619	**821,191**	**870,810**	**76,375**	**37,282**	**113,657**

b) Current liabilities

b.1) Notes

On June 24, 2005, Codere Finance (Luxembourg), S.A. issued 335 million euros of 8.25% notes due June 15, 2015. On April 19, 2006, Codere Finance (Luxembourg), S.A. issued a further 165 million euros of notes and on November 7, 2006, Codere Finance (Luxembourg), S.A. issued another 160 million euros of notes. The notes issued in April 2006 (at a premium of 106.25%) and November 2006 (premium: 107.25%) were fungible and accordingly merged into a single issue along with the notes originally issued in 2005.

On July 22, 2010, Codere Finance (Luxembourg), S.A. issued another 100 million euros of 8.25% notes at an issue price of 94%. That issue was guaranteed by Codere S.A. and several of its subsidiaries. The new notes carried the same terms as the notes issued earlier and were similarly due in 2015.

On February 8, 2012, Codere Finance (Luxembourg), S.A. issued 300 million dollars of 9.25% notes due 2019.

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

						Thousands of euros
	Face value	Currency	Effective interest rate	Maturity	Year-end 2016	Year-end 2015
Notes issued by Codere Finance (Luxembourg), S.A.	335,000	Euros	8.76%	June 15, 2015	-	335,000
Notes issued by Codere Finance (Luxembourg), S.A.	165,000	Euros	8.23%	June 15, 2015	-	165,000
Notes issued by Codere Finance (Luxembourg), S.A.	160,000	Euros	7.96%	June 15, 2015	-	160,000
Notes issued by Codere Finance (Luxembourg), S.A.	100,000	Euros	10.71%	June 15, 2015	-	100,000
Notes issued by Codere Finance (Luxembourg), S.A.	226,005	US dollars	10.20%	February 15, 2019	-	275,559
					-	**1,035,559**

This heading included 239,463 thousand euros of accrued and unpaid interest at December 31, 2015.

The notes issued by Codere Finance (Luxembourg), S.A. are guaranteed by the parent guarantor (Codere, S.A.) on a first-ranking basis and by the list of subsidiary guarantors provided below on a second-ranking basis.

Codere Finance (Luxembourg), S.A. and the bond guarantors are party to an indenture along with Deutsche Trustee Company Limited as security trustee and Deutsche Bank AG (London branch) as paying agent. The indenture limits, among other items, the capacity of the issuer and guarantors to:

- Make certain restricted payments or investments.
- Issue additional debt or preferred stock.
- Extend guarantees to third parties not part of the restricted Group.
- Pay dividends or transfer or sell assets.

The parties to the indenture are also entitled to:
- Request compliance with certain ratios.
- Incur additional debt above certain ratios.

The issuer has to settle the interest on the notes issued in 2005, 2006 and 2010 semi-annually, on June 15 and December 15. Codere Finance (Luxembourg), S.A. is also entitled to cancel some or all of the notes issued in 2005, 2006 and 2010 by buying them back at 100% of par plus the applicable premium (which ranges between 0% and 2.75%).

The 300 million US dollar notes are repayable in semi-annual instalments, on February 15 and August 15 of each year, until they mature in 2019; they cannot be called before year three from issuance, at which point they can be called at a price of 100% of par plus a premium depending on the year of repurchase (between 0% and 9.25%).

The guarantors at December 31, 2015 were:

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

(*) These companies only guaranteed the notes issued in June 2005, April 2006, November 2006 and July 2010
(**) These companies only guaranteed the senior debt facility

The issued euro notes are secured on a first-ranking basis by a credit agreement between Codere Finance (Luxembourg), S.A. and Codere, S.A. (at an interest rate equivalent to the coupon on the notes) and on a second-ranking basis by a pledge over the shares of Codere España, S.L.U. and Codere Internacional, S.L.U.

The dollar notes are secured on a first-ranking basis by a credit agreement between Codere Finance (Luxembourg), S.A. and Codere Internacional Dos, S.A.U. (at an interest rate equivalent to the coupon on the notes) and on a second-ranking basis by a pledge over the shares of 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 and conditions further stipulated that all debt owed by the Codere Group subsidiaries be subordinate to the payment obligations under the notes, except for those borrowings secured by a specific asset.

b.2) Bank borrowings

	Thousands of euros	
	2016	**2015**
Short-term loans	23,147	18,533
Receivables discounting lines and credit facilities	-	130,000
Accrued interest	166	(1,037)
Total bank borrowings	**23,313**	**147,496**
Total available for drawdown	95,000	-
Total drawdown limit	**118,313**	**147,496**

Short-term loans

On October 24, 2016, Codere, S.A., in its capacity as parent guarantor, and Codere Newco, S.A.U., as borrower, entered into a 95 million-euro super senior multi-currency revolving facility. This facility had not been drawn down as of the date of publication of the accompanying consolidated financial statements.

At December 31, 2016, the most significant short-term bank borrowings were those of the ICELA Group (9,528 thousand euros) and those of the Uruguayan business (12,210 thousand euros). The main increases under this heading were concentrated at the ICELA Group and in Uruguay and reflect reclassifications from non-current to current.

At December 31, 2015, this heading primarily included the short-term bank borrowings of several ICELA Group companies (7,667 thousand euros), the Italian Group (999 thousand euros), the Panamanian business (3,963 thousand euros) and the Uruguayan business (5,082 thousand euros).

Receivables discounting lines and credit facilities

This heading included the senior facilities agreement drawn down by 130 million euros at June 30, 2015.

On July 5, 2013, the senior credit facility was partially amended, extending the maturity until January 5, 2014, prior to which the former lenders sold their position to Canyon Capital Finance Sarl and several funds managed by GSO Capital Partners LP. The new senior facility agreement stipulated a new drawdown limit of 98,560 thousand euros, up to 60,000 thousand euros of which available in cash and the rest in surety instruments. The rate on the facility was set at the higher of Euribor + 8.5% or Libor + 7.5% plus an arrangement fee of 5%. In conjunction with this renewal, the annual covenant compliance test was eliminated and an acceleration event introduced related to payment of the interest due on the notes issued by Codere Finance Luxembourg, S.A. on August 15, 2013.

An amendment of the terms of the senior facility agreement was secured with the lenders on September 13, 2013, thereby increasing the total amount drawable in cash by 35,000 thousand euros to 95,000 thousand euros in total. The rate on the facility was set at the higher of Euribor + 8.0% or Libor + 7.0% plus an arrangement fee of 1,069 thousand euros. The original maturity date of January 5, 2014 was left intact.

On January 9, 2014, it was agreed to extend the maturity date of the senior facility agreement to February 5, 2014.

The senior facility agreement had become due and payable on February 6, 2014 and was still outstanding, albeit covered by a standstill agreement linked to the debt restructuring lock-up agreement entered into on September 23, 2014. Since then, the facility is accruing late-payment interest.

On October 17, 2014, it was agreed with the holders of the senior facility to increase the amount of the facility by 35 million euros, on the same terms and conditions, in order to fund the proceeds needed to conclude the court proceedings before the Corte dei Conti.

The creditors underwriting the current senior credit facility are: GSO, which includes several funds managed by GSO Capital Partners LP, Canyon Capital, Finance S.à.r.l, Silver Point Luxembourg Platform, S.à.r.l, Monarch Master Funding 2 (Luxembourg), S.à.r.l and FBC Holdings S.à.r.l

This facility was not drawn down at December 31, 2016. The balance drawn in cash (face value in thousands of euros) at December 31, 2015 and the associated repayment dates and interest rates applied:

2015	Interest rate	Maturity
60,000	11.84%	January 29, 2016
20,000	11.84%	January 29, 2016
15,000	11.84%	January 29, 2016
35,000	11.84%	January 29, 2016
130,000		

There is an Intercreditor Agreement intertwining the guarantees securing both classes of debt, the notes and senior facility, granting senior ranking to the latter. The companies that guarantee the notes and the senior debt facility are itemized earlier in this note.

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

	Thousands of euros	
	2016	**2015**
Taxes payable	173,525	180,939
Deferred gaming taxes	25,211	33,644
Employee benefits payable	23,575	19,326
Other borrowings	42,357	37,050
	264,668	**270,959**

b.3.1) Taxes payable

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

(Thousands of euros)

b.3.2) Deferred gaming taxes

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

b.3.3) Other payables

This heading includes:

- The current balances due in respect of the lease of gaming machines (finance leases) in the amount of 4,461 thousand euros at December 31, 2016 (1,533 thousand euros at December 31, 2015).
- Balances owed to Spanish machine suppliers in the amount of 3,625 thousand euros at December 31, 2016 (2,911 thousand euros at December 31, 2015). Payables to suppliers in Argentina stood at 2,905 thousand euros at December 31, 2016 (1,464 thousand euros at year-end 2015). Payables to suppliers in Mexico stood at 12,829 thousand euros at December 31, 2016 (14,444 thousand euros at year-end 2015).
- Current bills payable by the Spanish companies in the amount of 1,766 thousand euros at December 31, 2016 (2,910 thousand euros at December 31, 2015).
- Payables outstanding in connection with the acquisition of companies in Italy in the amount of 2,406 thousand euros at December 31, 2016 (2,041 thousand euros at December 31, 2015).
- Debt incurred to acquire sports-betting terminals in Spain in the amount of 4,194 thousand euros at December 31, 2016 (1,475 thousand euros at December 31, 2015).

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

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

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

	2016 (days)	**2015 (days)**
Average supplier payment term	34	30
Paid transactions ratio	33	29
Outstanding transactions ratio	62	118
Total payments made	76,591	96,099
Total payments outstanding	3,656	959

c) Loans secured by the Group

In addition to the pledges of shares in several Group companies, as disclosed in paragraph b.1) above, at December 31, 2016, several Group companies had pledged fixed assets as collateral securing debt totaling 60,179 thousand euros (December 31, 2015: 57,937 thousand euros).

d) Current liabilities by currency

Currency	**Thousands of euros**	
	2016	**2015**
Euros	120,575	1,213,977
US dollars	74,234	381,485
Argentine pesos	66,387	53,823
Mexican pesos	116,558	143,678
Uruguayan pesos	20,136	5,683
Colombian pesos	6,084	5,333
Pound sterling	72	4
Chilean pesos	-	88
Brazilian real	4,639	3,255
	408,685	**1,807,326**

20. Derivative transactions

The Group did not trade in derivatives in either 2016 or 2015.

21. Tax matters

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

The following companies formed part of the Spanish tax group in 2016:

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

Spanish tax group, 2016:

Cartaya, S.A.
CF-8, S.L.
Codere América, S.A.U.
Codere Apuestas España, S.L.U.
Codere Apuestas, S.A.U.
Codere Apuestas Aragón, S.L.U.
Codere Apuestas Murcia, S.L.U.
Codere Apuestas Navarra, S.A.U.
Codere Apuestas Valencia, S.A.U.
Codere Distribuciones, S.L.
Codere Interactiva, S.L.
Codere Internacional, S.A.
Codere Internacional Dos, S.A.U.
Codere Logroño, S.L.
Codere Online, S.A.
Codere España, S.A.
Colonder, S.A.
Desarrollo Online juegos regulados, S.A.
J.M. Quero Asociados, S.A.
JPVmatic 2005, S.L.
Misuri, S.A.
Nididem, S.A.
Operiberica, S.A.
Red Aeam S.A.
Sigirec, S.L.
Codere Apuestas Castilla la Mancha, S.A.
Codere Servicios, S.R.L.
Codere Apuestas Ceuta, S.L.
Codere Apuestas Cataluña, S.A.
Codere Apuestas La Rioja, S.A.
Codere Apuestas Extremadura, S.A.
Codere Apuestas Castilla León, S.A.
Codere Castilla y León, S.L.
Codere Apuestas Cantabria, S.A.
Codere Apuestas Melilla, S.A.
Codere Apuestas Asturias, S.A.
Codere Latam, S.A.
Codere Newco, S.A.U. (*)
Codere Apuestas Baleares, S.A. (*)
Codere Apuestas Andalucía, S.A. (*)

(*) These companies were added to the tax group in 2016.

The following companies formed part of the Spanish tax group in 2015:

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

Spanish tax group, 2015:

Codere, S.A.
Cartaya, S.A.
CF-8, S.L.
Codere América, S.A.U.
Codere Asesoría, S.A.U.
Codere Apuestas España, S.L.U.
Codere Apuestas, S.A.U.
Codere Apuestas Aragón, S.L.U.
Codere Apuestas Asturias, S.A. (*)
Codere Apuestas Castilla la Mancha, S.A.
Codere Apuestas Castilla y León, S.A.
Codere Apuestas Cataluña, S.L.
Codere Apuestas Cantabria, S.A. (*)
Codere Apuestas Ceuta, S.A.
Codere Apuestas Extremadura, S.A.
Codere Apuestas Galicia, S.L.U.
Codere Apuestas La Rioja, S.A.
Codere Apuestas Melilla, S.A. (*)
Codere Apuestas Murcia, S.L.U.
Codere Navarra, S.A. (*)
Codere Apuestas Navarra S.A.U.
Codere Apuestas Valencia, S.A.U.
Codere Castilla y León, S.L. (*)
Codere Distribuciones, S.L.U
Codere España, S.L.U. (unipersonal)
Codere Interactiva, S.L.
Codere Internacional, S.L.U. (unipersonal)
Codere Internacional Dos, S.A.U.
Codere Latam, S.L (*)
Codere Logroño, S.L.
Codere Online, S.A.
Codere Sagunto, S.L.
Codere Servicios Compartidos, S.A.
Codere Servicios, S.R.L.
Colonder, S.A.U.
Desarrollo Online juegos regulados, S.A.
J.M. Quero Asociados, S.A.U
JPVmatic 2005, S.L.
Misuri, S.A.U.
Nididem, S.L.U (unipersonal)
Operiberica, S.A.U
Red Aeam S.A.U
Sigirec, S.L.

(*) These companies were added to the tax group in 2015.

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

The subsidiaries included in the Italian tax group in 2016 and 2015:

Italian tax group, 2016:

Codere Italia S.p.a.
Seven Cora Service S.r.l.
Cristaltec Service S.r.l.
Vasa e Azzena Service S.r.l.
Gap Games, S.r.l.
FG Slot Service s.r.l.
DP Service, S.r.l.
Codere Gaming Italia S.r.l.
Codematica S.r.l.
Codere Network S.p.a.
Gaming Re, S.r.L
Operbingo Italia S.p.a.
Gestioni Marconi S.r.l.
Giomax S.r.l.
Vegas S.r.l.
King Slot S.r.l.
King Bingo S.r.l.
Palace Bingo S.r.l.
Royal Jackpot S.r.l.
Garet S.r.l.
Game Over, S.r.L

Italian tax group, 2015:

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

The rest of the Group companies file their taxes separately.

The companies domiciled in Spain are subject to a statutory rate of 25% of taxable income in 2016. Nevertheless, the resulting taxable income may be reduced by certain deductions. The companies domiciled outside Spain apply the tax laws and rates prevailing in their countries of residence; these rates range between 24% and 34%, with the exceptions of Argentina (41.5%), Colombia (40%) and Chile (24%).

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

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

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

	Thousands of euros	
	2016	**2015**
Consolidated taxable income	(1,124,290)	(78,942)
At the statutory income tax rate of 25% (28% in 2015)	(281,072)	(22,104)
Effect of different rates in different countries	19,881	9,202
Tax effect of previously unrecognized tax losses and permanent differences	305,980	76,122
Recognition of assets for unused tax losses	(8,050)	-
Income tax expense reported in the consolidated statement of profit or loss	**36,738**	**63,220**

The “Effect of different rates in different countries” reflects the difference derived from applying the statutory rate in Spain (25% and 2016 and 28% in 2015) to taxable income and applying the corresponding statutory rate of each country to taxable income. The differences of 19,881 and 9,202 thousand euros in 2016 and 2015, respectively, correspond mainly to the difference between the tax rate in Spain and that applied in Argentina, where the statutory rate was 41.5% in 2016 (35% in 2015).

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

- The tax effect of unrecognized tax losses: at December 31, 2016, these unrecognized losses were concentrated in Spain, at the holding companies, in Mexico, Uruguay and Brazil in an amount totaling approximately 72 million euros (62 million euros in Spain and at the holdcos in 2015).

- The effect of recognizing deferred taxes in Argentina as a result of retained earnings: net reversal of 5.6 million euros in 2016 (net charge of 0.6 million euros in 2015).

- Permanent differences: this heading includes the permanent differences in respect of the various Group companies, calculated applying the statutory rate prevailing in the corresponding country.

- Lastly, this heading includes corporate income tax expense recognized by the Spanish companies in respect of foreign taxes collected in the various markets in relation to revenues (from the provision of services and interest received) recognized by Codere, S.A.

The income tax expense calculation for 2016:

	Thousands of euros	
	2016	2015
Pre-tax consolidated profit/(loss)	**(1,124,290)**	**(78,942)**
Permanent differences	1,318,068	**210,025**
Temporary differences	(1,000)	42,806
Utilization of previously unrecognized tax losses	(24,552)	(1,800)
Taxable income (tax loss)	**168,226**	**172,089**

The temporary differences correspond mainly to different useful lives for tax and accounting purposes of items of property, plant and equipment and intangible assets.

The permanent differences correspond basically to expenses not deductible for tax purposes and consolidation adjustments. Specifically, these differences include a 1,054.3 million increase in taxable income related to the treatment of the finance cost recognized in connection with the share issue undertaken to offset debt as a non-deductible expense.

The breakdown of income tax expense:

	Thousands of euros	
Consolidated statement of profit or loss	**2016**	**2015**
Current tax		
- Current income tax expense (income) (*)	50,286	59,364
- Taxes abroad and other adjustments to current tax	(11,662)	17,962
Deferred taxes		
- Related to increases and decreases in temporary differences (note 12)	11,802	(13,459)
- Related to the deferred tax burden associated with earnings retained in Argentina (note 12)	(5,638)	(647)
- Recognition of tax assets for unused tax losses (note 12)	(8,050)	-
	36,738	**63,220**

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

The tax effect of tax losses not recognized for accounting purposes is presented within adjustments to current tax. That heading similarly includes amounts paid for taxes equivalent to Spain's corporate income tax, primarily in Italy.

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

	Thousands of euros	
Company	**2016**	**2015**
Codere, S.A. (tax group)	372,109	398,494
Rest of Spain	24,481	24,583
Italy	42,514	39,597
Mexico	209,149	239,125
Argentina	5,323	5,195
Panama	514	1,838
Uruguay	63,116	47,425
Brazil	32,802	23,520
Colombia	17,443	9,001
	767,451	**788,779**

The Group had not recognized 192,112 thousand euros of deferred tax assets at year-end 2016 (201,362 thousand euros at year-end 2015).

The tax credit that could be generated by these unused tax losses in income tax in the coming years has not been recognized on the face of the Group's consolidated balance sheet other than recognized tax assets of 17,717 thousand euros corresponding primarily to Codere, S.A. (15,089 thousand euros) and certain Italian companies (2,628 thousand euros).

Since Spain's new income tax act took effect in 2015, there is no longer any deadline for utilizing unused tax losses. Unused tax losses in Spain amounted to 400,102 thousand euros at December 31, 2016.

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

	Thousands of euros			
	2016		**2015**	
Year	**Spain**	**Other countries**	**Spain**	**Other countries**
2015	-	-	-	-
2016	-	-	-	6,840
2017	-	9,439	-	9,403
2018	-	17,767	-	17,790
2019	-	12,532	-	12,284
2020	-	34,381	-	32,430
2021	-	20,446	-	9,232
2022	-	7,286	-	17,038
2023	-	23,365	-	26,295
2024	-	45,613	-	63,469
2025	-	74,763	-	96,992
2026	-	34,359	-	-
Later	-	-	-	-
No time limit	396,590	90,909	423,078	69,952
Total	**396,590**	**370,860**	**423,078**	**361,725**

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

	2016		2015
Year	**Spain**	**Other countries**	**Spain**
2016	-	-	-
2017	-	-	-
2018	91	-	91
2019	90	-	90
2020	104	-	104
2021	132	-	132
2022	132	6,414	132
2023	101	-	101
2024	97	40	97
2025	69	59	69
2026	84	6,678	-
Later	194	88,279	319
No time limit	55,569	-	39,197
Total	**56,663**	**101,470**	**40,332**

22. Guarantees extended to third parties and other contingent liabilities

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

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

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

	Thousands of euros	
Sureties and guarantees	**2016**	**2015**
Gaming sureties and guarantees	107,348	88,559
Other guarantees	48,861	66,684
	156,209	**155,243**

Gaming sureties and guarantees

Within gaming sureties and guarantees at December 31, 2016 and December 31, 2015, the most significant amount corresponds to the surety policies guaranteeing performance of the Group's obligations under the terms of the concession granted by the Italy's betting and gaming authority, the AAMS, to Codere Network, S.p.A. to activate and run the gaming management network in Italy in the amount of 27,830 thousand euros at December 31, 2016 (25,001 thousand euros at December 31, 2015). Carrasco Nobile, S.A. (the Casino Carrasco Hotel) has also arranged surety policies to guarantee due performance of the concession agreement and payment of the royalty to the Montevideo municipal authorities in the amount of 21,345 euros at year-end 2016. Note that these surety policies are not part of the senior facility agreement and are therefore not secured by the latter's guarantee package.

In addition, Codere, S.A. is guaranteeing compliance with obligations assumed vis-a-vis the Madrid regional government in exchange for the right to organize and market sports-betting activities in the amount of 12,003 thousand euros at both December 31, 2016 and December 31, 2015. Note that these surety policies are not part of the senior facility agreement and are therefore not secured by the latter's guarantee package.

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

Other guarantees

Codere, S.A. has extended other non-bank guarantees, notable among which those issued by Afianzadora Aserta S.A. de C.V. in Mexico and deposited in escrow in favor of the Mexican Federal Treasury in connection with lawsuits regarding the tax matters of the Codere Group's Mexican operations in an amount equivalent to 29,632 thousand euros at December 31, 2016 (34,957 thousand euros at December 31, 2015).

Other noteworthy non-bank guarantees include those issued by Generali in Italy in connection with the rental of bingo halls and the grant of bingo concessions to several Operbingo Group companies in the amount of 4,341 thousand euros at December 31, 2016 (4,939 thousand euros at year-end 2015), which are counter-guaranteed by Codere, S.A.

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

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

			Thousands of euros
			Year-end 2016
	Land and buildings	Machines	Total
Operibérica, S.A.	12,456	36,984	49,440
J.M. Quero S.A.	1,182	-	1,182
J.P.V. Matic 2005, S.L.	830	-	830
Codere Girona, S.L	5,190	-	5,190
Codere Alicante, S.L.	193	-	193
Comercial Yontxa, S.A.	201	-	201
Bingos Codere, S.A.	3,143		3,143
	23,195	**36,984**	**60,179**

			Thousands of euros
			Year-end 2015
	Land and buildings	Machines	Total
Operibérica, S.A.	8,645	36,984	45,629
J.M. Quero S.A.	1,195	-	1,195
J.P.V. Matic 2005, S.L.	844	-	844
Codere Girona, S.L	5,263	-	5,263
Codere Alicante, S.L.	201	-	201
Codere Asesoría, S.A.	4,149	-	4,149
Comercial Yontxa, S.A.	231	-	231
Bingos Codere, S.A.	425	-	425
	20,953	**36,984**	**57,937**

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

23. Income and expense

a) Other income

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

b) Raw materials and consumables used and other external expenses

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

c) Other operating expenses

	Thousands of euros	
	2016	**2015**
Gaming taxes and other levies	551,886	571,914
Machine and other leases	115,762	124,453
Utilities, repairs and maintenance	70,906	77,809
Professional services and other expenses	285,491	284,292
	1,024,045	**1,058,468**

d) Employee benefits expense

The breakdown of employee benefits expense in 2016 and 2015:

	Thousands of euros	
	2016	**2015**
Wages, salaries and similar	184,623	205,003
Social security	42,360	50,785
Other benefit expense	18,523	20,807
	245,506	**276,595**

"Wages, salaries and similar" includes termination benefits in the amount of 5,884 thousand euros in 2016 (8,846 thousand euros in 2015).

e) Headcount

	2016		**2015**	
	No. of employees		**No. of employees**	
	Male	Female	Male	Female
Clerical staff	326	419	289	382
Senior management	34	4	33	2
Executives	233	111	84	13
Middle management	1,643	888	1,476	645
Operations staff	4,675	3,739	4,890	3,726
Skilled professionals	1,014	333	1,329	462
	7,925	**5,494**	**8,101**	**5,230**

The increase in headcount is mainly related to the consolidation of Hípica Rioplatense de Uruguay, S.A..

f) Basic earnings per share

Basic earnings per share

2016			2015		
Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share	Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share
(1,157,075)	1,878,840,323	(0.62)	(139,446)	54,752,222	(2.55)

Basic earnings per share attributable to equity holders of the parent

2016			2015		
Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share	Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share
(1,125,886)	1,878,840,323	(0.59)	(113,192)	54,752,222	(2.07)

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

2016			2015		
Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share	Profit/(loss) for the year (thousands of euros)	Weighted average number of shares	Earnings per share
(1,125,886)	1,878,840,323	(0.59)	(113,192)	54,752,222	(2.07)

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

As a result of the own shares held as treasury stock, the weighted average number of ordinary shares used to calculate basic earnings per share was 1,878,840,323 in 2016 (54,752,222 in 2015).

g) Finance income and costs

	Thousands of euros	
	2016	2015
Finance costs		
Contractual interest expense and finance charges	(1,186,658)	(135,264)
Unwinding of discount on provisions and other liabilities	(3,800)	(21,165)
Other finance costs	-	-
	(1,190,458)	**(156,429)**
Finance income		
Interest income	3,869	2,323
Interest income from securities, loans and other assets	1,154	1,234
Other finance income	-	-
	5,023	**3,557**
Net exchange losses	**(37,076)**	**(50,469)**
Total finance cost	**(1,222,511)**	**(203,341)**

Contractual interest expense and finance charges

This heading includes interest expense on third-party borrowings and the debt capitalization charges associated with the restructuring process.

Unwinding of discount on provisions and other liabilities

In 2016, this heading includes the recognition of 2,224 thousand euros of losses on the purchase and sale of Argentine sovereign bonds and adjustments for higher investments in Italy and Uruguay.

In 2015, this heading included the recognition of 21,089 thousand euros of losses on the purchase and sale of Argentine sovereign bonds.

Net exchange losses

In 2016, this heading includes exchange gains of 364,775 thousand euros offset by 401,851 thousand euros of exchange losses. In 2015, this heading included exchange gains of 227,037 thousand euros offset by 227,506 thousand euros of exchange losses.

24. Consolidated cash flow statement: Additional disclosures for reconciliation purposes

Breakdown of cash and cash equivalents

	Thousands of euros	
	2016	**2015**
Cash equivalents	13,508	13,883
Cash at bank and in hand	128,549	96,443
	142,057	**110,326**

Currency	**Thousands of euros**	
	2016	**2015**
Euros	77,973	37,415
US dollars	15,115	27,503
Argentine pesos	20,660	19,768
Mexican pesos	23,974	18,399
Uruguayan pesos	1,427	4,406
Colombian pesos	2,387	2,699
Pound sterling	59	5
Chilean pesos	-	37
Brazilian real	462	94
	142,057	**110,326**

Additional disclosures for reconciliation purposes

In the year ended December 31, 2016, the main transactions that did not entail inflows or outflows of cash were the gains recognized on asset sales and certain items of operating income (15,896 thousand euros), on the one hand, and the losses recognized on the sale or derecognition of fixed assets and certain items of operating expenses (14,732 thousand euros), on the other.

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

As for the cash used in investing activities, during the year ended December 31, 2016, the Group incurred 75,570 thousand euros of capital expenditure, incurred a cash outflow of 602 thousand euros in connection with long-term loans, specifically: a net outflow of 737 thousand euros in respect of loans extended to hospitality establishment owners in Spain (loan payments of 2,938 thousand euros, net of proceeds of 2,201 thousand euros) and a net inflow of 135 thousand from long-term loans extended to establishment owners in Italy (loan payments of 19,607 thousand euros, net of proceeds of 19,742 thousand euros). The Group paid a net 25,792 thousand euros for acquisitions, including the acquisition of 50% of Hípica Ríoplatense Uruguay, S.A. for 31,039 thousand euros and deferred payments for the acquisition of certain companies in Italy in the amount of 2,398 euros, offset by the cash at Hípica Ríoplatense Uruguay, S.A. at the acquisition date in the amount of 7,645 euros.

Payments for other financial assets include the net impact of cash outflows corresponding to deposits required in respect of certain guarantees and sureties of 21,000 thousand euros, net of the purchase and sale of bonds in Argentina (purchases of 8,751 thousand euros and sales of 17,194 thousand euros).

The increase in proceeds from bank loans of 1,138 thousand euros corresponds to loans obtained in Spain. The outflow of 19,742 thousand euros to repay bank loans was concentrated in Mexico, Carrasco-Uruguay, Panama, Colombia and Italy. The movement in other financial borrowings reflects an outflow of 12,500 thousand euros in respect of deferred gaming taxes and expenses of 30,169 thousand euros associated with the notes issued.

The heading “Other cash flows due to impact of exchange rates on collections and payments” reflects an inflow of 443 thousand euros.

In the year ended December 31, 2015, the main transactions that did not entail inflows or outflows of cash were the gains recognized on asset sales and certain items of operating income (191 thousand euros), on the one hand, and the losses recognized on the sale or derecognition of fixed assets and certain items of operating expenses (3,702 thousand euros), on the other.

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

As for the cash used in investing activities, during the year ended December 31, 2015, the Group incurred 67,070 thousand euros of capital expenditure, collected 2,126 thousand euros from the sale of fixed assets, incurred a cash outflow of 367 thousand euros in connection with long-term loans, specifically: a net outflow of 79 thousand euros in respect of loans extended to hospitality establishment owners in Spain (loan payments of 2,247 thousand euros, net of proceeds of 2,168 thousand euros) and a net outflow of 288 thousand in respect of long-term loans extended to establishment owners in Italy (loan payments of 19,189 thousand euros, net of proceeds of 18,901 thousand euros). The Group paid 5,269 thousand euros to acquire companies, including the purchase of non-controlling interests in Mexico and three machine operators in Italy. The above figure is net of these companies' cash balances totaling 1,306 thousand euros at the respective acquisition dates.

Payments for other financial assets include the net cash outflow from the purchase and sale of bonds in Argentina (purchases of 99,700 thousand euros and sales of 78,600 thousand euros).

The increase in proceeds from bank loans of 1,514 thousand euros corresponds to loans obtained in Colombia and Italy. The outflow of 29,436 thousand euros to repay bank loans was concentrated in Mexico, Panama and Italy. The movement under other financial borrowings included an outflow of 10,167 thousand euros in respect of deferred gaming taxes.

The heading “Other cash flows due to impact of exchange rates on collections and payments” reflected an outflow of 7,406 thousand euros.

25. Related-party transaction disclosures

The transactions entered into with related parties that are not part of the Group in 2016 and 2015 and the resulting balances at the respective reporting dates are as follows:

		Thousands of euros	
December 31, 2016	**Nature of the relationship**	**Loans**	**Services rendered**
Encarnación Martínez Sampedro	Executive/Director	531	-
Luis Javier Martínez Sampedro	Executive/Director	1,065	-
Pro TV, S.A.	Related party	-	291
José Ramón Romero	Director	-	115
Silverpoint	Related party	-	899
		1,596	1,305

		Thousands of euros	
December 31, 2015	**Nature of the relationship**	**Loans**	**Services rendered**
Encarnación Martínez Sampedro	Executive/Director	521	-
Luis Javier Martínez Sampedro	Executive/Director	1,045	-
Fernando Ors	Executive	14	-
José Ramón Romero	Director	-	505
Adolfo Carpena	Executive	9	-
		1,589	**505**

The interest accrued at year-end 2016 on loans to related parties amounted to 25 thousand euros (year-end 2015: 54 thousand euros). There are no balances pending payment to related parties at either reporting date.

Transactions with related parties were made on terms equivalent to an arm's length transaction. At December 31, 2016, the accumulated interest accrued on loans to executives, in the amount of 975 thousand euros, had been provided for in full. At December 31, 2015, the accumulated interest accrued on loans to executives, in the amount of 982 thousand euros, had been provided for in full. The Group had also written down the principal on loans extended to certain executives totaling 1,947 thousand euros (489 thousand euros at year-end 2015).

a) Director and key management personnel remuneration

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

	Thousands of euros	
	2016	**2015**
Director remuneration	705	602
Services rendered (*)	1,305	505
Fixed and variable remuneration	1,634	1,771
	3,644	**2,878**

(*) In 2016, this heading includes 115 thousand euros corresponding to fees received by the law firm of José Ramón Romero, a director, for the provision of legal counsel to the Codere Group (500 thousand euros in 2015.

The fixed remuneration received by the Group's executive directors in 2016:

	Concept and pre-tax amounts (thousands of euros)			
Director	**Fixed remuneration**	**Fixed remuneration in his/her capacity as director**	**Remuneration for attending Board meetings**	**Total**
José Antonio Martínez Sampedro	912	43	16	971
Luis Javier Martínez Sampedro	652	43	16	711
Encarnación Martínez Sampedro	70	11	7	88
Total	**1,634**	**97**	**39**	**1,770**

The fixed remuneration received by the Company's non-executive directors in 2016 for membership of the Board of Directors and its various committees (Audit Committee, Compliance Committee and Corporate Governance Committee) was as follows:

	Concept and pre-tax amounts (€)						
Director	**Fixed remuneration in his/her capacity as director**	**Remuneration for attending Board meetings**	**Remuneration for Vice-Presidency and Institutional Relations**	**Remuneration for attending Audit Committee meetings**	**Remuneration for attending Compliance Committee meetings**	**Remuneration for attending Corporate Governance Committee meetings**	**Total**
José Antonio Martínez Sampedro	43	16	-	-	-	-	59
Luis Javier Martínez Sampedro	43	16	14	-	-	-	73
Masampe, S.L. (1)	51	16	10	-	4	7	88
David Reganato	41	7	-	-	-	3	51
Timothy Lavelle	41	9	-	7	-	-	57
Manuel Martínez-Fidalgo Vázquez	41	9	-	-	2	-	52
Norman Sorensen	41	9	-	7	-	3	60
Matthew Turner	41	9	-	7	-	3	60
Joseph Zappala	51	14	-	3	5	-	73
Encarnación Martínez Sampedro	11	7	-	-	-	-	18
José Ignacio Cases Méndez	11	7	-	-	2	3	23
José Ramón Romero Rodriguez	10	6	-	3	2	-	21
Juan José Zornoza Pérez	11	5	-	3	-	2	21
Eugenio Vela Sastre	10	7	-	3	-	3	23
Juan Junquera Temprano	11	7	-	3	2	3	26
	457	**144**	**24**	**36**	**17**	**27**	**705**

(1) Represented by José M. Lastra Bermúdez

In 2016, the Group's key management personnel accrued 5,020 thousand euros of remuneration (3,718 thousand euros in 2015). None of the Group's key management personnel received termination benefits in 2016. Several Spanish members of Codere's management team have employment contracts that include provisions for special termination benefits that go beyond the mandatory payments stipulated in applicable legislation. The overall amount of termination payments payable under these contracts amounted to 1.3 million euros at year-end 2016 (1.2 million euros in 2015).

At year-end, no advances had been extended to members of the Board. Nor had the Group assumed pension plan obligations on behalf of former or serving members of the Board of Directors. The loans extended to directors and executives are disclosed at the beginning of this note.

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

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

b) Balances with Grupo Caliente

Certain Group companies in Mexico recognize accounts receivable from companies within the Caliente Group (a minority shareholder in Mexico) that were not acquired in the amount of 44,920 thousand euros (43,417 thousand euros at December 31, 2015); this balance had been fully written down for impairment at year-end 2016.

c) Balance with Grupo CIE

The Codere Group recognizes an account receivable of 4,330 thousand euros at December 31, 2016 (10,348 thousand euros at December 31, 2015) from a subsidiary of the CIE Group (a minority shareholder in Mexico), Make Pro, S.A. de C.V., for advertising and sponsorship services.

26. Auditor fees

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

			Thousands of euros
	EY	**Other EY network firms**	**Total**
2016			
Audit services	200	1,427	1,627
Other services	307	799	1,106
	507	**2,226**	**2,733**
	PricewaterhouseCoopers Auditores, S.L.	**Other PwC network firms**	**Total**
2015			
Audit services	272	1,693	1,965
Other services	43	270	258
	315	**1,963**	**2,223**

27. Environmental disclosures

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

The Codere Group did not make any major environmental investments in either 2016 or 2015.

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

28. Events after the reporting date

Between December 31, 2016 and the date of authorizing these annual financial statements for issue, no material non-adjusting events have occurred that warrant disclosure.

APPENDIX I

Consolidated Group at December 31, 2016 and 2015

			2016		2015	
			%		%	
Name	**Business activity**	**Consolidation method**	**Shareholding**	**Held through**	**Shareholding**	**Held through**
SPAIN:						
CARTAYA, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo hall operation	Full	100%	CODERE ESPAÑA, S.A.U.	100%	CODERE ESPAÑA, S.L.U.
C-F8, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	75%	OPERIBERICA, S.A.U.	75%	OPERIBERICA, S.A.U.
CODERE ALICANTE, S.L.U. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Gaming machine operation	Full	59%	CODERE ESPAÑA, S.A.U.	59%	CODERE ESPAÑA, S.L.U.
CODERE APUESTAS, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA, S.L.U.	100%	CODERE APUESTAS ESPAÑA, S.L.U.
CODERE APUESTAS ANDALUCIA, S.A.U. Calle Torre del Hacho 3 - Parcela 33 Bis -P. Industrial de Antequera 29200 Antequera (Malaga)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA, S.L.U.	-	
CODERE APUESTAS ARAGÓN, S.L.U. Calle José Pellicer, 33 50007 Zaragoza	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS ASTURIAS, S.A.U. Calle Pola de Siero, 8 & 10 33207 Gijón (Asturias)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS BALEARES, S.A.U. Crta. de Palma a Alcudia, Km. 19.4 07330 Consell (Mallorca)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	-	
CODERE APUESTAS CANTABRIA, S.A.U. Calle Columna Sagardía, 3 & 5 39009 Santander	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.

			2016		2015	
			%		%	
Name	**Business activity**	**Consolidation method**	**Shareholding**	**Held through**	**Shareholding**	**Held through**
CODERE APUESTAS CASTILLA LA MANCHA, S.A.U. Polígono Industrial “Santa Maria de Benquerencia”, Calle Jarama, 50 A 45007 Toledo	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS CASTILLA Y LEÓN, S.A.U. Calle Recondo, 11 - 13 47007 Valladolid	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS CATALUÑA, S.A. Polígono Industrial “Riera de Caldes” Calle Mercaders, 1 08184 Palaú I Solitá Plegamans (Barcelona)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS CEUTA, S.L. Glorieta del Teniente Reinoso, s/nº, edificio “Ceuta Center”, B-22-25, 51001 Ceuta	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS ESPAÑA, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports-betting	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE, S.A.
CODERE APUESTAS EXTREMADURA, S.A.U. Polígono Industrial Capellanías, Travesía 1, Parcela 105, Nave 11 10005 Cáceres	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS GALICIA, S.L.U. Edificio "Palacio de la Opera" Glorieta de América s/n local E, 15004 A Coruña	Sports-betting	Full	51%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS MELILLA, S.A.U. Calle Puerto Deportivo Local, 11, 52001 Melilla	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS MURCIA, S.L.U. Calle Los Martínez, 4 (Bajo), Barrio del Progreso, 30012 Murcia	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS NAVARRA S.A.U. Polígono Plazaola, Manzana D, Nave 10, Aizoain 31195 Barrioplano (Navarre)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
CODERE APUESTAS LA RIOJA, S.A.U. Polígono Industrial "El Sequero", Calle Río Piqueras, 133 – N3 26151 Arrubal (La Rioja)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS VALENCIA S.A.U. Avda. Alquería de Moret, 19-21 46210 Picanya (Valencia)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE AMÉRICA, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Management and administration of the own funds of entities not resident in Spanish territory	Full	100%	CODERE INTERNACIONAL DOS, S.A.U.	100%	CODERE INTERNACIONAL DOS, S.A.U.
CODERE ASESORÍA, S.A.U. Avda. Alquería de Moret, 19-21 46210 Picanya (Valencia)	Gaming machine operation	Full	-		100%	OPERIBERICA, S.A.U.
CODERE CASTILLA Y LEÓN, S.L.U. Calle Recondo, 11 - 13 47007 Valladolid	Gaming machine operation	Full	100%	OPERIBERICA, S.A.U.	100%	OPERIBERICA, S.A.U.
CODERE DISTRIBUCIONES, S.L.U. Pol. Ind. Riera de Caldes, Calle Mercaders, 1 08184 Palau de Plegamans (Barcelona)	Operation, distribution and sale of gaming machines	Full	100%	OPERIBERICA, S.A.U.	100%	OPERIBERICA, S.A.U.
CODERE ESPAÑA, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company, operation of gaming machines and bingo halls	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE, S.A.
CODERE GIRONA, S.A. Calle Benet del Riu, 10 17007 Girona (Barcelona)	Gaming machine operation	Full	66.67%	CODERE ESPAÑA, S.A.U.	66.67%	CODERE ESPAÑA, S.L.U.
CODERE GUADALAJARA, S.L. Avda. de Bruselas, 26 Alcobendas (Madrid) CODERE HUESCA, S.L.	Operation, distribution and sale of gaming machines	Full	50%	OPERIBERICA, S.A.U.	50%	OPERIBERICA, S.A.U.

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
Calle Cavia, 8 portal 6, local B 22005 Huesca	Gaming machine operation	Full	51.02%	OPERIBERICA, S.A.U.	51.02%	OPERIBERICA, S.A.U.
CODERE INTERNACIONAL, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE, S.A.
CODERE INTERNACIONAL DOS S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	Full	100%	CODERE INTERNACIONAL S.A.U.	100%	CODERE INTERNACIONAL, S.L.U.
CODERE INTERACTIVA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Television, internet or telephone gaming activities	Full	90%	CODERE NEWCO, S.A.U.	90%	CODERE, S.A.
CODERE LATAM S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Management and administration of the own funds of entities not resident in Spanish territory	Full	100%	CODERE INTERNACIONAL DOS, S.A.U.	100%	CODERE INTERNACIONAL, S.L.U.
CODERE LOGROÑO, S.L. Calle Río Piqueras 133 (Polig. Ind. El Sequero) 26509 Arrubal (La Rioja)	Gaming machine operation	Full	75.03%	OPERIBERICA, S.A.U.	75.03%	OPERIBERICA, S.A.U.
CODERE LUXEMBOURG 1, S.A.R.L. 6C. Rue Gabriel Lippmann L-5365 Munsbach - Luxembourg	Holding company	Full	100%	CODERE, S.A.	-	
CODERE LUXEMBOURG 2, S.A.R.L. 6C. Rue Gabriel Lippmann L-5365 Munsbach - Luxembourg	Holding company	Full	100%	CODERE LUXEMBOURG 1, S.A.R.L.	-	
CODERE ONLINE S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	The organization, sale & marketing and operation of games	Full	100%	CODERE ESPAÑA, S.A.U.	100%	CODERE ESPAÑA, S.L.U.
CODERE NAVARRA, S.A.U. Polígono Plazaola, manzana D, nave 10 31195 Aizoáin, Berrioplano (Navarre)	Gaming machine operation	Full	100%	OPERIBERICA, S.A.U.	100%	OPERIBERICA, S.A.U.
CODERE NEWCO, S.A.U.	Financial services	Full				

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
Avda. de Bruselas, 26 28108 Alcobendas (Madrid)			100%	CODERE LUXEMBOURG 2, S.A.R.L.	-	
CODERE SAGUNTO, S.L. Pol. Ind. Alqueria de Moret, Avda. Alqueria de Moret, 19 & 21 46210 Picanya (Valencia)	Gaming machine operation	Full	-		100%	OPERIBERICA, S.A.U.
CODERE SERVICIOS COMPARTIDOS S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Financial services	Full	100%	CODERE LATAM, S.A. & NIDIDEM, S.A.U.	100%	CODERE, S.A.
CODERE SERVICIOS S.R.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Provision of real estate advisory, intermediation, development and management services	Full	100%	JPV MATIC 2005, S.L.	100%	JPV MATIC 2005, S.L.
CODERE, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Financial services	Full	100%	-	100%	-
COLONDER, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	Full	100%	CODERE INTERNACIONAL DOS, S.A.U.	100%	CODERE INTERNACIONAL, S.L.U.
COMERCIAL YONTXA, S.A. Calle Nicolás Alcorta, 1 48003 Bilbao	Gaming machine operation	Full	51%	OPERIBERICA, S.A.U.	51%	OPERIBERICA, S.A.U.
DESARROLLO ONLINE JUEGOS REGULADOS, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Online gaming activities	Full	100%	CODERE ONLINE S.A.U.	100%	CODERE ONLINE S.A.U.
EL PORTALÓN, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	50%	OPERIBERICA, S.A.U.	50%	OPERIBERICA, S.A.U.

			2016		2015	
			%		%	
Name	Business activity	Consolidation method	Shareholding	Held through	Shareholding	Held through
GARAIPEN VICTORIA APUSTUAK, S.L. Calle Ribera de Axpe, 11, pabellón 5, nave D 2 48950 Erandio (Vizcaya)	Sports-betting	Full	84.88%	CODERE APUESTAS ESPAÑA, S.L.U. & COMERCIAL YONTXA S.A.	84.88%	CODERE APUESTAS ESPAÑA, S.L.U. & COMERCIAL YONTXA S.A.
J.M. QUERO Y ASOCIADOS, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100%	CODERE ESPAÑA, S.A.U.	100%	CODERE ESPAÑA, S.L.U.
JPV MATIC 2005, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100%	CODERE ESPAÑA, S.A.U.	100%	CODERE ESPAÑA, S.L.U.
MISURI, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo gaming	Full	100%	CODERE ESPAÑA, S.A.U.	100%	CODERE ESPAÑA, S.L.U.
NIDIDEM, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Portfolio management	Full	100%	CODERE INTERNACIONAL DOS, S.A.U.	100%	CODERE INTERNACIONAL DOS, S.A.U.
OPERIBÉRICA, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100%	CODERE ESPAÑA, S.A.U.	100%	CODERE ESPAÑA, S.L.U.
OPEROESTE, S.A. Calle Hernán Cortés, 188 06700 Villanueva de la Serena (Badajoz)	Gaming machine operation	Full	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
OPERSHERKA, S.L.U. Calle Padre Melchor Prieto, 31 09005 Burgos	Gaming machine operation	Full	100%	OPERIBÉRICA, S.A.U.	51%	COMERCIAL YONTXA, S.A.
RECREATIVOS ACR, S.L. Polígono Espíritu Santo, Parcela 11-12, Nave 3 33010 Colloto, Oviedo (Asturias)	Gaming machine operation	Full	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
RECREATIVOS OBELISCO, S.L. Polígono Industrial San Rafael, Calle San Rafael, 73 04230 Huercal de Almería (Almeria)	Gaming machine operation	Full	60.61%	OPERIBÉRICA, S.A.U.	60.61%	OPERIBÉRICA, S.A.U.
RED AEAM, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo gaming	Full	100%	MISURI, S.A.U.	100%	MISURI, S.A.U.

			2016		2015	
			%		%	
Name	Business activity	Consolidation method	Shareholding	Held through	Shareholding	Held through
RESTI Y CIA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
SIGIREC, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	75.05%	OPERIBÉRICA, S.A.U.	75.05%	OPERIBÉRICA, S.A.U.
MILLENNIAN GAMING, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	51.00%	OPERIBÉRICA, S.A.U.	51.00%	OPERIBÉRICA, S.A.U.
ARGENTINA						
BINGOS DEL OESTE, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Lottery and bingo halls	Full	100%	CODERE ARGENTINA, S.A. & BINGOS PLATENSES, S.A	100%	CODERE ARGENTINA, S.A. & BINGOS PLATENSES, S.A
BINGOS PLATENSES, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo hall operation	Full	100%	CODERE ARGENTINA, S.A. & COLONDER S.A.U.	100%	CODERE ARGENTINA, S.A. & COLONDER S.A.U.
CODERE ARGENTINA, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Holding company	Full	100%	IBERARGEN, S.A. & COLONDER S.A.U.	100%	IBERARGEN, S.A. & COLONDER S.A.U.
IBERARGEN, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo, lottery and hospitality operations	Full	100%	COLONDER S.A.U. & NIDIDEM, S.A.U.	100%	COLONDER S.A.U. & NIDIDEM, S.L.U.
INTERBAS, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Lottery and bingo operations	Full	100%	COLONDER S.A.U. & IBERARGEN S.A.	100%	COLONDER S.A.U. & IBERARGEN S.A.
INTERJUEGOS, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Lottery and bingo operations	Full	100%	CODERE ARGENTINA, S.A. & COLONDER, S.A.U.	100%	CODERE ARGENTINA, S.A. & COLONDER, S.A.U.
INTERMAR BINGOS, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo hall operation	Full	80%	CODERE ARGENTINA, S.A. & COLONDER, S.A.U.	80%	CODERE ARGENTINA, S.A. & COLONDER, S.A.U.

			2016		2015	
			%		%	
Name	**Business activity**	**Consolidation method**	**Shareholding**	**Held through**	**Shareholding**	**Held through**
ITAPOAN, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo hall operation	Full	81.80%	IBERARGEN, S.A. & INTERBAS, S.A.	81.80%	IBERARGEN, S.A. & INTERBAS, S.A.
SAN JAIME, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Real estate	Full	100%	CODERE ARGENTINA, S.A. & BINGOS DEL OESTE, S.A.	100%	CODERE ARGENTINA, S.A. & BINGOS DEL OESTE, S.A.
BINGOS DEL OESTE S.A.–BINGO DEL PUENTE S.A. Unión Transitoria de Empresas Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Hall operation and brand license.	PC	88%	BINGOS DEL OESTE, S.A.	92%	BINGOS DEL OESTE, S.A.
BRAZIL						
CODERE DO BRASIL ENTRETENIMIENTO Ltda. Rua dos Três Irmãos, 310 – conjuntos 308, Morumbi City of Sao Paulo (State of Sao Paulo)	Operation of gaming machines and management of horse racing betting	Full	100%	CODERE LATAM, S.A. & NIDIDEM, S.A.U.	100%	CODERE LATAM, S.L. & NIDIDEM, S.L.U.
SIMULCASTING BRASIL SOM E IMAGEM, Ltda. Rua Helena, nº 260, piso 8, Conj.:82-A City of Sao Paulo (State of Sao Paulo)	Operation of gaming machines and management of horse racing betting	Full	100%	CODERE INTERNACIONAL DOS, S.A.U. & NIDIDEM, S.A.U.	100%	CODERE INTERNACIONAL DOS S.A.U. & NIDIDEM, S.L.U.
CHILE:						
CODERE CHILE, Ltda. Gerónimo de Alderete 790, depto. 107, La Florida Santiago de Chile (Chile)	Investment, lease, disposal, purchase-sale and exchange of all manner of assets	Full	100%	CODERE AMÉRICA, S.A.U. & NIDIDEM, S.A.U.	100%	CODERE AMÉRICA, S.A.U. & NIDIDEM, S.L.U.
COLOMBIA:						
BINGOS CODERE, S.A. Transversal 95 Bis A No. 25 D – 41 Bogota (Colombia)	Bingo hall operation	Full	99.99%	NIDIDEM, S.A.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A.U. & CODERE LATAM S.A.	99.99%	NIDIDEM, S.L.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A.U. & CODERE LATAM, S.L.
CODERE COLOMBIA, S.A. Transversal 95 Bis A No. 25 D – 41 Bogota (Colombia)	Operation of electronic games and games of chance	Full	99.99%	COLONDER, S.A.U., NIDIDEM S.A.U., CODERE LATAM, S.A. & CODERE	99.99%	COLONDER, S.A.U., NIDIDEM S.L.U., CODERE LATAM, S.L. & CODERE

			2016		2015	
			%		%	
Name	Business activity	Consolidation method	Shareholding	Held through	Shareholding	Held through
				INTERNACIONAL S.A.U.		INTERNACIONAL, S.L.U.
INTERSARE, S.A. Transversal 95 Bis A No. 25 D – 41 Bogota (Colombia)	Operation of electronic amusement machines directly and via third parties	Full	59.89%	CODERE COLOMBIA S.A. & NIDIDEM, S.A.U.	59.89%	CODERE COLOMBIA S.A. & NIDIDEM, S.L.U.
UNITED KINGDOM AND SCOTLAND:						
CODERE FINANCE (UK) 20-22 Bedford Row, London WC1R 4JS United Kingdom	Authorized to conduct all legal activities.	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE, S.A.
ITALY:						
BINTEGRAL, S.P.A. Via Cornellia, 498 Rome	Bingo hall operation	Full	-		100%	OPERBINGO ITALIA, S.P.A.
CODERE GAMING ITALIA, S.R.L. Via Cornellia, 498 Rome	Holding company	Full	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
CODERE ITALIA, S.P.A. Via Cornellia, 498 Rome	Provision of advisory services	Full	100%	CODERE INTERNACIONAL, S.A.U.	100%	CODERE INTERNACIONAL, S.L.U.
CODEMATICA, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	100%	CODERE GAMING ITALIA, S.R.L.	100%	CODERE GAMING ITALIA, S.R.L.

			2016		2015	
			%		%	
Name	**Business activity**	**Consolidation method**	**Shareholding**	**Held through**	**Shareholding**	**Held through**
CODERE NETWORK, S.P.A. Via Cornellia, 498 Rome	Network concession	Full	100%	CODEMATICA, S.R.L.	100%	CODEMATICA, S.R.L.
CRISTALTEC SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
DP SERVICE S.R.L Via Cornelia, 498 Rome	Gaming machine operation	Full	60%	CODERE ITALIA, S.P.A.	60%	CODERE ITALIA, S.P.A.
FG SLOT SERVICE S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	55%	CODERE ITALIA, S.P.A.	55%	CODERE ITALIA, S.P.A.
GAME OVER, S.R.L. Via Cornellia, 498 Rome		Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
GAMING RE S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	75%	CODERE ITALIA, S.P.A.	75%	CODERE ITALIA, S.P.A.
GAP GAMES S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
G.A.R.E.T., S.R.L. Via Cornellia, 498 Rome		Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
GESTIONI MARCONI, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.

			2016		2015	
			%		%	
Name	**Business activity**	**Consolidation method**	**Shareholding**	**Held through**	**Shareholding**	**Held through**
GIOMAX, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
HIPPOBINGO FIRENZE, S.R.L. Via Giuseppe Ambrosini, 300 Cesena	Bingo hall operation	Full	34%	OPERBINGO ITALIA, S.P.A.	34%	OPERBINGO ITALIA, S.P.A.
KING SLOT S.R.L. Via Strada Statale Sannitica, 265. km. 25.8 Maddaloni (Ce), Italy	Bingo hall operation	Full	85%	OPERBINGO ITALIA, S.P.A.	85%	OPERBINGO ITALIA, S.P.A.
KING BINGO, S.R.L. Via Strada Statale Sannitica, 265. km. 25.8 Maddaloni (Ce), Italy	Bingo hall operation	Full	85%	OPERBINGO ITALIA, S.P.A.	85%	OPERBINGO ITALIA, S.P.A.
NEW JOKER S.R.L. Via della Magliana, 279a Rome	Bingo hall operation	EM	30%	OPERBINGO ITALIA, S.P.A.	30%	OPERBINGO ITALIA, S.P.A.
OPERBINGO ITALIA, S.P.A. Via Cornellia, 498 Rome	Bingo hall operation	Full	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
PALACE BINGO, S.R.L Via Cornellia, 498 Rome	Bingo hall operation	Full	100%	OPERBINGO ITALIA, S.P.A..	100%	OPERBINGO ITALIA, S.P.A..
PARISIENNE, S.R.L. Via Cornelia, 498 Rome	Bingo hall operation	Full	-		100%	OPERBINGO ITALIA, S.P.A.
PGO SERVICE, S.R.L. Via Divisione Folgore n. 9/A Vicenza	Gaming machine operation	Full	-		51%	GAP GAMES S.R.L.
ROYAL JACKPOT, S.R.L. Via Cornellia, 498	Bingo hall operation	Full	51%	CRISTALTEC SERVICE, S.R.L.	51%	CRISTALTEC SERVICE, S.R.L.

			2016		2015	
			%		%	
Name	Business activity	Consolidation method	Shareholding	Held through	Shareholding	Held through
Colleferro (RM)						
SEVEN CORA SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	60%	CODERE ITALIA, S.P.A.	60%	CODERE ITALIA, S.P.A.
VASA & AZZENA SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
VEGAS, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
FLORIDA:						
CODERE INTERACTIVE, INC 200 Crandon Boulevard, Suite 331, Key Biscayne 33149 Florida, USA	Any legal business activity.	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE S.A.
LUXEMBOURG:						
CODERE FINANCE, S.A. 6C, rue Gabriel Lippmann, L-5365 Munsbach (Luxembourg)	Holding company	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE, S.A. & CODERE ESPAÑA, S.L.U.
CODERE FINANCE 2, S.A. 6C, rue Gabriel Lippmann, L-5365 Munsbach (Luxembourg)	Holding company	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE, S.A.
MEXICO:						
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V	Operation, administration and development of horse and			IMPULSORA CENTRO DE		IMPULSORA CENTRO DE

			2016		2015	
			%		%	
Name	Business activity	Consolidation method	Shareholding	Held through	Shareholding	Held through
Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City.	greyhound race tracks and sports shows	Full	84.80%	ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. & SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.	84.80%	ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. & SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. ASOCIACIÓN EN PARTICIPACIÓN Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City.	Operation, administration and development of horse and greyhound race tracks and sports shows	Full	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO II, S.A. DE C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City.	Operation, administration and development of horse and greyhound race tracks and sports shows	Full	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., JUEGAMAX DE LAS AMÉRICAS S.A. DE C.V.	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., JUEGAMAX DE LAS AMÉRICAS S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO III, S.A. de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City.	Operation, administration and development of horse and greyhound race tracks and sports shows	Full	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. & IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V.	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. & IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO IV, S.A. de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City.	Operation, administration and development of horse and greyhound race tracks and sports shows	Full			43.25%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V.
CALLE DE ENTRETENIMIENTO LAS AMERICAS, S.A. de C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo	Development, construction, organization, operation and acquisition of and equity	Full	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. &	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. &

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
Mexico City	investments in other companies			ENTRETENIMIENTO VIRTUAL S.A DE C.V.		ENTRETENIMIENTO VIRTUAL S.A DE C.V.
CALLE ICELA S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Development, construction, organization, operation and acquisition of and equity investments in other companies	EM	49%	CODERE MÉXICO, S.A. DE C.V.	49%	CODERE MÉXICO, S.A. DE C.V.
CODERE MÉXICO, S.A. DE C.V. Av. Conscripto 311, Puerta 4 Caballerizas 6 D 102, Lomas de Sotelo Mexico City	Holding company	Full	100%	CODERE LATAM, S.A. & NIDIDEM, S.A.U.	100%	CODERE LATAM, S.L., CODERE S.A. & NIDIDEM, S.L.U.
CENTRO DE CONVENCIONES LAS AMÉRICAS S.A de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Administration, operation and development of exhibitions and conventions	EM	49%	HOTEL ICELA S.A.P.I. DE C.V. & CALLE ICELA S.A.P.I. DE C.V.	49%	HOTEL ICELA S.A.P.I. DE C.V. & CALLE ICELA S.A.P.I. DE C.V.
COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Other business support services	Full	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO VIRTUAL S.A. DE C.V.	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO VIRTUAL S.A. DE C.V.
ENTRETENIMIENTO RECREATIVO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Operation of legally-permitted gaming activities	Full	84.80%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. & ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	84.80%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. & ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.						

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Development, construction, organization, operation and acquisition of and equity investments in other companies	Full	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.
GRUPO CALIENTE S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Operation of gaming machines and games of chance	Full	67.30%	CODERE MÉXICO, S.A. DE C.V.	67.30%	CODERE MÉXICO, S.A. DE C.V.
GRUPO INVERJUEGO, S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming	Full	67.30%	CODERE MÉXICO, S.A. DE C.V.	67.30%	CODERE MÉXICO, S.A. DE C.V.
HOTEL ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Construction and management of tourist and sports complexes	EM	49%	HOTEL ICELA S.A.P.I. DE C.V. & CALLE ICELA S.A.P.I. DE C.V.	49%	HOTEL ICELA S.A.P.I. DE C.V. & CALLE ICELA S.A.P.I. DE C.V.
HOTEL ICELA S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Development, construction, organization, operation and acquisition of and equity investments in other companies	EM	49%	CODERE MÉXICO, S.A. DE C.V.	49%	CODERE MÉXICO, S.A. DE C.V.
IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming hall management	Full	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. & COMERCIALIZADORA SORTIJUEGOS S.A. DE C.V.	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. & COMERCIALIZADOR A SORTIJUEGOS S.A. DE C.V.
IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. de C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Payroll services	Full	84.80%	CODERE MÉXICO, S.A. DE C.V.	84.80%	CODERE MÉXICO, S.A. DE C.V.
JUEGAMAX DE LAS AMÉRICAS S.A. DE CV	Gaming room operation					

			2016		2015	
			%		%	
Name	Business activity	Consolidation method	Shareholding	Held through	Shareholding	Held through
Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City		Full	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. & COMERCIALIZADORA SORTIJUEGOS S.A. DE C.V.	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. & COMERCIALIZADOR A SORTIJUEGOS S.A. DE C.V.
JOMAHARHO S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Organization of all manner of games, bets and draws	Full	67.30%	CODERE MÉXICO, S.A. DE C.V.	67.30%	CODERE MÉXICO, S.A. DE C.V.
MIO GAMES, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming	Full	67.30%	PROMOJUEGOS DE MÉXICO, S.A. DE C.V. & GRUPO INVERJUEGO, S.A.P.I. DE C.V.	67.30%	PROMOJUEGOS DE MÉXICO, S.A. DE C.V. & GRUPO INVERJUEGO, S.A.P.I. DE C.V.
LIBROS FORANEOS S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Organization of all manner of games, bets and draws	Full	67.30%	GRUPO CALIENTE S.A.P.I. DE C.V. & JOMAHARHO S.A.P.I. DE C.V.	67.30%	GRUPO CALIENTE S.A.P.I. DE C.V. & JOMAHARHO S.A.P.I. DE C.V.
OPERADORA CANTABRICA S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Organization of all manner of games, bets and draws	Full	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. & LIBROS FORÁNEOS 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. & LIBROS FORÁNEOS S.A. DE C.V.
OPERADORA DE ESPECTÁCULOS DEPORTIVOS S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Organization of all manner of games, bets and draws	Full	67.30%	GRUPO CALIENTE S.A.P.I DE C.V. & JOMAHARHO S.A.P.I. DE C.V.	67.30%	GRUPO CALIENTE S.A.P.I DE C.V. & JOMAHARHO S.A.P.I. DE C.V.

			2016		2015	
			%		%	
Name	Business activity	Consolidation method	Shareholding	Held through	Shareholding	Held through
PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Advice, operation, administration and activities related with remote gaming	Full	100%	CODERE MÉXICO, S.A. DE C.V. & NIDIDEM S.A.U.	100%	CODERE MÉXICO, S.A. DE C.V. & NIDIDEM S.L.U.
PROMOJUEGOS DE MÉXICO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming	Full	67.30%	GRUPO INVERJUEGO, S.A.P.I. DE C.V. & MIO GAMES, S.A. DE C.V.	67.30%	GRUPO INVERJUEGO, S.A.P.I. DE C.V. & MIO GAMES, S.A. DE C.V.
RECREATIVOS CODERE, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming	Full	100%	CODERE MÉXICO, S.A. DE C.V. & NIDIDEM S.A.U.	100%	CODERE MÉXICO, S.A. DE C.V. & NIDIDEM S.L.U.
RECREATIVOS MARINA, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming	Full	100%	CODERE MÉXICO, S.A. DE C.V. & PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	100%	CODERE MÉXICO, S.A. DE C.V. & PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.
SERVICIOS COMPARTIDOS EN FACTOR HUMANO HIPÓDROMO, Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Provision of staff administration, hiring, labor advisory and assistance and payroll services	Full	84.80%	SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. & ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V.	84.80%	SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. & ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V.
SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Provision of staff administration, hiring, labor advisory and assistance and payroll services	Full	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. & ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.
PANAMA:						
ALTA CORDILLERA, S.A. Calle 50 & Calle Elvira Méndez, Torre Financial Center Piso 40 – 41. Corregimiento de Bella Vista, Republic of Panama	End-to-end casino operation	Full	75%	CODERE CHILE, LTDA. CODERE AMÉRICA, S.A.U.	75%	CODERE CHILE, LTDA. CODERE AMÉRICA, S.A.U.

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
HÍPICA DE PANAMÁ, S.A. Vía José Agustín Arango, Corregimiento de Juan Díaz, Apdo 1, Zona 9ª Panama	Racetrack and slot machines	Full	75%	ALTA CORDILLERA, S.A.	75%	ALTA CORDILLERA, S.A.
COMPAÑÍA DE RECREATIVOS DE PANAMÁ, S.A. Calle 50 & Calle Elvira Méndez, Torre Financial Center Piso 40 – 41. Corregimiento de Bella Vista, Republic of Panama	Financial services	Full	100%	CODERE CHILE, LTDA.	100%	CODERE CHILE, LTDA.
URUGUAY:						
CODERE URUGUAY, S.A. 25 de Mayo 455, 2º piso Mones Roses 6937	Installation, administration and operation of bingo halls and the provision of complementary services	Full	100%	CODERE LATAM, S.A.	100%	COLONDER, S.A.U. & CODERE LATAM, S.L.
HÍPICA RIOPLATENSE URUGUAY, S.A. José María Guerra 3540 Montevideo (Uruguay)	Operation of racetrack and slot machines	Full	100%	CODERE URUGUAY, S.A.	50%	CODERE URUGUAY, S.A.
CARRASCO NOBILE, S.A. Rambla República de México 6451 Montevideo (Uruguay)	Operation, administration and management of hotels, casinos, gaming rooms, slot machine rooms and related activities	Full	100%	CODERE MÉXICO, S.A. DE C.V.	74%	CODERE MÉXICO, S.A. DE C.V.

Legend:
Full: Full consolidation method
EM: Equity method
% shareholding: held directly and indirectly

APPENDIX II

Reserves and retained earnings by Group company at December 31, 2016

The breakdown of the various reserve and retained earnings accounts at December 31, 2016 is provided below (in thousands of euros):

Company	Issued capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
CODERE APUESTAS ASTURIAS, S.A.		0	(3)	116	0	(886)
CODERE APUESTAS CANTABRIA, S.A.		0	9	132	0	81
CODERE APUESTAS CATALUÑA, S.A.		0	443	263	0	106
CODERE APUESTAS CEUTA, S.L.U.		0	(30)	(22)	0	(301)
CODERE APUESTAS CASTILLA LEÓN, S.A.		0	271	292	0	(437)
CODERE APUESTAS CASTILLA LA MANCHA, S.A.		0	(204)	(308)	0	(1,011)
ALTA CORDILLERA, S.A.		0	(6,708)	2,312	0	(32,761)
RED AEAM S.A.		0	(5)	(2)	0	(67)
ASOCIACIÓN EN PARTICIPACIÓN		0	(10,990)	(2,757)	0	(25,427)
CODERE APUESTAS GALICIA, S.L.		0	(59)	(270)	0	(2,329)
CODERE APUESTAS MELILLA, S.A.		0	0	36	0	(23)
ADMINIST.MEXICANA HIPÓDROMO II S.A. C.V.		0	(965)	(679)	0	(2,906)
ADMINIST.MEXICANA HIPÓDROMO III S.A. C.V.		0	754	97	0	(453)
ADMINIST.MEXICANA HIPÓDROMO IV S.A. C.V.		0	1,451	(56)	0	0
ADMINIST.MEXICANA HIPÓDROMO S.A. C.V.		(4,922)	(58,180)	(18,995)	0	(176,787)
CODERE APUESTAS MURCIA S.L.		0	954	414	0	368
CODERE APUESTAS EXTREMADURA, S.A.		0	113	264	0	(623)
CODERE APUESTAS LA RIOJA, S.A.		0	90	187	0	(723)
CODERE ARGENTINA S.A.		(615)	1,456	(16,137)	0	(15,407)
BINGOS CODERE S.A.		0	116	(1,273)	0	(3,472)
BINGOS DEL OESTE S.A.		(7,280)	428	(1,176)	0	(8,122)
BINGOS PLATENSES S.A.		0	291	(9,218)	0	(8,927)
PALACE BINGO, SRL		(280)	(56)	(2,179)	0	(2,574)

Company	Issued capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
CODERE APUESTAS ARAGÓN, S.L.		0	583	213	0	(204)
CODERE APUESTAS ESPAÑA, S.L.		(32,286)	77,275	(311)	0	44,016
CODERE ALICANTE.S.L.		0	421	(366)	0	(820)
CODERE CASTILLA LEÓN, S.L.U.		0	2	1	0	0
CODERE AMÉRICA S.A.		0	(12,785)	228	0	(28,925)
CODERE APUESTAS NAVARRA, S.A.		0	1,191	320	0	(489)
CARRASCO NOBILE, S.A.B DE C.V		0	(7,578)	22,812	0	(2,084)
OPERADORA CANTABRIA, S.A. C.V.		0	124,197	24,926	0	127,163
CARTAYA S.A.		0	(117)	(7)	0	(244)
CODERE APUESTAS, S.A.		0	7,181	3,598	0	10,718
CODERE APUESTAS VALENCIA, S.A.		0	1,650	1,044	0	694
CODERE BRASIL LTDA.		0	71,307	(3,285)	0	57,127
CODERE COLOMBIA S.A.		(17,303)	5,476	1,911	0	(20,937)
CENT.CONVENC.AMERICAS, S.A. DE C.V.		0	3	0	0	0
CODERE DISTRIBUCIONES S.L.		0	63	39	0	99
CODERE ONLINE, S.A.		0	3,767	3,547	0	7,215
CODERE INTERNACIONAL, S.L.U.		0	487	20	0	504
CALLE ICELA, S.A. DE C.V.		0	150	(17)	0	(1,033)
CALLE DEL ENTRETENIMIENTO, S.A. DE C.V.		0	690	(253)	0	434
CODERE ESPAÑA S.L.		(5,185)	166,028	397	0	158,626
CODERE FILIAL 8 S.L.		0	(21)	(90)	0	(171)
CODERE FINANCE (LUXEMBURG), S.A.		(14,439)	19,103	5,605	0	10,234
CODERE FINANCE II, S.A.		(23,337)	41	5,051	0	(18,284)
CODERE FINANCE (U.K.), S.A.		0	1,107	415	0	(1,532)
CODERE GAMING ITALIA SRL.		0	53	281	0	324
CODERE GIRONA S.A.		0	(9,429)	(1,220)	0	(10,775)

Company	Issued capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
CODERE GUADALAJARA S.A.		0	43	(174)	0	(134)
CODERE CHILE LTDA.		0	(10,018)	16	0	(30,817)
CODERE HUESCA S.L.		0	(719)	(234)	0	(957)
CODERE INTERNACIONAL DOS, S.A.U		0	262,923	(12,210)	0	250,277
CODERE INTERNACIONAL S.L.		(25,270)	(43,018)	7,004	0	(147,012)
CODERE ITALIA SPA.		0	(19,837)	8,822	0	(26,015)
CODERE INTERACTIVE, INC.		0	1,359	123	0	1,473
CODERE INTERACTIVA, S.L.		0	796	(36)	0	729
CODERE LATAM, S.L.U		(169,729)	(73,642)	104,765	0	(138,680)
CODERE LOGROÑO		0	(144)	(118)	0	(268)
CODEMÁTICA SRL.		0	(135)	193	0	48
CODERE MÉXICO S.A.		(28)	(176,171)	60,932	0	(302,852)
CODERE S.A.		(561,950)	(740,616)	1,075,930	0	(732,579)
COLONDER S.A.		0	(303,845)	(62,815)	0	(376,421)
COMERCIAL YONTXA, S.A.		0	(4,429)	(1,227)	0	(6,137)
CODERE SERVICIOS COMPARTIDOS, S.A.		0	1	1,573	0	1,514
CRISTALTEC SERVICE SRL		0	(1,652)	(231)	0	(1,893)
CODERE URUGUAY S.A.		0	3,316	(1,947)	0	(11,371)
DESARROLLO ONLINE JUEGOS REGULADOS, S.A.		0	2,332	(4)	0	575
DP SERVICE S.R.L.		(315)	(2,399)	372	0	(2,432)
ENTRETENIMIENTO RECREATIVO S.A.		0	(16,750)	(982)	0	(61,553)
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.		0	(43,995)	1,744	0	(63,082)
FG SLOT SERVICES S.R.L.		0	251	168	0	303
GAP GAMES, S.R.L.		0	(1,774)	234	0	(1,561)
GAMING RE, S.R.L		0	1,543	660	0	2,193
GARAIPEN VICTORIA APUSTAK, S.L.		0	19,451	7,005	0	14,227

Company	Issued capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
GRUPO CALIENTE. S.A. C.V.		(14,658)	(1,262)	6	0	(15,921)
GRUPO INVERJUEGO, S.A.		(108)	1,673	19	0	(347)
GIOMAX S.R.L.		0	(10)	29	0	(50)
GESTIÓN MARCONI S.R.L.		0	(433)	(688)	0	(1,132)
GAME OVER, S.R.L.		0	(459)	35	0	(434)
GARET, S.R.L.		0	(766)	(340)	0	(1,216)
HOTEL ICELA, S.A. DE C.V.		0	35	22	0	(424)
HOTEL ENTRET.AMH S.A. C.V.		0	3	0	0	1
HIPPOBINGO FIRENZE, SRL.		0	(7)	444	0	427
HÍPICA DE PANAMÁ, S.A.		0	4,206	(3,650)	0	556
HÍPICA RIOPLATENSE URUGUAY S.A.		0	(21,919)	(23,143)	0	(57,364)
IBERARGEN S.A.		0	12,110	(41,607)	0	(32,457)
IMPULSORA CENTR.ENTR.AMERICAS, S.A.C.V.		(2,954)	(37,532)	(11,117)	0	(199,746)
INTERSARE S.A.		0	(164)	(276)	0	(1,128)
IMPULSORA RECREATIVA AMH, S.A. C.V.		(1,305)	40	5	0	(1,263)
ITAPOAN S.A.		0	(684)	(457)	0	(1,431)
JUEGAMAX DE LAS AMÉRICAS, S.A. DE C.V.		(1,262)	17	5	0	(1,244)
JOMAHARHO. S.A. C.V.		(7,021)	(69)	3	0	(7,091)
J.M.QUERO S.A.		0	704	145	0	752
JPVMATIC 2005 S.L.		0	(5,545)	(902)	0	(6,449)
KING BINGO S.R.L.		0	488	867	0	1,346
KING SLOT S.R.L.		0	(539)	(1,131)	0	(1,770)
LIBROS FORANEOS, S.A. C.V.		0	117,127	27,693	0	134,755
MIO GAMES S.A. DE C.V.		(271)	7,758	1,200	0	7,956
MISURI S.A.		0	(5,122)	(503)	0	(8,167)
NEW JOKER, S.R.L.		0	(189)	244	0	(55)

Company	Issued capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
CODERE NAVARRA S.A.		0	2	0	0	(88)
NIDIDEM S.L.		0	3,446	(2,436)	0	631
OPERBINGO ITALIA S.P.A.		0	(5,585)	(331)	0	(16,095)
OPERAD. ESPECTÁCULOS DEPORTIV. S.A. C.V.		0	36,889	8,636	0	43,428
OPEROESTE S.A.		0	(464)	(265)	0	(933)
OPERIBÉRICA S.A.		0	(58,322)	(10,942)	0	(71,368)
OPER SHERKA S.L.		0	(1,000)	(117)	0	(2,166)
PROMOJUEGOS DE MÉXICO, S.A.		0	30,363	6,942	0	37,039
EL PORTALÓN S.L.		0	(179)	(85)	0	(267)
PROM. REC. MEXICANAS S.A.		0	8,694	(3,756)	0	3,388
RECREATIVOS ACR, S.L.		0	45	(104)	0	(83)
RECREATIV.CODERE S.A. DE C.V.		0	26	19	0	43
COMPAÑÍA RECREATIVOS DE PANAMÁ, S.A.		0	0	0	0	(4,119)
RESTI Y CíA. S.L.		0	(112)	(129)	0	(245)
RETE FRANCO ITALIA S.P.A.		0	(25,050)	(1,736)	0	(28,786)
RECREATIVOS MARINA, S.A.		0	1,850	1,415	0	3,263
RECREATIVOS OBELISCO S.L.		(703)	490	(266)	0	(515)
ROYAL JACKPOT SRL		0	(51)	(12)	0	(83)
SERVICIOS ADMINIST.HIPODROMO, S.A. DE C.V.		0	563	316	0	877
SECOFACH, S.A. DE C.V.		0	1,731	368	0	2,097
SEVEN CORA, SRL.		0	(1,533)	79	0	(1,474)
SIMULCASTING BRASIL SOM E IMAGEM, LTDA		0	0	475	0	475
SIGIREC S.L.		0	(494)	(84)	0	(674)
SAN JAIME S.A.		0	6	(622)	0	(690)
SORTIJUEGOS, S.A. DE C.V.		0	(4,668)	211	0	(4,482)

Company	Issued capital	Share premium	Reserves	Retained earnings	Interim dividend	Equity
INTERBAS S.A.		(2,836)	694	(12,293)	0	(14,952)
INTERJUEGOS S.A. (ARG)		(1,175)	42	(5,430)	0	(6,565)
INTERMAR BINGOS S.A.		0	64	(4,029)	0	(3,971)
UTE-BOES S.A.		0	515	429	0	(1,804)
VASA E AZZENA SERVICE S.R.L.		0	(1,228)	(284)	0	(1,522)
VEGAS S.R.L.		0	(78)	80	0	(8)
CODERE LATAM COLOMBIA S.A.		0	0	0	0	(32)
CODERE MILLENNIAL GAMING, S.A		0	0	120	0	60
CODERE NEWCO S.A.U		(718,097)	(6,920)	(8,596)	0	(733,673)
CODERE LUXEMBOURG 1 S.A.R.L		(810,195)	0	(47)	0	(810,257)
CODERE LUXEMBOURG 2 S.A.R.L		(810,195)	0	7,183	0	(803,027)
CODERE APUESTAS ANDALUCÍA S.A.		0	0	(2)	0	(2,002)
CODERE APUESTAS BALEARES, S.A		0	0	2	0	(498)
CODERE APUESTAS SUC.URUGUAY		0	0	872	0	872

2016 GROUP MANAGEMENT REPORT

The Codere Group's business performance

In 2016, EBITDA evidenced a drop in profitability in Argentina driven mainly by the depreciation of the Argentine peso relative to the euro and, to a lesser extent, in Mexico, shaped by Mexican peso weakness relative to the euro. In Italy, EBITDA was eroded by a higher effective tax rate on gross revenue from gaming activities. In Spain, EBITDA rose on the back of cost savings and revenue growth.

Capital expenditure amounted to 120.2 million euros in 2016, compared to 65.9 million in 2015, of which 74.9 million euros corresponded to maintenance capex and 45.3 million to growth capex.

The highlights in 2016:

- *Corporate debt restructuring and refinancing*

Note 3.f) outlines the terms of the agreements entered into as part of the Company's debt restructuring and subsequent refinancing process in detail.

- *Asset impairment*

Having incurred losses in the previous quarters, in the third quarter of 2016, the Group discontinued the VIP tables business in Uruguay and implemented a cost-cutting program. During the first nine months of 2016, it recognized an impairment loss in this connection of 24.1 million euros. In November, the Group reached an agreement with the regulator (the municipal authority of Montevideo) amending the concession tax structure from a fixed royalty and fixed tax rate of 18.8% to a sliding tax scale without any fixed component. Under the new tax regime, the Group believes the business is once again viable and plans to continue this operation and reopen the VIP tables. The revised business plan justifies a higher carrying amount for this business's assets, prompting the Group to revert previously-recognized impairment losses by 37.7 million euros in the fourth quarter of 2016.

- Acquisition of 50% of HRU

On November 30, 2016, Codere Uruguay, S.A. acquired 100% of Panama's Verfin Overseas, S.A., the holding company which owns 50% of Uruguay's HRU, S.A. (formerly called Hípica Rioplatense de Uruguay, S.A.) for 33 million dollars. This acquisition has the effect of increasing the Codere Group's shareholding in HRU, S.A. from 50% to 100%.

- Tax changes in Argentina

In December 2016, during the process of approving the provincial (Buenos Aires) and federal budgets for 2017 in Argentina, new laws were passed that, among other things, have the effect of increasing gaming taxes:

(i) At the Federal level, Argentine Law 27346 stipulates (a) a new levy of 0.75% on amounts bet, which, in keeping with item 6 of that Law, may be increased by 50% or reduced or temporarily eliminated; and (b) an increase in the rate of corporate income tax payable by gaming operators from 35% to 41.5%.

(ii) At the Buenos Aires provincial level, Law 14880 stipulates (a) a new tax on players in the form of a 20-peso charge for entering gaming halls; and (b) an increase in income tax from 12% to 15%.

The Group's financial performance

Revenue

Revenue declined by 142.1 million euros (8.7%) in 2016 to 1,497.4 million euros, shaped primarily by (i) lower revenue in Argentina due to depreciation of the Argentine peso against the euro; (ii) lower revenue in Mexico, attributable to a weaker Mexican peso relative to the euro, partially mitigated by higher revenue in Spain and Italy.

Operating expenses

Operating expenses declined by 98.4 million euros (6.4%) to 1,411.8 million euros, shaped primarily by (i) lower expenses in Argentina due to depreciation of the Argentine peso against the euro; (ii) lower expenses in Mexico, attributable to a weaker Mexican peso relative to the euro, which more than offset the growth in costs in local-currency terms on the back of growth in gaming capacity. In Italy, operating expenses increased as a result of higher gaming taxes. In Spain operating expenses rose due to higher marketing expenditure to promote the online and sports-betting products.

Gain/(loss) on derecognition/disposal of assets

The Group recognized a net gain of 12.6 million euros under this heading in 2016, due to the remeasurement of its pre-existing 50% interest in HRU, compared to a loss of 4.9 million euros in 2015.

Operating profit/(loss)

The Group's operating profit (EBIT) declined by 26.2 million euros in 2016 to 98.2 million euros. The EBIT margin fell to 6.6% in 2016, compared to 7.6% in 2015.

Finance costs

Finance costs increased by 1,034 million euros to 1,190.5 million euros, due to the recognition at fair value of the capitalization of loans into shares, partially mitigated by lower interest expense under the new financial structure.

Income tax

Income tax expense declined by 26.8 million euros to 36.8 million euros due to lower taxable income in Argentine on the back of peso devaluation; the non-recurring, non-cash impact of the reversal of the provision for tax withholdings in Argentina related to prior-year (undistributed) dividends; and a lower provision for tax withholdings in Mexico thanks to local corporate reorganization work.

Profit/(loss) attributable to non-controlling interests

The loss attributable to non-controlling interests was 5 million euros higher in 2016 (at 31.2 million euros), due primarily to the higher losses recognized at Carrasco Nobile.

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

Primarily as a result of the developments described above, the loss attributable to equity holders of the parent amounted to 1,125.9 million euros in 2016, compared to a loss of 113.2 million euros in 2015.

Disclosures on deferral of trade accounts payable

The Group's average payment term vis-a-vis Spanish suppliers is 34 days.

For a more detailed description of the deferral of supplier payments, go to note 19 of the consolidated financial statements.

Headcount

At December 31, 2016, the Group employed 13,419 people, 88 more than at year-end 2015.

Environmental disclosures

The Group did not have specific environmental protection policies at year-end.

R&D expenditure

The Group did not incur R&D expenditure in 2016.

Own shares

As indicated in note 17, at the Annual General Meeting of June 27, 2013, the Company's shareholders ratified a motion authorizing the derivative acquisition, at any time and as often as deemed necessary, by Codere, S.A., either directly or through any of the subsidiaries of which it is parent, fully paid own shares, by way of purchase or any other form of acquisition for valuable consideration. The minimum acquisition price or consideration is the par value of the own shares acquired, and the maximum acquisition price or consideration is the amount equivalent to the quoted share price on the day of acquisition plus a premium of 20%. The Board of Directors is empowered to execute this resolution.

Group outlook

In 2017, the Group plans to continue to execute the universe of financial measures designed to maximize its free cash flow. It will earmark its capital expenditures mainly to gaming room maintenance and specific product updates.

Key Group risks

The key risks to which the Group is exposed include, but are not limited to: risks related to the gaming sector (regulatory risk, it being a closely-regulated industry,
public perception of the gaming sector, risk of increased competition) and risks specific to the Group (political, economic and monetary risks associated with international operations, lawsuits, risks related to the Group's indebtedness, dependence on third parties as a result of not holding certain of the gaming licenses used, risks deriving from the growth strategy, concentration risk in respect of the supply of slot machines in Spain, the risk of not being able to offer safe gaming products or to

defend the integrity and security of the business lines and the risk of doing business in alliances with third parties in certain operations).

For a more detailed description of the Group's key risks, go to the corresponding notes of the consolidated financial statements.

CODERE, S.A. AND SUBSIDIARIES

Consolidated financial statements for the year ended December 31, 2015 and Consolidated Directors' Report for 2015

CONTENTS

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Thousand euro)

ASSETS	Note	At 31 December 2015	2014
Non-current assets		**1,069,889**	**1,204,579**
Intangible assets	7	413,045	471,098
Property, plant and equipment	8	318,460	368,665
Investment properties	8	66,565	70,451
Goodwill	10	193,860	207,561
Equity method investments	9	11,607	12,415
Non-current financial assets	11	21,405	25,716
Non-current loans		17,225	18,091
Investments held to maturity		4,180	6,184
Other financial assets		-	1,441
Deferred tax assets	12	44,947	48,673
Current assets		**371,155**	**334,730**
Inventories	14	11,625	10,441
Accounts receivable	15	188,346	181,526
Trade and other receivables		40,273	30,585
Current tax assets		3,298	4,964
Sundry receivables		42,125	34,140
Tax receivables accrued		102,650	111,837
Financial assets	16	42,750	35,988
Short-term investment securities		2	106
Other loans and investments		42,748	35,882
Prepayments and accrued income		18,108	20,103
Cash and cash equivalents	24	110,326	86,672
TOTAL ASSETS		**1,441,044**	**1,539,309**

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Thousand euro)

EQUITY AND LIABILITIES	Note	At 31 December 2015	2014
Equity attributable to owners of the parent	17	**(609,658)**	**(449,130)**
Share capital		11,007	11,007
Share premium		231,280	231,280
Legal reserve and retained earnings		(522,446)	(350,750)
Transition reserves		3,881	4,060
Translation differences		(220,188)	(171,722)
Profit/(loss) for the year attributable to parent company's owners		(113,192)	(173,005)
Non-controlling interests		**(6,282)**	**17,280**
Total equity		**(615,940)**	**(431,850)**
Non-current liabilities		**249,658**	**296,852**
Deferred income		31	17
Non-current provisions	18	32,341	33,465
Non-current payables	19	113,657	147,525
Bank borrowings		76,375	89,299
Bonds issued		-	-
Other payables		37,282	58,226
Deferred tax liabilities	12	103,629	115,845
Current liabilities		**1,807,326**	**1,674,307**
Provisions and other	18	9,429	10,575
Bank borrowings	19	147,496	160,976
Bonds and other marketable securities	19	1,276,209	1,141,915
Other non-trade payables	19	235,326	209,603
Trade payables		103,233	119,601
Liabilities for current-year corporate income tax	19	35,633	31,637
TOTAL EQUITY AND LIABILITIES		**1,441,044**	**1,539,309**

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT
(Thousand euro)

	Note	Year ended 31 December 2015	2014
Operating income	23	1,639,524	1,385,624
Revenue		1,630,617	1,377,175
Other income		8,907	8,449
Operating expenses	23	(1,510,218)	(1,361,500)
Consumables and other external expenses		(49,791)	(45,742)
Employee benefit expense	23.d	(276,595)	(240,130)
Depreciation and amortisation	7.8	(122,115)	(125,514)
Change in trade provisions		(128)	(1,993)
Other operating expenses	23.c	(1,058,468)	(936,255)
Asset impairment charges	7,8,10,13	(3,121)	(11,866)
Profit/loss on retirement or disposal of assets	6	(4,907)	(3,347)
CONSOLIDATED OPERATING PROFIT/(LOSS)		**124,399**	**20,777**
Financial income		3,557	3,331
Financial expenses		(156,429)	(148,174)
Net foreign exchange gains/(losses)		(50,469)	(45,899)
CONSOLIDATED NET FINANCIAL INCOME/(EXPENSE)	23.g	**(203,341)**	**(190,742)**
CONSOLIDATED LOSS BEFORE INCOME TAX		**(78,942)**	**(169,965)**
Corporate income tax	21	**(63,220)**	(40,885)
Profit/(loss) for the year of companies consolidated by the equity method		2,716	2,967
CONSOLIDATED LOSS FOR THE YEAR		**(139,446)**	**(207,883)**
Attributable to:			
Non-controlling interests		(26,254)	(34,878)
Owners of the parent		(113,192)	(173,005)
Basic and diluted earnings per share (in euro)	23f	**(2.55)**	**(3.80)**
Basic and diluted earnings per share from continuing operations attributable to the owners of the parent company (in euro)	23f	**(2.07)**	**(3.16)**

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Thousand euro)

	Note	Year ended 31 December 2015	2014
Loss for the year		**(139,446)**	**(207,883)**
Currency translation differences		(46,797)	(9,441)
Other comprehensive income for the year, net of tax		**(46,797)**	**(9,441)**
Total profit/(loss) for the year		**(186,244)**	**(217,324)**
Attributable to non-controlling interests		**(24,586)**	**(32,608)**
Attributable to owners of the parent company		**(161,658)**	**(184,716)**

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	Retained earnings	Equity method company reserves	Transition reserves	Translation differences	Profit/(loss) attributable to the parent company	Equity attributable to the parent company	Equity attributable to non-controlling interests	Total equity
Balance at 31 December 2014	**11,007**	**231,280**	**(354,053)**	**3,303**	**4,060**	**(171,722)**	**(173,005)**	**(449,130)**	**17,280**	**(431,850)**
Consolidated loss for the year	-	-	-	-	-	-	(113,192)	(113,192)	(26,255)	(139,447)
Other consolidated comprehensive income for the year	-	-	-	-	-	(48,466)	-	(48,466)	1,669	(46,797)
Total consolidated comprehensive income	-	-	-	-	-	(48,466)	(113,192)	(161,658)	(24,586)	(186,244)
Transfer to transition reserves	-	-	179	-	(179)	-	-	-	-	-
Change in consolidation scope and business combination (Note 6)	-	-	-	-	-	-	-	-	5,504	5,504
Reserves for treasury shares (Note 9)	-	-	25	-	-	-	-	25	-	25
Provision for options	-	-	1,116	-	-	-	-	1,116	-	1,116
Gain/(loss) on treasury shares	-	-	(11)	-	-	-	-	(11)	-	(11)
Dividends (*)	-	-	2,269	(2,269)	-	-	-	-	(4,479)	(4,479)
Transfer to retained earnings (prior-year losses)	-	-	(175,972)	2,967	-	-	173,005	-	-	-
Total changes in equity	-	-	(172,393)	698	(179)	-	173,005	1,130	1,025	2,154
Balance at 31 December 2015	**11,007**	**231,280**	**(526,447)**	**4,001**	**3,881**	**(220,188)**	**(113,192)**	**(609,658)**	**(6,282)**	**(615,940)**

(*) Corresponds to the payment of dividends to the holders of non-controlling interests in the Group's 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	Retained earnings	Equity method company reserves	Transition reserves	Translation differences	Profit/(loss) attributable to the parent company	Equity attributable to the parent company	Equity attributable to non-controlling interests	Total equity
Balance at 31 December 2013	**11,007**	**231,280**	**(176,308)**	**2,992**	**4,214**	**(160,011)**	**(173,616)**	**(260,442)**	**56,877**	**(203,565)**
Consolidated loss for the year	-	-	-	-	-	-	(173,005)	(173,005)	(34,878)	(207,883)
Other consolidated comprehensive income for the year	-	-	-	-	-	(11,711)	-	(11,711)	2,270	(9,441)
Total consolidated comprehensive income	-	-	-	-	-	(11,711)	(173,005)	(184,716)	(32,608)	(217,324)
Transfer to transition reserves	-	-	154	-	(154)	-	-	-	-	-
Change in consolidation scope and business combination (Note 6)	-	-	(3,833)	-	-	-	-	(3,833)	(1,841)	(5,674)
Reserves for treasury shares (Note 9)	-	-	86	-	-	-	-	86	-	86
Provision for options	-	-	(113)	-	-	-	-	(113)	-	(113)
Gain/(loss) on treasury shares	-	-	(112)	-	-	-	-	(112)	-	(112)
Dividends (*)	-	-	2,023	(2,023)	-	-	-	-	(5,148)	(5,148)
Transfer to retained earnings (prior-year losses)	-	-	(175,950)	2,334	-	-	173,616	-	-	-
Total changes in equity	-	-	(177,745)	311	(154)	-	173,616	(3,972)	(6,989)	(10,961)
Balance at 31 December 2014	**11,007**	**231,280**	**(354,053)**	**3,303**	**4,060**	**(171,722)**	**(173,005)**	**(449,130)**	**17,280**	**(431,850)**

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

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

CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT
(Thousand euro)

	Note	Year ended 31 December 2015	31 December 2014(*)
Consolidated profit/(loss) before income tax		(78,942)	(169,965)
Net financial income/(expense)		203,341	190,742
Operating profit/(loss)		124,399	20,777
Expenses that do not represent cash outlays		134,115	146,985
Depreciation and amortisation	7 and 8	122,115	125,514
Asset impairment	8	3,121	11,866
Other operating expenses	24	8,879	9,605
Income that does not represent an inflow of cash	24	(191)	(2,392)
Changes in working capital		(8,294)	(39,669)
Inventories		(1,183)	1,033
Accounts receivable		(1,042)	(2,010)
Accounts payable		(10,163)	(39,591)
Other		4,094	899
Income tax paid		(43,172)	(32,278)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**206,857**	**93,423**
Purchases of property, plant and equipment and intangible assets		(67,071)	(83,641)
Proceeds from sales of fixed assets		2,126	6,679
Payments on non-current loans		(21,436)	(21,155)
Repayments received on non-current loans		21,069	21,011
Amounts paid on investments		(5,269)	(2,252)
Payments on other financial assets		(24,989)	(9,559)
Effect of divestments		-	(332)
Collection of dividends		2,269	2,024
Collection of interest		1,667	1,441
CASH FLOWS FROM INVESTING ACTIVITIES		**(91,634)**	**(85,784)**
Bond issues		-	**-**
Drawings on Codere senior debt		-	35,000
Net change in borrowings		-	**35,000**
Proceeds from bank borrowings		1,514	1,051
Repayment of bank borrowings		(29,436)	(11,989)
Net change in bank borrowings		**(27,922)**	**(10,938)**
Dividends paid		**(4,627)**	**(4,656)**
Payments on other financial liabilities		(10,167)	-
Repayments of other financial liabilities		-	2,626
Net change in other financial liabilities		**(10,167)**	**2,626**
Other cash flows due to impact of exchange rates on receipts and payments		**(7,406)**	**(10,599)**
Acquisition of own equity instruments		(14)	(108)
Disposal of own equity instruments		123	102
Net investment in treasury shares		**109**	**(6)**
Payment of interest		**(32,680)**	**(31,197)**
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		**(82.693)**	**(19,770)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**32,530**	**(12,131)**
Reconciliation:			
Cash and cash equivalents at beginning of the year		86,672	102,396
Effect of exchange rate fluctuations on cash and cash equivalents		(8,876)	(3,593)
Cash and cash equivalents at the end of the year		110,326	86,672
Net variation in cash position		**32,530**	**(12,131)**

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 25 February 2016.

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, 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:

- As a result of its current financial situation Codere has been unable to meet payment commitments for half-yearly coupons due on bonds issued in EUR and USD during 2015 and 2014, the repayment of the principal of the bonds issued in EUR in June 2015 or the repayment commitment on the senior credit facility that matured in 2014. These failures to make payment constitute default events which contractually entitle the bondholders to accelerate redemption of all bonds issued by the Group.
- At 31 December 2015, the Group presented equity attributable to the owners of the parent company of a negative 609,586 thousand euros, a reduction of 160,528 thousand euros with respect to the figure recognised at 31 December 2014. This reduction is mainly attributable to the loss recognised in 2015 attributable to the owners of the parent company of 113,192 thousand euros and an increase of 11,711 thousand euros in negative translation differences. In addition, at 31 December 2015, the Group had negative working capital in the amount of 1,436,171 thousand euros (2014: 1,339,577 thousand euros). The increase is due to the accrual of interest on the debt.
- As a result of the losses incurred in 2015, the equity of the parent company Codere, S.A. has fallen below half of share capital. This means that it comes under the provisions governing mandatory dissolution contained in Article 363 of the Spanish Companies Act 2010.
- Between 2012 and 2015, there have been de facto restrictions on the repatriation of part of the funds from Argentina. Argentina is one of the main generators of cash for the Group. (Note 3.c) 1.

Factors mitigating uncertainty:

- On 18 August 2015 some key aspects have been modified in the Lock Up Agreement (“LUA”) of 23 September 2014 between Codere, S.A., Codere Finance Luxembourg, S.A. and other Codere Group companies with the holders of bonds that will insure a new loan agreement and a new bond issue (“Backstop Notes Parties”) and the so-called Original Shareholder Parties (José Antonio Martínez Sampedro, Encarnación Martínez Sampedro, Javier Martínez Sampedro, Carmen Martínez Sampedro and Masampe Holding, B.V.) One item that has been amended is the Definitive Termination Date. The Definitive Termination Date, which is the time limit for implementing the Restructuring under the business terms agreed, has been set as the later of (i) 31 December 2015, (ii) 31 March 2016, providing consent is given by Codere, by 75% of the Participating Bondholders, and by each Backstop Party, and (iii) any later date if consent is given by Codere, each Participating Bondholder and each Backstop Party. The Definitive Termination Date was previously 23 August 2015. On 9 December 2015, it was agreed to extend the Definitive Termination Date to 31 March 2016.

(Thousand euro)

- The procedure known as “Scheme of Arrangement "provided for under the UK Companies Act, the purpose of which is to obtain judicial authorisation to implement the Restructuring, was authorised by the competent English courts and the competent courts of New York on 22 December 2015, as from which date the Scheme is considered to be fully effective. The Scheme includes certain “scheme completion conditions” which must be fulfilled for the restructuring process to be valid. At the date of the consolidated accounts for 2015, not all of the completion conditions had been met: see Note 3.f) iii).
- The expired contract for the senior credit facility is under a “stand-still” agreement linked to the LUA (Note 3.g)).
- Even though the Group's consolidated balance sheet in 2015 was affected by the maturity of financial liabilities that had not been settled, 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. Gross operating income (EBITDA, defined as operating profit plus depreciation and amortisation, plus changes in trade provisions, plus asset impairment testing, less receipts from fixed-asset disposals) for 2015 was above Codere Group management's forecast at the beginning of the year.
- In 2015 the Group renewed the financing lines in Colombia and Uruguay, as well as the debt owed by the Mexican company Administradora del Hipódromo, S.A. de C.V. to Inbursa, for a term of four years.
- During 2015 the Group has repaid the debts necessary for its usual business operation as in Mexico, Panama and Italy, and has continued to pay the gaming taxes required by current legislation.

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 completion conditions stipulated in the Scheme of Arrangement are not fulfilled within the deadline agreed by the parties.

a.2) New standards, amendments and interpretations issued

The new standards, amendments and interpretations that took effect in 2015:

Standards, amendments and interpretations	Description	Applicable for annual periods beginning on or after:
IFRIC 21	Levies	01 January 2015

Improvement project 2011-2013 cycle	Description	Applicable for annual periods beginning on or after:
IFRS 3	Business combinations	01 January 2015
IFRS 13	Fair value measurement	01 January 2015
IAS 40	Investment properties	01 January 2015

(Thousand euro)

The adoption of these new standards in 2015 has not had any material impact on the Group's financial position, results or disclosure obligations.

Standards, amendments and interpretations which have not yet come into effect but which may be adopted early in the years starting on or after 01 January 2015 are as follows:

Standards, amendments and interpretations	**Description**	**Applicable for annual periods beginning on or after:**
IAS 19 (Revised)	Defined benefit plans: Employee Contributions	01 February 2015
Improvement project 2010 - 2012 cycle	**Description**	**Applicable for annual periods beginning on or after:**
IFRS 2	Share-based payments	01 February 2015
IFRS 3	Business combinations	01 February 2015
IFRS 8	Operating segments	01 February 2015
IFRS 13	Fair value measurement	01 February 2015
IAS 16	Property, plant and equipment	01 February 2015
IAS 24	Related party disclosures	01 February 2015

The Group does not expect the adoption of these new standards to have any material impact on the Group's financial position, results or disclosure obligations.

The standards, amendments and interpretations issued by the IASB and IFRS Interpretations Committee during 2015 which had not entered into force by the end of 2014 are the following:

Standards, amendments and interpretations	**Description**	**Applicable for annual periods beginning on or after:**
Improvement project 2012 - 2014 cycle	**Description**	**Applicable for annual periods beginning on or after:**
IFRS 5	Non-current assets held for sale and discontinued operations	01 January 2016
IFRS 7	Financial instruments: disclosures	01 January 2016
IAS 19	Employee benefits	01 January 2016
IAS 34 (*)	Interim financial reporting	01 January 2016

(Thousand euro)

Standards, amendments and interpretations	Description	Applicable for annual periods beginning on or after:
IFRS 11 (Revised)	Accounting for acquisitions of interests in joint ventures	01 January 2016
IAS 16 (Revised) and IAS 38 (Revised)	Clarification of acceptable depreciation and amortisation methods	01 January 2016
IFRS 15 (*)	Revenue from contracts with customers	01 January 2018
IFRS 9 (*)	Financial instruments	01 January 2018
IAS 27 (Revised)	Equity method in separate financial statements	01 January 2016
IFRS 10 (*) (Revised) and IAS (*) 28 (Revised)	Sale or contribution of assets between an investor and its associate or joint venture	Undetermined
IAS 1 (Revised)	Presentation of financial statements	01 January 2016
IFRS 10 (*) (Revised) IFRS 12 (*) (Revised) and IAS (*) 28 (Revised)	Investment entities: Applying the exception to consolidation	01 January 2016
IFRS 16 (*)	Leases	01 January 2019
IAS 12 (*)	Recognition of deferred tax assets due to unrealised losses	01 January 2017
IAS 7 (*)	Disclosure initiative	01 January 2017

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

The Group is analysing the impact that the new standards, amendments and interpretations might have on the Group's consolidated annual accounts and they are not expected to have a material impact on the consolidated annual accounts.

a.3) Comparability

Various reclassifications have been included in order to improve comprehension and comparability with current year figures among the headings of intangible assets and plant, property and equipment.

b) Accounting policies

b.1) Consolidation

- *Subsidiaries and business combinations*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed or entitled to obtain variable income due to its interest in the investee and has the capacity to influence such income through the power exercised over the investee.

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

Acquisition-related costs are expensed as incurred.

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

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

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.

- *Joint ventures*

IFRS 11 is applied to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as joint operations or joint ventures depending on each investor's rights and obligations. The Group has assessed the nature of its joint arrangements and has concluded that they are joint ventures. Joint ventures are recognised using the equity method.

Under the equity method, interests in joint ventures are initially recognised at cost and are adjusted thereafter to reflect the Group's interest in gains and losses subsequent to the acquisition and movements in other comprehensive income. When the Group's share of a joint venture's losses equals or exceeds its interests in joint ventures (including any long-term interest which, in substance, forms part of the Group's net investment in joint ventures), the Group does not recognise any additional losses unless it has assumed obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment loss due to the impairment of the asset transferred. The accounting policies applied by the joint ventures have been modified when necessary to ensure consistency with the policies adopted by the Group.

- *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 associates 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 2015 and 2014, there were no investments in associates.

- *Disposals of subsidiaries*

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

The year-end date for subsidiaries and equity-method companies is 31 December.

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

(Thousand euro)

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:

	Annual depreciation rate
Gaming licences	2.5%-11%
Exclusive rights	15%-25%
Installation rights	10% - 33%
Customer portfolio	4.5%-10%
Computer software	20%- 25%

These rates are regularly reviewed to ensure their accuracy.

(Thousand euro)

b.5) Property, plant and equipment

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

This revaluation was recognised directly with a charge to equity. Decreases are charged to the income statement. When revalued assets are subsequently sold or withdrawn from use, the excess in the transition reserve for first application of EU-IFRS is 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:

	Annual depreciation rate
Leisure, gaming and sports betting machines	10% - 30%
Furniture, fittings and equipment	7% - 30%
Computer hardware	10% - 30%
Vehicles	10% - 30%
Structures and buildings	2% - 3%
Work on 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 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 with indefinite useful lives, such as goodwill, are not subject to depreciation/amortisation and are tested annually for impairment. Assets subject to amortisation/depreciation are tested for impairment provided that an event or change in circumstances indicates that their carrying amount might 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 with any resulting gains or losses recognised directly in other comprehensive income. When these investments are sold, the accumulated fair value adjustments recognised in equity are included in the income statement.

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

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

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

b.9) Inventories

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

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

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 2015 or 2014.

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 Company's equity holders until the shares are cancelled, reissued or sold. When these shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

b.15) Trade payables

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

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

b.16) Borrowings

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

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

b.17) Current and deferred income tax

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 these benefits on the earliest of the following dates: (a) when the Group can no longer withdraw the offer of such indemnities; or (b) when the entity recognises the costs of a restructuring under IAS 37 and this entails payment of severance indemnities.

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. The benefits that are not to be paid in the twelve months following the balance sheet date are discounted to their present value.

- Bonuses

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

- Retirement bonuses

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.

- Share-based payments

The Group has considered compensation with share-based payments by virtue of the Lock-up agreement whereby the Company receives services from employees and external advisors as consideration in exchange for Group equity instruments after the financial restructuring. The fair value of the employee received from employees and external advisors in exchange for these options is recognised as an expense. The total expense is determined by reference to the fair value of the shares granted, bearing in mind, among other questions, the accrual period, vesting date, and probability of compliance with the vesting conditions. (Note 3.e).

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.
- 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.

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 the 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 investments under 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 investment funds.
- 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. Under the expected terms of the new debt included in the Lock-up Agreement and described in Note 3.f), the new bonds to be issued by the Group will mature in five years and three months from the date of issue.

The Group's general leverage policy is to maintain leverage within certain multiples of its EBITDA, consolidated cash flows and debt servicing commitments. In view of the current nonfulfillment of financial commitments (Note 2.a.1)), this policy will be affected by the final outcome of the agreements described in Note 3.f).

b) 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 Group'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 in alliances with third parties in some of our operations.

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. At 31 December 2015 and 2014, the Group did 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.

During 2015 no hedging instruments have been arranged, for the following reasons:

- De-facto restrictions on the repatriation of funds from Argentina. Argentina is 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 (thousand euro):

					Thousand euro
		Euro loses 10%		Euro gains 10%	
Currency	Exchange rate at 31.12.2015	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
ARS/EUR	14.2097	122	-	(122)	-
BRL/EUR	4.2512	-	1,880	-	(1,880)
COP/EUR	3428.8280	98	-	(98)	-
USD/EUR	1.0887	813	-	(813)	-
UYU/EUR	32.6044	(294)	-	294	-
MXN/EUR	18.8778	88	1,050	(88)	(1,050)

					Thousand euro
		US Dollar loses 10%		10% dollar appreciation	
Currency	Exchange rate at 31.12.2015	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
ARS/USD	13.0400	(176)	(559)	176	559
BRL/USD	3.9048	-	3,265	-	(3,265)
COP/USD	3149.4700	(152)	-	152	-
MXN/USD	17.3398	12,863	37,050	(12,863)	(37,050)
UYU/USD	29.9480	4,399	-	(4,399)	-
EUR /USD	0.9185	(22,164)	(37,947)	22,164	37,947

					Thousand euro
		Euro loses 10%		Euro gains 10%	
Currency	Exchange rate at 31.12.2014	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
ARS/EUR	10.4074	(2,463)	-	2,463	-
BRL/EUR	3.2249	-	1,744	-	(1,744)
COP/EUR	2904.44	23	-	(23)	-
USD/EUR	1.2141	275	-	(275)	-
UYU/EUR	29.5864	(443)	-	443	-
MXN/EUR	17.8895	561	968	(561)	(968)

(Thousand euro)

					Thousand euro
		US Dollar loses 10%		10% dollar appreciation	
Currency	**Exchange rate at 31.12.2014**	**Impact on profit or loss**	**Impact on equity**	**Impact on profit or loss**	**Impact on equity**
ARS/USD	8.5510	3,772	(477)	(3,772)	477
BRL/USD	2.6562	36	2,729	(36)	(2,729)
COP/USD	2392.46	(197)	-	197	-
MXN/USD	14.7348	4,267	34,615	(4,267)	(34,615)
UYU/USD	24.3690	4,179	-	(4,179)	-
EUR /USD	0.8237	(9,075)	(36,974)	9,075	36,974

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 option to purchase certain for which a specific appraisal is carried out on the basis of the circumstances involved.

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 rest of the Group's financial debt which totalled approximately 224 million euros at 31 December 2015, 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 85% 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:

			Thousand euro
Item	**Increase (+) / decrease (-) in interest rates (basis points)**	**2015**	**2014**
Effect on profit or loss after tax effect	+50	(627)	(970)
	-50	627	970
Effect on equity	+50	(627)	(970)
	-50	627	970

Distribution of unallocated income

On the basis of amendments to the Corporate Income Tax Law in Argentina of 23 September 2013 concerning the treatment of transactions involving the purchase and sale of shares, stocks, bonds and other securities and the payment of dividends in cash or in kind, a 10% tax was established on dividends paid by local companies (irrespective of their corporate structure).

This withholding is in addition to the 35% withholding as a single and definitive payment stipulated by the (numberless) article included after Article 69 in the Corporate Income Tax Law and which would be applied to payments of dividends by local companies only when the dividend in question is higher than the taxable income accumulated at the end of the fiscal year immediately preceding the date of payment, in which case the 35% withholding would be applied on the surplus.

In this respect, since 2014 the Group has followed a policy of repatriating dividends of the subsidiaries in Argentina, considering as distributable those reserves which would be subject to the 10% charge and assuming that the repatriation of dividends out of reserves that exceeded the above-mentioned limit is remote due to the cost it would involve.

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 81,419 thousand euros and 63,240 thousand euros at 31 December 2015 and 2014, respectively.

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.

(Thousand euro)

The provisions for receivables impairment at 31 December 2015 and 2014 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 2015 and 2014, broken down by type of financial instrument, is as follows:

	Thousand euro	
	2015	**2014**
Trade receivables	81,419	63,240
Cash and cash equivalents	110,326	86,672
Other financial assets	42,750	35,988
	234,495	**185,900**

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.

(Thousand euro)

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 2015 and 2014:

					Thousand euro
	Balances at 31/12/2015	Between 01/01/2015 and 31/03/2016	Between 01/01/2016 and 31/12/2016	Between 01/01/2016 and 31/12/2017	Between 01/01/2016 and 31/12/2021
Current assets					
Short-term investment securities	2	2	2	2	2
Cash and cash equivalents	110,326	110,326	110,326	110,326	110,326
Total current assets	**110,328**	**110,328**	**110,328**	**110,328**	**110,328**
Non-current liabilities					
Bonds, debentures and other marketable securities	-	-	-	-	-
Non-current bank borrowings	76,375	-	-	22,788	76,375
Total non-current liabilities	**76,375**	**-**	**-**	**22,788**	**76,375**
Current liabilities					
Short-term debentures and bonds	1,276,209	1,276,209	1,276,209	1,276,209	1,276,209
Current bank borrowings	147,496	133,588	147,496	147,496	147,496
Total current liabilities	**1,423,705**	**1,409,797**	**1,423,705**	**1,423,705**	**1,423,705**
Net liquidity	**(1,389,752)**	**(1,299,469)**	**(1,313,377)**	**(1,336,165)**	**(1,389,752)**

					Thousand euro
	Balances at 31/12/2014	Between 01/01/2015 and 31/03/2015	Between 01/01/2015 and 31/12/2015	Between 01/01/2015 and 31/12/2016	Between 01/01/2015 and 31/12/2020
Current assets					
Short-term investment securities	106	106	106	106	106
Cash and cash equivalents	86,672	86,672	86,672	86,672	86,672
Total current assets	**86,778**	**86,778**	**86,778**	**86,778**	**86,778**
Non-current liabilities					
Bonds, debentures and other marketable securities	-	-	-	-	-
Non-current bank borrowings	89,299	-	-	30,400	89,299
Total non-current liabilities	**89,299**	**-**	**-**	**30,400**	**89,299**
Current liabilities					
Short-term debentures and bonds	1,141,915	1,141,915	1,141,915	1,141,915	1,141,915
Current bank borrowings	160,976	139,718	160,976	160,976	160,976
Total current liabilities	**1,302,891**	**1,281,633**	**1,302,891**	**1,302,891**	**1,302,891**
Net liquidity	**(1,305,412)**	**(1,194,855)**	**(1,216,113)**	**(1,246,513)**	**(1,305,412)**

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. Interest due and payable for FY 2015 and FY 2014 on bonds issued by Codere Finance (Luxembourg), S.A. amount to 240.6 and 134.8 million euros, respectively. These bonds account for almost 85% 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.

As mentioned in Note 2.a.1), the procedure known as "Scheme of Arrangement" provided for under the UK Companies Act, the purpose of which is to obtain judicial authorisation to implement the Restructuring, was authorised by the competent English courts and the competent courts of New York on 22 December 2015, as from which date the Scheme is considered to be fully effective.

At the date of these consolidated financial statements, Codere and its creditors are approaching completion of the Restructuring process, which is expected to become effective in the coming months.

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.
- 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 2015, the Group presented equity attributable to the owners of the parent company of a negative 609,658 thousand euros, an increase of 160,528 thousand euros with respect to the figure recognised at 31 December 2014. This increase is mainly attributable to the 113,192 thousand euro loss recognised in 2015 and the negative variation in currency translation differences of 48,466 thousand euros.

The combination of negative equity and the liquidity difficulties explained in Note 2.a.1 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 agreements described in Note 3.f) are enforced in a satisfactory manner.

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:

		Thousand euro
Assets /(liabilities) (Level 2)	**2015**	**2014**
Reserve for options	(3,433)	(4,454)

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 the following:

- 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.

Fair value of financial assets and liabilities at amortised cost

The information available in financial sources on the market value of the bonds issued (Existing Notes) by the Group at 31 December 2015 indicates a value of 759,745 thousand euros (640,285 thousand euros at 31 December 2014). However, the Group considers that the figure indicated by the financial news agencies (such as Reuters or Bloomberg) as market value is not representative of the fair value of said instruments as indicated in the report by the financial advisor Houlihan Lokey (financial advisor of the ad-hoc Bondholder Committee). There are various reasons for which they cannot be regarded as such. Firstly, the bond market is an over the counter market. In an over the counter market prices are negotiated privately and confidentially by the parties based on their own criteria and interests, with no obligation to report the results or the conditions of the transactions. Accordingly, there is no official quoted bond price and the prices reported by the various sources might not reflect the actual prices at which the transactions have been performed, nor represent the transactions carried out as a whole. Secondly, the bond market shows a minimum liquidity following the conclusion of the Lock-Up Agreement because, although that information is not public, the changes in ownership of the bonds covered by the Lock-Up must be reported to the designated agent in order to ensure that the obligations undertaken when signing the Lock-Up Agreement by the former holders are fulfilled.

The Group considers that the fair value of the bonds existing at 31 December 2015 is determined by the Restructuring of said bonds described in Note 3 f). Therefore, the fair value will comprise the following items:

3. Fair value of the New Bonds swapped: the fair value coincides with their nominal value, amounting to 519.9 million dollars (equivalent to 475 million euros at the agreed exchange rate ruling on 10 December 2015).

4. Fair value of 97.78% of the shares in Codere, S.A.: The Group considers, based on its financial advisors' analysis, that the quoted share price is not representative of the share's fair value for the following reasons:

    - High volatility together with low liquidity ("free float" of 30%).
    - Low coverage by analysts.
    - High degree of subjectivity in the price due to the Group's "distress" situation.
    - Unique characteristics of the shares that will be issued in the capitalisation process, which will be subject to certain transfer restrictions.

   In view of the foregoing, the Group has performed an exercise to determine the fair value of Codere, S.A. shares based on the financial projections existing in the Company, which has resulted in a range of approximately 225 to 325 million euros for 100% of the shares, significantly impacted by fluctuations in exchange rates.

The fair value of the bonds existing at 31 December 2015 is approximately 744 million euros, of which 475 million euros relates to the value of the New Bonds swapped and 269 million at 97.78% of the fair value of the Codere, S.A shares (utilising the median value of the valuation range obtained).

For the senior debt instrument, we consider that its fair value agrees with the nominal value of the debt due to the considerations of the intercreditor agreement between the bondholders and the senior debt holders (which establishes the prevalence of repayment of the debt to the latter) and to the terms of the Restructuring agreement, which ensures full repayment of said instrument.

Likewise, for the remaining financial liabilities, setting aside the effect that the debt renegotiation being carried out by the Group might have, their value at amortised cost, subject to variable market conditions and to the lack of risk indications in the subsidiaries that hold these liabilities, does not differ from their fair value.

Once the Restructuring process is completed, management will reappraise its best estimate of the fair value of all these financial liabilities.

Fair value of investment properties

In the case of Centro Banamex, its fair value amounted to 93 million euros according to the valuation performed by a recognised independent expert in 2012. This valuation was made in the context of the acquisition of Icela. However, it has been considered that an ad-hoc valuation for said property that applied objective and comparable property market criteria, would not be in line with the best indicator of the property's fair value as the property is subject to a 50-year government concession (expiring in 2048), with certain conditions for its exploitation as a private service which mean that it is not comparable. The Group has restated the fair value of said property on the basis of estimated future flows according to the lease contract described in Note 8, where both flows and investment commitments are defined under the assumption that the contract will remain in force (with growth and considering a discount rate of 10.16% in line with that used in the asset impairment analysis for the Mexican CGU. 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, which in Mexico's case is 3%. Based on said analysis, the fair value at 31 December 2015 is 79.1 million euros.

All the variables used to develop the fair value method are Level 3.

f) Financial restructuring process

i) Lock-up Agreement and Scheme of Arrangement

On 23 September 2014 a Lock Up Agreement (“LUA”) was signed between Codere, S.A., Codere Finance Luxembourg, S.A. and other Codere Group companies with the holders of approximately 96.45%% of the EUR Bonds and 97.47%% of the USD Bonds ("Consenting Noteholders"), the holders of bonds that will insure a new loan agreement and a new bond issue (“Backstop Notes Parties”) and the so-called Original Shareholder Parties (José Antonio Martínez Sampedro, Encarnación Martínez Sampedro, Javier Martínez Sampedro, Carmen Martínez Sampedro and Masampe Holding, B.V.).

The LUA contains the essential terms of the envisaged restructuring of the Codere Group's capital and debt and laid down a term of nine months for the formalisation and notarisation of all the documents required for its implementation, providing for a possible extension of up to a maximum of 11 months if agreed by the parties.

The main features of the agreement are summarised below:

(a) the Consenting Noteholders agree not to take enforcement action in respect of the existing and anticipated defaults that might take place during the implementation process;

(b) the Codere Group will not undertake specified material corporate actions without the prior consent of two or more Consenting Noteholders holding in aggregate more than 50% of the Existing Notes by nominal value held by the Consenting Noteholders;

(c) there are termination provisions under which the Lock-Up Agreement may terminate (or become capable of termination by the parties) if certain specified events occur.

The termination events included in the agreement are the usual ones in agreements of this kind and relate to the failure to comply with schedules not attributable to third parties unrelated to the agreement, the implementation of certain significant actions by the Company without the consent of certain bondholder majorities, insolvency events no envisaged in the agreement itself. etc. Management has evaluated and continues to evaluate these events and concluded that up to the date of preparation the present 2015 consolidated annual accounts none of them have occurred and there is no evidence that they will arise during the term of the Lock-Up Agreement.

For its part, Codere, through its subsidiary Codere Finance (UK) Ltd., decided to instigate proceedings before the High Court of Justice of England and Wales known as a scheme of arrangement under the UK Companies Act 2006 (the "Scheme”) to obtain the necessary judicial authorisation binding on all its creditors to implement the Restructuring and which includes (among other things) the following:

(a) granting of a 253 million euro senior loan facility which, together with a new notes issue, will replace the existing senior facility and provide financing for future working capital and projects. The facility will have a maturity of five years and will bear interest at the EURIBOR (subject to 1.00% floor) + 7.00% per annum payable in cash.

(b) New bond issue through a newly incorporated company for 675 million euros (350 million second lien and 325 million third lien). Of the total, 200 million will be issued in cash and 475 million will be exchanged for Existing Notes (150 million second lien and 325 million third lien). These bonds mature in 5.25 years. The second lien bonds will bear interest at 5.5% per annum in cash plus 3.5% PIK (payment in kind) and the third lien bonds will bear interest at 9% per annum PIK.

(c) Note capitalisation: existing noteholders will convert part of the outstanding principal and interest in respect of the Existing Notes (in aggregate amounting initially to circa 636 million euros, adjustable on the date of execution based on total interest accrued) into 97.78% of the ordinary issued share capital of Codere, leaving existing shareholders with 2.22%. Since it is a listed company, Codere will be required to file a prospectus for this capital increase with the CNMV for its approval.

Following the capitalisation the Existing Noteholders will re-allocate the shares received such that at completion of the Restructuring the ordinary share capital of Codere will be distributed as follows (stated as a percentage of the total ordinary share capital in issue of Codere), collectively referred to as the "Investor Shareholders":

(i) 61.2% for Existing Noteholders participating in the New Cash Notes Subscription;
(ii) 10% for the Backstop Notes Parties (who shall also be entitled to receive a cash backstop fee amounting to 5% of the total amount of the New Cash Notes Subscription);
(iii) 1% for the Backstop SFA Parties (who shall also be entitled to receive a cash backstop fee amounting to 2% of the total amount of the New SFA);
(iv) 4% for the holders of 2L Notes; and
(v) 2% for the holders of 3L Notes.

In addition, to preserve the value of the New Notes and maximise future value creation in the equity of Codere, the Existing Noteholders believed it is of critical importance that José Antonio Martínez Sampedro and Javier Martínez Sampedro (the “Key Executives”) invest in restricted shares of the restructured Codere in order to align their economic interests on a permanent basis and thus preserve the Key Executives’ continuity of ownership in light of the institutional and governmental relationships considered necessary to the successful continuation of the Group’s licensed businesses. Accordingly, as a condition to the Restructuring, each Existing Noteholder will agree to sell and the Key Executives shall agree to purchase 19.58% of the ordinary issued share capital of Codere pro rata to its share of the equity arising from the capitalisation for a fair market post-restructuring value to be determined based on independent expert valuations (not less than 0.5 million euros) and such shares once purchased shall be subject to certain transferability limitations. The purchase price payable to the Existing Noteholders will be fully financed by them pursuant to a purchase note to be issued to them with a 5 year term and subject to other terms and conditions to be agreed, bearing in mind prevailing market conditions.

The percentage shareholdings described above would be further diluted by (a) the subsequent issuance of 2% of the fully diluted equity of Codere to a global coordinator (Silver Point Finance LLC) by way of a fee for its role and (b) the exercise of warrants to be issued to management pursuant to a management incentive package (the "Management Warrants"). Under the provisions of the Scheme, the dilution pertaining to the global coordinator will not take place within the restructuring process, given that a certain percentage has been assigned of the new shares determined by the percentages assigned by the scheme creditors (Note 3.f)ii).

If exercised, the Management Warrants would result in a further issuance of shares in Codere resulting in a further:

(i) 5% ownership interest issued to the Key Executives at an exercise price which provides for an implied recovery on the Existing Notes of 100% of all outstanding principal plus all accrued and outstanding interest immediately prior to completion of the Restructuring (the "First Tranche Warrants"); and
(ii) 5% ownership interest issued to other members of the executive management team (other than the Key Executives) at the same price as the First Tranche Warrants.

The First Tranche Warrants shall expire 18 months after completion of the Restructuring.

The agreed Restructuring also envisages the formation of a new subsidiary 100% owned by Codere, S.A. to which the parent company would have to transfer all its equity, in accordance with Article 72 of Law 3/2009 on Structural Changes in Business Corporations. This transaction responds to the change in the scheme of guarantees required by the noteholders to carry out the Restructuring and must be approved by the shareholders of Codere, S.A. at an extraordinary general meeting.

Once the Restructuring is completed the composition of the Company's Board of Directors will be altered together with certain aspects of the corporate governance scheme. Among other measures, the Key Executives will have the option to launch a sale process in respect of their shares in Codere or buy process of the shares held by the Investor Shareholders in certain circumstances (being termination of the executive role of José Antonio Martínez Sampedro or Javier Martínez Sampedro (other than for cause) or rejection of material proposals put forward to the board on material corporate actions relating to certain regulatory or licensing aspects of the group’s business, a "Trigger Event") within 30 months from completion of the Restructuring. In that scenario, within the 6 months immediately after a Trigger Event, the Key Executives may propose an option price (the "Option Price") and Codere or, if not possible for Codere, the members of the Core Equity Group or any other Existing Noteholder that held over 5% of the equity in Codere at completion of the Restructuring and which continues to hold at least that amount of equity at the date the Offer is made, may purchase the shares of the Key Executives. If such option is not exercised, the Investor Shareholders must sell their shares in Codere to the Key Executives at the Option Price and the Key Executives shall be obliged to purchase those shares at the Option Price.

Once the process is completed, Codere will procure its de-listing through launching a de-listing public offer (OPA de exclusión) (a "Take Private Offer") José Antonio Martínez Sampedro, Javier Martínez Sampedro and certain other members of the Martínez Sampedro family agreed not to tender their holdings of shares of Codere in any such Take Private Offer. Those shares acquired by Codere as a result of the Take Private Offer shall be reallocated to the participants in the New Cash Notes.

ii) Amendment of Lock-up Agreement

On 18 August 2015, certain key aspects of the LUA were amended.

The main amendments are the following:

(a) The Definitive Termination Date, which is the time limit for implementing the Restructuring under the business terms agreed, has been set as the later of (i) 31 December 2015, (ii) 31 March 2016, providing consent is given by Codere, by 75% of the Participating Bondholders, and by each Backstop Party, and (iii) any later date if consent is given by Codere, each Participating Bondholder and each Backstop Party. The Definitive Termination Date was previously 23 August 2015. On 9 December 2015, it was agreed to extend the Definitive Termination Date to 31 March 2016.

(b) To facilitate the implementation of the Restructuring and specifically the voting within the Scheme process, the transfer of the Existing Notes by the Consenting Noteholders will be restricted as from the "Record Time" provided for in the Scheme until the finalisation of the Restructuring. The "Record Time" will be determined on a date immediately following the creditors' meeting to be held within the Scheme process.

(c) The financing of the new "Loan Agreement" will be granted in the form of private bonds ("New Senior Private Notes") instead of in the form of a loan contract. The New Senior Private Notes will amount to 200 million euros rather than 253 million euros (said reduction results from the obtention by the Company of additional financing for its operating liquidity needs). The remaining terms are identical to those included in the original LUA, with a maturity of five years and interest at the Euribor (subject to 1.00% floor) + 7% per annum payable in cash.

(d) The holders of Existing Notes ("Existing Noteholders") may take part in the New Senior Private Notes only if they also take part in the new 200 million euro bond issue in cash ("New Cash Notes"). The issuance of the New Cash Notes will form part of the joint issue of 675 million euros in new notes (the "New Notes") envisaged in the LUA.

(e) The New Senior Private Notes and the New Cash Notes are denominated in US dollars. The USD equivalent of the amounts in euro will be determined using the exchange rate applicable on a date close to or coinciding with the "Record Time" (or any other date proposed by Codere and agreed by two or more Consenting Noteholders jointly holding over 50% of the nominal value of the Existing Notes of the Consenting Noteholders and the majority of the Backstop Parties).

(f) The purchase by the Key Executives of shares owned by the Noteholders, which will represent 19.58% of Codere's share capital, will be paid in cash. The price agreed by the Key Executives and the creditors in 2014 was 0.5 million euros in accordance with the calculation method agreed by these parties, and taking as a basis the independent valuations effected by Duff & Phelps and Deloitte in 2014.

(g) A "Monitoring Committee" shall be formed (comprising the three Existing Noteholders entitled to receive the highest number of post-Restructuring New Notes, subject to certain additional eligibility criteria) with access to certain information.

(h) In relation to the Trigger Events that may give rise to the commencement of a share purchase and sale process between the Key Executives and Investor Shareholders (i.e. the Existing Noteholders and the Backstop Parties that receive shares in Codere as part of the Restructuring), said events have been changed such that now (i) they include the termination of the service contract of any of the Key Executives on justifiable grounds (this event was previously excluded) and (ii) they exclude the termination by any of the Key Executives without justifiable grounds, subject to certain additional conditions (this event was not previously excluded).

At the date of the present consolidated annual accounts the parties to the agreement are working to define the final documentation for the restructuring operation and comply with all the conditions agreed within the stipulated deadlines; it is not possible to determine whether the process will come to a successful conclusion.

iii) Advances in the Scheme of Arrangement

In relation to the capitalisation of the notes, the following prior steps will be taken:

1. The Scheme creditors (noteholders) will transfer the capitalisable existing notes (totalling approximately 815 million euros at the date of these consolidated annual accounts, adjustable at the date of execution on the basis of total accrued interest) to the Group company issuing said notes, Codere Finance Luxembourg, S.A.

2. As consideration, Codere Finance Luxembourg, S.A. will deliver to the holders of said notes and the global coordinator the equivalent amount (815 million euros approx. at the date of preparation of these consolidated annual accounts, adjustable at the date of execution on the basis of total accrued interest) of the loan agreements between Codere Finance Luxembourg, S.A. and Codere, S.A. (the "Funding Loan Agreements") to be capitalised, on the basis of the following approximate percentages:

   (i) 61.3% for those creditors that subscribe the cash amount of the new note issue;
   (ii) 4% for those creditors under the Existing Senior Notes that are holders of the second lien new issue;
   (iii) 2% for those creditors under the Existing Senior Notes that are holders of the third lien new issue;
   (iv) 19.6% for those creditors under the Existing Senior Bonds to subsequently sell said shares to the Key Executives;
   (v) 10% for the entities underwriting the cash subscription of the new second lien note issue (*);
   (vi) 1% for the entities underwriting the cash subscription of the senior private note issue (*); and
   (vii) 2.1% for the entity that has acted as global coordinator of all the creditors during the Restructuring process, as the Company is instructed by said creditors that will effect payment by assigning part of their shares to the global coordinator.

(*) plus fees already indicated in paragraph 3.f).i)

Once the above steps have been taken, the capitalisable debt will be capitalised through the issuance of new shares representing 97.78% of the share capital of Codere, S.A. The current shareholders will retain shares representing 2.22% of Codere's share capital.

Finally, once the shares are sold to the Key Executives as described above, the share capital of Codere, S.A. will be distributed as follows (percentages rounded to the nearest decimal):

(i) 60% for those creditors that subscribe the cash amount of the new note issue;
(ii) 3.9% for those creditors under the Existing Senior Notes that are holders of the second lien new issue;
(iii) 2% for those creditors under the Existing Senior Notes that are holders of the third lien new issue;

(iv) 19.2% for the Key Executives;
(v) 9.8% for the entities insuring the cash subscription of the new second lien note issue;
(vi) 1% for the entities insuring the cash subscription of the senior private note issue;
(vii) 2% for the global coordinator, and
(viii) 2.1% for the shareholders existing before the Restructuring.

On 1 September 2015, Codere Finance (UK) Limited ("Codere UK"), the UK subsidiary of Codere, S.A. ("Codere"), as a first step in formalising the commencement of the Scheme process, sent a letter to noteholders confirming that Codere UK intended to secure an order from the English courts to convene a meeting with the Noteholders to vote on the Scheme.

On 29 October 2015 a hearing was held with the competent English court in which Codere UK was authorised to convene a meeting of Note holders in order to allow Noteholders to vote on the approval of the Scheme, in accordance with Section 26 of the United Kingdom Companies Act 2006.

On 14 December 2015, 100% of the Scheme creditors that attended the meeting in person or by proxy (together owning 98.78% of the Notes) approved the Scheme. The exchange rate taken to translate the amounts due in euro was the spot rate published by Thomson Reuters at 17:00h in London on 10 December 2015, this being 1 euro = 1.0947 US dollars. This same rate will be used to determine the US dollar equivalent of the amounts set out in the Scheme, including the principal of the New Senior Private Notes and the New Cash Notes, and the Insurance Commitment of each Backstop Party.

The Scheme was authorised by the competent English courts and the competent courts of New York on 10 December 2015 and 22 December 2015, respectively, as from which date the Scheme is considered to be fully effective.

The Scheme includes certain “scheme completion conditions” which must be fulfilled for the restructuring process to be valid. At the time of writing the following completion conditions were still outstanding:

- Execution of contracts linked to the Scheme, such as the transfer of loan agreements to be capitalised between Codere Finance Luxembourg, S.A. and Codere, S.A. ("Funding Loan Agreements") to noteholders, or the share purchase agreement by the Key Executives.
- Approval of the capital increase prospectus by the CNMV.
- Delivery by Codere UK of the document describing the use of the funds to the depository thereof.
- Agreement on a market publication document.
- The delivery of the funds into the depository's bank accounts.

iv) Annual General Shareholders' Meeting on 4 December 2015

The Annual General Meeting of shareholders of Codere, S.A. was held on 4 December 2015, at which the following resolutions were adopted:

- Approval of a capital increase of 494,936 thousand euros through the issue of 2,474,678,091 new shares with a par value of 0.20 euros each, in the same class and series as those currently in circulation, to be paid through the capitalisation of debt in order to capitalise the debt-claims derived from the last tranche of the Senior Notes with a nominal value of 760,000 thousand euros and the Senior Notes with a nominal value of 300,000 thousand US dollars issued by Codere Finance Luxembourg, S.A.

- Approval of the incorporation of a new 100% owned subsidiary (Codere Newco, S.A.U.) through the transfer in bloc of the Company's entire assets and liabilities in accordance with provisions of Article 72 of the Law on Structural Modifications in Trading Companies, in the terms of the incorporation project.

- Approval, for the purposes of the provisions of Article 160.f) of the Spanish Companies Act 2010, of the contribution by the Company of the shares in the beneficiary company to be incorporated on the occasion of the operation referred to in the above paragraph, a newly created Luxembourg company ("Luxco 2"); approval of the contribution by the Company of the shares of Luxco 2 to another newly incorporated Luxembourg company; and granting of certain guarantees within the context of the Restructuring.

The above resolutions shall not be effective unless certain conditions concerning the completion of the restructuring process are met, as explained in paragraph 3.f).iii) above.

g) Stand-Still Agreement

At the same time as the Lock-Up Agreement in 2014, Codere and some of its subsidiaries agreed the terms of a separate standstill and cooperation agreement with the lenders under its senior facilities agreement dated 19 October 2007 (as amended from time to time) which is now unconditional and effective upon the effectiveness of the Lock-Up Agreement.

Under this agreement, the lenders agreed not take enforcement action in the contractually stipulated events of default which already existed when the stand-still agreement was signed or which might arise during the Restructuring. For its part, Codere undertook to pay monthly in advance the default interest and fees accrued by the senior facility.

The agreement also provided for changes in ratio compliance requirements, which were altered as follows:

- Aggregate earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Backstop Notes Parties (Note 19.b), calculated on an unconsolidated basis and excluding inter-group items, must represent not less than 85% of the Group's consolidated EBITDA; and
- Aggregate revenue of the Backstop Notes Parties (Note 19.b), calculated on an unconsolidated basis and excluding inter-group items, must represent not less than 75% of the Group's revenue.

At the end of 2015, the Codere Group complied with both these ratios.

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.

h) 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 by each unit for the next financial year, incorporating any changes arising as a result of significant events occurring after their approval. The projections for the remaining years are based on the performance that can reasonably be expected in accordance with the strategies and plans defined by the Group for each of the markets in which it operates in accordance with their specific characteristics and competitive landscapes.

i) Corporate income tax

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.

In addition, in line with the dividend repatriation policy described in Note 3. c.1), the Group recognises a deferred tax liability associated with the temporary differences for investments in subsidiaries, branches or associates on the basis of its best estimate concerning the expected date of reversal.

j) Fair value of derivatives and other financial assets

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

k) 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.

l) Lawsuits in Italy, Mexico and Columbia

(ii) 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: failure to implement the IT network in the timeframe set; failure to activate the network in the timeframe set; and failure to complete the connection of the network in the timeframe set. Failure to meet minimum service level requirements.

Following various procedural steps by the AAMS, the Court of Auditors ordered an independent expert report to be prepared the company Digit S.p.A. (a non-profit public body). The report indicated 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 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).

Finally, in October 2014, Codere Network, S.p.A. filed the payment request with the Court of Auditors and proceeded to pay 36,406 thousand euros, of which 34,500 thousand euros relates to 30% of the penalty and 1,906 thousand euros to the interest accruing since the date of the judgement in first instance. This payment had an impact of 24,542 thousand euros on the 2014 income statement (11,864 thousand euros had been provided for in previous years).

On 6 February 2015 the Court of Appeal issued a judgment ordering the proceedings against Codere Network to be shelved.

(iii) Tax litigation in Mexico

The main tax contingencies affecting Codere Mexico and its subsidiaries are as follows:

- Codere Mexico and one of its subsidiaries are currently undergoing an inspection for years 2008 and 2009 by the Mexican Tax Administration Service. In December 2014 a notification was received of the rejection of an appeal filed by Codere Mexico in relation to the inspection assessment issued in 2012 which resulted from the disallowance of the deduction of certain losses due to exchange rate fluctuations in 2008. In March 2015, Codere filed an appeal with the Mexico Federal Fiscal and Administrative Court of Justice.

- Claim by the Mexican Tax Administration concerning an import of machines by Codere in 2009 and 2010 in which penalties are demanded due to the nonfulfillment of official Mexican regulations on machinery imports. In October 2015 the Group filed an appeal with the Collegiate Tribunal for administrative matters of the First Circuit.

- Claim by the Mexican Tax Administration concerning the failure to pay gaming tax (IEPS) on certain bank deposits. In August 2015, Codere filed an appeal with the Mexico Federal Fiscal and Administrative Court of Justice.

- Claim by the Finance Secretariat of the Federal District of Mexico in relation to the non-payment of local tax on prizes paid and the incorrect reduction of the prizes in the calculation of the tax base.

In the case of the last three contingencies, to instigate nullity proceedings against the assessment, guarantees need to be presented to the Mexican Tax Administration Service (Note 22).

The claims associated with these proceedings amount to a maximum of approx. 55 million euros. On the basis of reports from its legal advisers, the Group's directors consider that the provisions made to cover the risks associated with the Mexican operations are sufficient and adequate (Note 18.1).

(iv) Gaming taxes in Columbia

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 years1995 to 1997. Codere Colombia paid 1,700 million Colombian pesos (0.6 million euros) 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.

On 26 September 2013, the Council of State issued a ruling claiming payment from Codere Colombia. 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 was recorded at the end of 2013 to cover this risk in the amount of 4,300 million Columbian pesos (equivalent to 1.3 million euros at 31 December 2015).

In 2015, the Colombian tax authorities notified Codere Colombia, S.A. of the possibility included in Law 1739 of December 2014 which related to the payment of the full amount of the tax obtaining an 80% discount. In May 2015 Codere Colombia accepted said option and paid 3,543 million pesos (equivalent to approximately 1 million euros).

On 2 December 2015 the Constitutional Court issued a judgement declaring Law 1739 of December 2014 to be unconstitutional. Based on the opinion of its legal advisers, the Company considers that this judgement will be effective for future purposes only and will not impact the option taken up by the Group.

m) Impacts of Lock-Up Agreement and Scheme

As a result of the Luck-Up Agreement (and subsequent amendment) and the Scheme described in Note 3.f) and g), certain obligations have arisen the recognition of which at 31 December 2015 requires certain estimates, which are described below:

- First tranche of Warrants to Key Executives consisting of 5% of new shares whose issue price will be calculated based on a valuation by the Company which assumes the implicit recovery of all the amounts owed to the existing bondholders before the Restructuring is completed.

As the fair value of the services received cannot be reliably estimated, the best reference is the fair value of the equity instruments granted. In view of the remote likelihood of occurrence as a key variable, a value of zero has been determined.

With reference to the second tranche of warrants described in Note 3.f, as the terms and definitions relating to the parties that will be the beneficiaries of such remuneration have not been defined, they have not been valued (although their exercise price will be similar to that of the first tranche).

In relation to the Global Coordination Fee, the LUA provided for a “coordination fee” payable via the issuance of 2% of post-restructuring capital, also recognising that this fee covered services rendered since May 2013. The Scheme has modified these terms and established that a certain percentage of the new shares will be assigned to the Global Coordinator, as explained in Note 3.f. The Codere Group is therefore unaffected by this distribution and it does not entail any obligation for the Codere Group.

n) Italian Stability Law

The Stability Law enacted in Italy on 29 December 2014 included the implementation of a new tax for 2015 on gaming companies in Italy amounting to 500 million euros per annum. The annual payment, as from 2015, was to be distributed among the 13 network concession holders based on the number of interconnected machines of each operator. Codere Network, S.p.A will be required to pay 22 million euros according to a report published by the AAMS dated 15 January 2015. This amount will be distributed among all participants in the value chain of Codere Network, S.p.A.

Of the 22.4 million euros corresponding to Codere Network, S.p.A., 12.9 million euros has been paid to the AAMS at the date of these financial statements, and approximately 9.5 million euros has yet to be collected and paid in. The Group considers, based on the opinion of its legal advisers, that the outstanding amount is not the responsibility of Codere Network, S.p.A and the obligation to assume payment rests with the other participants in the value chain of Codere Network, S.p.A. which are not Codere Group companies.

The Italian companies in the Codere Group also paid a total of 1.4 million euros with respect to taxes under the Stability Law for machines connected to other concessionaires.

h) Significant non-controlling interests

Due to the entry into force of IFRS 12, the Codere Group has defined as relatively significant non-controlling shareholdings all those non-controlling shareholdings whose assets (assets being understood as the percentage minority interest in the aggregate assets of the sub-group in which they hold an interest) represent more than 5% of the consolidated Group's total assets.

(Thousand euro)

In addition, other specific qualitative issues will be taken into account such as the sensitivity of a minority interest to a specific shareholding, significant non-recurring impacts, etc., when defining a material non-controlling interest. These circumstances are reappraised by Management on an annual basis.

		Thousand euro
Condensed financial information on non-controlling interests at 31 December 2015	**Icela S.A.P.I. de C.V.**	**Grupo Caliente S.A.P.I. de C.V**
Intangible assets	166,993	84,907
Property, plant and equipment	133,554	30,780
Investment properties	64,607	-
Deferred tax assets	3,113	12,960
Other non-current assets	565	1,191
Cash and cash equivalents	13,141	4,349
Profit/(loss) for the year	19,589	(68,419)

		Thousand euro
Condensed financial information on non-controlling interests at 31 December 2014	**Icela S.A.P.I. de C.V.**	**Grupo Caliente S.A.P.I de C.V**
Intangible assets	182,136	97,839
Property, plant and equipment	158,471	38,527
Investment properties	70,451	-
Deferred tax assets	4,052	10,968
Other non-current assets	1	1,218
Cash and cash equivalents	12,542	1,998
Profit/(loss) for the year	11,247	(75,119)

Set out below are non-cancellable commitments referring to operating leases at 31 December 2015 of the two companies mentioned above:

				Thousand euro
				Total future
	Within 1 year	Between 1 and 5 years	More than 5 years	payments
Total non-cancellable commitments	6,655	8,863	-	15,518

During 2015, dividends were paid to the owners of non-controlling interests totalling 1,680 thousand euros.

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: Transactions of Casino Hotel Carrasco and holding in HRU.
- Panama: racetracks, gaming machines, casinos and betting agencies.
- Brazil: betting agencies.
- Head offices: management and operational support services.

(Thousand euro)

b) Operating segments

Income statement at 31 December 2015	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Head offices	Internal operations (*)	Total
Operating income											
Revenue from external customers	155,884	355,302	681,753	28,653	284,210	27,857	2,415	103,434	16	-	1,639,524
Intra-segment revenues	-	-	-	-	-	-	-	-	42,313	(42,313)	-
	155,884	355,302	681,753	28,653	284,210	27,857	2,415	103,434	42,329	(42,313)	1,639,524
Operating expenses											
Depreciation and amortisation	(19,066)	(50,788)	(15,665)	(3,535)	(16,514)	(2,834)	(492)	(12,001)	(1,220)	-	(122,115)
Change in business operations	338	(2)		(6)	(315)	(25)	-	(31)	(87)	-	(128)
Other operating expenses	(129,695)	(252,594)	(511,821)	(20,603)	(256,179)	(30,844)	(3,783)	(88,447)	(90,888)	-	(1,384,854)
Asset impairment	-	-	-	4,820	(7,941)	-	-		-		(3,121)
	(148,423)	(303,384)	(527,486)	(19,324)	(280,949)	(33,703)	(4,275)	(100,479)	(92,195)	-	(1,510,218)
Profit/loss on retirement or disposal of assets	(423)	(4,416)	-	47	(109)	-	-	(6)	-	-	(4,907)
Intra-segment expenses	(1,558)	(11,173)	(23,863)	(1,157)	(1,294)	(100)	-	(3,168)	-	42,313	-
OPERATING PROFIT/(LOSS)	5,480	36,329	130,404	3,399	1,858	(5,946)	(1,860)	(219)	(49,866)	-	124,399
External financial income	181	1,128	272	43	239	8	2	129	1,555	-	3,557
Intra-segment financial income	-	-	-	-	-	-	-		54,364	(54,364)	
External financial expenses	(2,385)	(7,439)	(3,568)	(254)	(159)	(3,300)	(56)	(706)	(117,397)		(135,264)
Inter-segment finance costs	623	(43,620)	252	156	(6,252)	(579)	(4,118)	(826)	-	54,364	-
Change in investment provisions	(32)	-	-	-	(45)	-	-	-	(21,088)	-	(21,165)
Net gains/(losses) on exchange	(2)	(25,835)	(550)	210	-	(8,083)	(461)	826	(16,574)	-	(50,469)
NET FINANCIAL INCOME/(EXPENSE)	(1,615)	(75,766)	(3,594)	155	(6,217)	(11,954)	(4,633)	(577)	(99,140)	-	(203,341)
PROFIT/(LOSS) BEFORE INCOME TAX	3,865	(39,437)	126,810	8,374	(4,359)	(17,900)	(6,493)	(796)	(149,006)	-	(78,942)
Corporate income tax	(1,538)	(10,568)	(47,699)	(1,000)	(2,895)	(3)	(580)	700	363	-	(63,220)
Equity method	-	(107)	-	-	(256)	3,079	-	-	-	-	2,716
PROFIT/(LOSS) FOR THE YEAR	2,327	(50,112)	79,111	7,374	(7,510)	(14,824)	(7,073)	(96)	(148,643)	-	(139,446)
CONSOLIDATED PROFIT / (LOSS)											
Attributable to:											
External shareholders	1,108	(22,802)	1,418	44	(325)	(4,766)	-	(931)	-	-	(26,254)
Parent company shareholders	1,219	(27,310)	77,693	7,330	7,185	(10,058)	(7,073)	835	(148,643)	-	(113,192)
CONSOLIDATED PROFIT/(LOSS)	2,327	(50,112)	79,111	7,347	(7,510)	(14,824)	(7,073)	(96)	(148,643)	-	(139,446)

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

(Thousand euro)

Income statement at 31 December 2014	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Head offices	Internal operations (*)	Total
Operating income											
Revenue from external customers	149,883	341,889	489,041	31,418	263,777	18,209	2,789	88,594	24	-	**1,385,624**
Intra-segment revenues	-	-	-	-	-	-	-	-	34,198	(34,198)	-
	149,883	341,889	489,041	31,418	263,777	18,209	2,789	88,594	34,222	(34,198)	1,385,624
Operating expenses											
Depreciation and amortisation	(17,432)	(58,360)	(13,435)	(4,236)	(16,156)	(2,735)	(461)	(11,401)	(1,298)	-	(125,514)
Change in business operations	(1,290)	(12)		235	(717)	(405)	-	196	-		(1,993)
Other operating expenses	(128,953)	(265,184)	(378,752)	(23,373)	(257,498)	(25,560)	(3,225)	(70,772)	(80,676)	-	(1,233,993)
	(147,675)	**(323,556)**	**(392,187)**	**(27,374)**	**(274,371)**	**(28,700)**	**(3,686)**	**(81,977)**	**(81,974)**	**-**	**(1,361,500)**
Profit/loss on retirement or disposal of assets	(2,692)	62	19	(1,169)	441	-	-	(1)	(7)	-	(3,347)
Intra-segment expenses	(3,346)	(8,515)	(16,933)	(1,102)	(1,380)	(63)	-	(2,859)	-	34,198	-
OPERATING PROFIT/(LOSS)	**(3,830)**	**9,880**	**79,940**	**1,773**	**(11,533)**	**(10,554)**	**(897)**	**3,757**	**(47,759)**	**-**	**20,777**
External financial income	151	804	11	65	904	10	30	373	983	-	3,331
Intra-segment financial income	-	-	-	-	-	-	-	-	47,356	(47,356)	-
External financial expenses	(3,224)	(6,041)	(4,998)	(269)	(1,177)	(2,659)	(7)	(858)	(113,447)	-	(132,680)
Inter-segment finance costs	(73)	(37,041)	(1,558)	53	(3,953)	(464)	(3,707)	(613)	-	47,356	-
Change in investment provisions	-	(5,436)	-	-	-	-	-	-	(10,058)		(15,494)
Net gains/(losses) on exchange	-	(15,720)	(8,795)	237	-	(4,724)	(163)	865	(17,599)		(45,899)
NET FINANCIAL INCOME/(EXPENSE)	**(3,146)**	**(63,434)**	**(15,340)**	**86**	**(4,226)**	**(7,837)**	**(3,847)**	**(233)**	**(92,765)**	**-**	**(190,742)**
PROFIT/(LOSS) BEFORE INCOME TAX	**(6,976)**	**(53,554)**	**64,600**	**1,859**	**(15,759)**	**(18,391)**	**(4,744)**	**3,524**	**(140,524)**	**-**	**(169,965)**
Corporate income tax	(922)	(11,762)	(33,078)	(875)	5,098	(44)	(524)	1,020	202	-	(40,885)
Equity method	-	(5)	-	-	(133)	3,105	-	-	-	-	2,967
PROFIT/(LOSS) FOR THE YEAR	**(7,898)**	**(65,321)**	**31,522**	**984**	**(10,794)**	**(15,330)**	**(5,268)**	**4,544**	**(140,322)**	**-**	**(207,883)**
CONSOLIDATED PROFIT / (LOSS)											
Attributable to:											
External shareholders	850	(29,670)	680	10	1,868	(9,057)	-	441	-	-	(34,878)
Parent company shareholders	(8,748)	(35,651)	30,842	974	(12,662)	(6,273)	(5,268)	4,103	(140,322)	-	(173,005)
CONSOLIDATED PROFIT/(LOSS)	**(7,898)**	**(65,321)**	**31,522**	**984**	**(10,794)**	**(15,330)**	**(5,268)**	**4,544**	**(140,322)**	**-**	**(207,883)**

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

(Thousand euro)

Balance sheet at 31 December 2015	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Head offices	Total
Intangible assets	37,986	251,901	56,659	85	45,074	28	688	18,316	2,308	**413,045**
Property, plant and equipment	48,802	164,334	32,495	13,836	17,973	26,629	687	13,142	562	**318,460**
Goodwill	21,478	78,691	17,026	-	44,392	-	-	32,273	-	**193,860**
Investment properties	1,958	64,607	-	-	-	-	-	-	-	**66,565**
Equity method investment	-	(105)	-	-	(205)	11,917	-	-	-	**11,607**
Non-current financial assets	4,559	1,860	2,053	23	6,940	-	-	3,135	2,835	**21,405**
Deferred tax assets	8,231	16,074	2,255	677	9,667	-	-	611	7,432	**44,947**
Other non-current assets	-	-	-	-	-	-	-	-	-	**-**
Current assets	22,486	147,793	37,242	6,237	65,983	15,420	680	20,045	55,269	**371,155**
TOTAL ASSETS	**145,500**	**725,155**	**147,730**	**20,858**	**189,824**	**53,994**	**2,055**	**87,522**	**68,406**	**1,441,044**
Deferred income	-	-	-	-	-	-	-	-	31	**31**
Provisions	623	16,525	4,885	88	9,089	-	-	1,131	-	**32,341**
Long-term payables	31,732	113,977	7,971	2,409	18,083	37,674	-	5,440	-	**217,286**
Current liabilities	59,605	177,131	54,983	5,544	45,832	12,150	3,255	21,384	1,427,442	**1,807,326**
TOTAL LIABILITIES	**91,960**	**307,633**	**67,839**	**8,041**	**73,004**	**49,824**	**3,255**	**27,955**	**1,427,473**	**2,056,984**
OTHER INFORMATION										
Investments in fixed assets	**19,473**	**16,645**	**10,034**	**3,327**	**6,771**	**1,274**	**1,194**	**3,182**	**577**	**62,477**
Intangible assets	6,741	-	3	-	2,924	23	676	-	440	**10,807**
Property, plant and equipment	12,732	16,645	10,031	3,327	3,847	1,251	518	3,182	137	**51,670**
Expenses that do not represent cash outflows	2,286	4,453	1,975	3	156	-	-	6	-	**8,879**

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
(Thousand euro)

Balance sheet at 31 December 2014	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Head offices	Total
Intangible assets	36,921	279,975	84,011	11	45,320	150	429	21,510	2,771	471,098
Property, plant and equipment	49,512	197,000	40,900	12,430	19,886	32,757	618	14,815	747	368,665
Goodwill	21,478	83,078	23,246	-	50,820	-	-	28,939	-	207,561
Investment properties	-	70,451	-	-	-	-	-	-	-	70,451
Equity method investment	-	(8)	-	-	(64)	12,487	-	-	-	12,415
Non-current financial assets	4,834	1,226	4,272	27	6,293	-	-	5,372	3,692	25,716
Deferred tax assets	9,108	15,019	3,963	521	11,882	-	-	613	7,567	48,673
Other non-current assets	-	-	-	-	-	-	-	-	-	-
Current assets	20,641	149,578	39,025	4,684	55,327	10,487	759	17,422	36,807	334,730
TOTAL ASSETS	**142,494**	**796,319**	**195,417**	**17,673**	**189,464**	**55,881**	**1,806**	**88,671**	**51,584**	**1,539,309**
Deferred income	-	-	-	-	-	-	-	-	17	17
Provisions	615	16,290	5,189	1,564	8,369	-	-	1,438	-	33,465
Long-term payables	41,344	149,773	12,023	1,329	19,799	29,121	-	9,978	3	263,370
Current liabilities	53,240	183,487	54,945	5,022	40,727	19,561	3,222	23,025	1,291,078	1,674,307
TOTAL LIABILITIES	**95,199**	**349,550**	**72,157**	**7,915**	**68,895**	**48,682**	**3,222**	**34,441**	**1,291,098**	**1,971,159**
OTHER INFORMATION										
Investments in fixed assets	**14,775**	**21,664**	**6,688**	**1,890**	**5,765**	**1,544**	**157**	**2,509**	**259**	**55,251**
Intangible assets	5,007	-	35	-	1,783	6	8	-	226	**7,065**
Property, plant and equipment	9,768	21,664	6,653	1,890	3,982	1,538	149	2,509	33	**48,186**
Expenses that do not represent cash outflows	5,098	1	1,720	1,317	1,458	-	-	1	9	**9,604**

b) Lines of business

The Group does not have available a breakdown of ordinary income from non-Group customers for each product and service.

6. Business combinations and changes in the scope of consolidation

b) Business combinations

a.1) FY 2015

On 29 July 2015, the company PGO Services, S.r.l. was acquired for 2,755 thousand euros.

On 28 October 2015, the company Garet, S.r.l. was acquired for 1,970 thousand euros.

On 28 October 2015 the company Game Over, S.r.l. was acquired for 224 thousand euros, of which 100 thousand euros corresponds to a contingent consideration arrangement. This agreement obliged Codere to pay the former owners, in October 2016, an amount varying on the basis of the acquiree’s EBITDA between November 2015 and October 2016. The fair value of the contingent consideration has been estimated on the assumption that the probability of payment occurring is 100%.

The Codere Group expects to continue to increase its presence in the Italian market thanks to the acquisition of these three companies.

Of the intangible assets recorded in PGO Services, S.r.l., 2.704 thousand euros, and 2.167 thousand euros in the case of Garet, S.r.l., relate to the customer portfolio of both companies’ business. They were measured at fair value on the basis of discounted cash flow analysis.

The companies' assets and liabilities at the acquisition or incorporation date and their contribution to the Group's net profit or loss following the acquisition, incorporation or increase in the holding are detailed below (in thousands of euros):

(Thousand euro)

	PGO Services, S.r.L	Garet, S.r.L.	Game Over, S.r.L	Business combinations
Acquisition date	29.07.2015	28.10.2015	28.10.2015	
% Acquired Group	51%	51%	51%	
Consideration:				
Cash	2,755	1,970	124	**4,849**
Contingent consideration			100	**100**
Goodwill	749	764	-	**1,513**
Intangible assets	3,427	2,167	-	**5,594**
Property, plant and equipment	1,465	305	178	**1,948**
Other non-current assets	659	101	-	**760**
Deferred tax assets	(18)	-	-	**(18)**
Current assets	1,102	272	93	**1,467**
Cash and cash equivalents	280	771	282	**1,333**
Non-current liabilities	(42)	(118)	(8)	**(168)**
Deferred tax liabilities	(852)	(683)	-	**(1,535)**
Current liabilities	(2,090)	(451)	(98)	**(2,639)**
Total identifiable net assets	3,931	2,364	447	**6,742**
Non-controlling interests	(1,927)	(1,159)	(219)	**(3,305)**
Operating income from the acquisition date	5,493	440	119	**6,052**
Profit/(loss) contributed from the acquisition date	(507)	213	70	**(224)**
Operating income generated since 01/01/2015	12,521	2,099	574	**15,194**
Income generated since 01/01/2015	23	519	86	**628**

a.2) FY 2014

During 2014 no business combinations have been carried out.

c) Changes in the scope of consolidation

b.1) FY 2015

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

- On 8 January 2015 a temporary consortium ("unión temporal de empresas" - UTE) between the Argentinian Group company Bingos del Oeste, S.A. and Bingos del Puente, S.A. for the commercial operation of a hall in the Buenos Aires province was registered with the Argentinian authorities. Bingos del Puente, S.A. will contribute the contract for the location of the property where the gaming hall is to be operated and Bingos del Oeste, S.A. will contribute the authorisation to operate the hall, and the operation and administration of the Bingo hall. Initially, it was agreed that the profits of the UTE would be shared on the basis of 43% for Bingos del Puente, S.A. and 57% for Bingos del Oeste, S.A. In view of the fact that the investments made in the hall during FY 2015 were paid in full by Bingos del Oeste, S.A., this company has increased its share in profits up to 92% at 31 December 2015 which will subsequently be reduced using the future profits of the UTE. The UTE has been accounted for as a joint venture. At the date of publication of these consolidated annual accounts, the UTE has not received the authorisations required to commence its operations.

- On 23 January 2015, Codere Mexico SA de CV subscribed the capital increase in Carrasco Nobile, S.A. proposed at the Extraordinary General Meeting of 29 October 2014, in an amount of 267.7 million Uruguayan pesos (8.2 million euros approx. at 31 December 2015). As a result of the capital increase, in which the minority shareholder did not take part, Codere Mexico SA de C.V. increased its interest in Carrasco Nobile, S.A. from 51% to 73.7%.

- On 26 March 2015 the Brazilian company Simulcasting Brasil Som e Imagem, Ltda. was acquired for 2,000 Brazilian reals. This company engages in the management of cash from sports betting through various communications channels. At the date of publication of these consolidated annual accounts, the company has not commenced its operations.

- Codere Navarra, S.L. was incorporated on 6 June 2015.

- Codere Castilla León, S.L. was incorporated on 9 July 2015.

- Codere Apuestas Cantabria, S.L. was incorporated on 3 August 2015.

- On 29 July 2015, the Italian company PGO Services, S.r.l. was acquired for 2,755 thousand euros.

- The company Codere Finance 2, S.A. was incorporated on 5 August 2015. This company will initially receive the funds from the new financing issuances within the restructuring processes (Note 3.f.).

- Codere Apuestas Melilla, S.A. was incorporated on 14 October 2015.

- On 28 October 2015, the Italian company Garet, S.r.l. was acquired for 1,970 thousand euros.

- On 28 October 2015, the Italian company Game Over, S.r.l. was acquired for 224 thousand euros.

- Codere Apuestas Asturias, S.A. was incorporated on 4 November 2015.

- On 17 December 2015 Codere Latam, S.L. was incorporated under the demerger project for Codere América, S.A. which spun off its investments in México, Colombia, Brasil and Uruguay to Codere Latam, S.L.

b.2) FY 2014

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

- In January 2014 Carrasco Nobile, S.A. increased its capital by 1,427 thousand euros. The increase was subscribed by both shareholders.

- Codere Apuestas Cuenta, S.L. was incorporated on 21 January 2014.

- Codere Apuestas Cataluña, S.L. was incorporated on 15 April 2014.

- Codere Puerto Rico was liquidated on 16 April 2014.

- In April 2014 ICELA S.A.P.I de C.V. reduced capital by an amount equivalent to 4,630 thousand euros and reimbursed funds to its shareholders.

- Codere Sagunto, S.L. was incorporated on 21 May 2014.

- On 9 June 2014, the Group sold its holding in Resur Cadiz, S.L., generating a loss of 960 thousand euros.

- In July 2014 Operiberica, S.A. absorbed Codere Madrid, S.A., Codere Barcelona, S.A., Codere Valencia, S.A., Recreativos Mae, S.L. and Recreativos Populares, S.L.

- On 8 July 2014, the Group reduced its holding in Codere Interattiva Italia, SRL from 100% to 34%. The company changed its name to HippoBingo Firenze, S.r.L.

- On 11 July 2014 the Mexican companies Calle Icela Sapi de C.V. and Hotel Icela Sapi de C.V. were incorporated, in which Codere México, S.A. de C.V. holds a 49% interest. These companies engage in the construction and operation of hotels, restaurants, exhibition centres and conference centres. They are consolidated by the equity method.

- Codere Apuestas La Rioja, S.L. was incorporated on 22 July 2014.

- Codere Apuestas Extremadura, S.L. was incorporated on 12 September 2014.

- On 7 November 2014 Recreativos Ruan, S.L and Gistra, S.L. de Operiberica were demerged and contributed to Codere Sagunto S.L.U.

- On 12 November 2014 Codere Finance (UK) Limited was incorporated as part of the Scheme of Arrangement provided for in English company law the purpose of which is to obtain judicial authorisation to implement the restructuring (Note 3.f).

- Codere Apuestas Castilla Leon, S.L. was incorporated on 20 November 2014.

- The percentage interest in King Bingo, S.r.l and King Slot, S.r.l. was increased from 75% to 85% on 18 December 2014. The acquisition price of the 10% holding was 1,500 thousand in each company.

- On 26 December 2014 the percentage interest in Juegamax de las Americas S.A de C.V. and Impulsora Recreativa de Entretenimiento was increased from 43.25% to 84,8%%. The operation amounted to 3,948 thousand euros.

- On 26 December 2014 the percentage interest was decreased from 84.8% to 49% in Centro de Convenciones las Américas S.A de C.V. and Hotel Entretenimiento de Las Américas S.A de C.V., following which these companies will be consolidated by the equity method.

(Thousand euro)

7. Intangible assets

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

FY 2015 — Thousand euro

Costs	Balance at 31.12.2014	Business combinations	Additions	Disposals	Transfers/Reclassifications	Translation differences	Balance at 31.12.2015
Licences	356,165	-	129	-	(14,000)	(29,362)	312,932
Trademarks	35,986	-	6	-	-	(1,815)	34,177
Rights	194,747	5,594	8,935	(7,753)	15,485	(6,501)	210,507
Computer software	38,193	-	2,139	(150)	(1,485)	(885)	37,812
Other intangible assets	22,165	-	880	(436)	-	(656)	21,953
	647,256	**5,594**	**12,089**	**(8,339)**	**-**	**(39,219)**	**617,381**
Accumulated amortisation	**Balance at 31.12.2014**	**Business combinations**	**Additions**	**Disposals**	**Transfers**	**Translation differences**	**Balance at 31.12.2015**
Licences	(36,941)	-	(15,456)	-	(14,000)	1,180	(65,217)
Rights	(98,703)	-	(21,252)	7,170	12,464	571	(99,750)
Computer software	(28,977)	-	(3,665)	142	1,536	795	(30,169)
Other intangible assets	(6,141)	-	(2,052)	93	-	4,296	(3,804)
	(170,762)	**-**	**(42,425)**	**7,405**	**-**	**6,842**	**(198,940)**
Provisions	(5,396)	-	-	-	-	-	(5,396)
Net carrying amount	**471,098**	**5,594**	**(30,336)**	**(934)**	**-**	**(32,377)**	**413,045**

The “Business combinations” column includes the fair value of the customer portfolio associated with the acquisition of 51% of the Italian companies PGO Services, s.r.l, Garet, s.r.l and Game Over, s.r.l (Note 6.a1).

The movement under “Rights” relates to additions and disposals of exclusivity rights associated with the operation in Spain.

FY 2014 — Thousand euro

Costs	Balance at 31.12.2013	Additions	Disposals	Transfers/Reclassifications	Translation differences	Balance at 31.12.2014
Licences	369,386	16	(277)	223	(13,183)	356,165
Trademarks	35,734	4	-	-	248	35,986
Rights	193,672	5,996	(10,909)	(75)	6,063	194,747
Computer software	37,845	2,359	(1,856)	(60)	(95)	38,193
Other intangible assets	22,483	615	(918)	(88)	73	22,165
	659,120	**8,990**	**(13,960)**	**-**	**(6,894)**	**647,256**
Accumulated amortisation	**Balance at 31.12.2013**	**Additions**	**Disposals**	**Transfers/Reclassifications**	**Translation differences**	**Balance at 31.12.2014**
Licences	(26,500)	(11,412)	11	(123)	1,083	(36,941)
Rights	(87,142)	(21,147)	10,889	1,593	(2,896)	(98,703)
Computer software	(23,851)	(3,852)	529	(1,470)	(333)	(28,977)
Other intangible assets	(4,286)	(2,047)	193	-	(1)	(6,141)
	(141,779)	**(38,458)**	**11,622**	**-**	**(2,147)**	**(170,762)**
Provisions	(6,163)	-	767	-	-	(5,396)
Net carrying amount	**511,178**	**(29,468)**	**(1,571)**	**-**	**(9,041)**	**471,098**

Additions under Computer software mainly relate to the acquisitions in Italy, Panama and Spain.

(Thousand euro)

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 2014.

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 48,829 thousand euros at 31 December 2015 and 50,603 thousand euros at 31 December 2014.

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

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

	2015		2014	
	Trademarks	**Non-amortisable installation rights**	**Trademarks**	**Non-amortisable installation rights**
Spain	1,335	14,651	1,328	14,618
Mexico	32,843	-	34,657	-
	34,178	**14,651**	**35,985**	**14,618**

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

Asset type	**Carrying amount**	**Remaining amortisation period**
Gaming room licences, Argentina	56,591	Between 5 and 15 years
Casinos licences, Panama	22,869	Between 7 and 8 years
Gaming room licences, Mexico	204,485	Between 17 and 31 years
Gaming machine concession licences, Italy	15,445	Between 6 and 9 years

At 31 December 2015, the Group had no material commitment to acquire or sell intangible assets.

(Thousand euro)

8. Property, plant and equipment and investment properties

8.a) Property, plant and equipment

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

FY 2015 — Thousand euro

Cost	Balance at 31.12.2014	Business combinations	Additions	Disposals	Transfers/Re classif.	Translation differences	Balance at 31.12.2015
Leisure machines	226,821	1,064	23,516	(30,592)	3	(17,115)	203,697
Gaming and sports betting machines	23,801	-	2,550	(2,245)	17	(109)	24,014
Furniture, fittings and equipment	85,633	762	3,988	(1,357)	6,849	(3,614)	92,261
Computer hardware	34,257	12	4,941	(1,038)	1,443	(1,782)	37,833
Prepayments and PPE under construction	5,782	-	16,276	(3,226)	(11,196)	(641)	6,995
Vehicles	4,530	52	267	(755)	47	(184)	3,957
Land	13,561	-	-	-	(715)	(713)	12,133
Structures and buildings	205,656	-	131	(777)	(1,100)	(11,843)	192,067
Work on leased premises	225,665	-	6,226	(2,010)	7,232	(14,849)	222,264
Plant and machinery	63,835	58	3,293	(252)	(4,628)	(4,417)	57,889
Total	**889,541**	**1,948**	**61,188**	**(42,252)**	**(2,048)**	**(55,267)**	**853,110**

Accumulated depreciation	Balance at 31.12.2014	Business combinations	Additions	Disposals	Transfers/Re classif.	Translation differences	Balance at 31.12.2015
Leisure machines	(164,567)	-	(28,984)	24,973	14,754	10,585	(143,239)
Gaming and sports betting machines	(15,540)	-	(2,987)	945	-	98	(17,484)
Furniture, fittings and equipment	(55,734)	-	(7,818)	838	(5,665)	2,418	(65,961)
Computer hardware	(36,729)	-	(3,868)	929	7,631	1,233	(30,804)
Vehicles	(3,602)	-	(381)	672	-	133	(3,178)
Structures and buildings	(57,306)	-	(10,309)	518	(22,321)	4,712	(84,706)
Work on leased premises	(97,879)	-	(18,677)	1,259	-	5,247	(110,050)
Plant and machinery	(50,214)	-	(4,168)	144	5,674	3,491	(45,073)
Total	**(481,571)**	**-**	**(77,192)**	**30,278**	**73**	**27,917**	**(500,495)**
Provisions	**(39,305)**	**-**	**(43)**	**4,820**	**-**	**373**	**(34,155)**
Net carrying amount	**368,665**	**1,948**	**(16,047)**	**(7,154)**	**(1,975)**	**(26,977)**	**318,460**

The additions and disposals under “Leisure machines” mainly reflect the rotation of machines in operation in Spain, Argentina and Icela in 2015.

Disposals under “Provisions” in 2015 relate to the partial reversal of the impairment of assets relating to Colombia (Note 13).

The movement in “Prepayments and PPE under construction” relate to investments made in the refurbishment of leased premises in Mexico and Argentina.

(Thousand euro)

FY 2014

Thousand euro

Cost	Balance at 31.12.2013	Additions	Disposals	Transfers/Reclassifications	Translation differences	Balance at 31.12.2014
Leisure machines	229,364	26,671	(23,816)	-	(5,398)	226,821
Gaming and sports betting machines	21,979	2,804	(953)	-	(29)	23,801
Furniture, fittings and equipment	86,481	3,614	(3,380)	(38)	(1,044)	85,633
Computer hardware	35,457	1,889	(3,344)	1	254	34,257
Prepayments and PPE under construction	1,564	7,760	(1,135)	(2,398)	(9)	5,782
Vehicles	5,301	305	(1,024)	-	(52)	4,530
Land	13,922	81	(27)	-	(415)	13,561
Structures and buildings	210,256	19	(4,038)	241	(822)	205,656
Work on leased premises	220,989	5,178	(1,275)	2,194	(1,421)	225,665
Plant and machinery	66,725	2,365	(4,782)	-	(473)	63,835
Total	892,038	50,686	(43,774)	-	(9,409)	889,541

Accumulated depreciation	Balance at 31/12/2013	Additions	Disposals	Transfers/Reclassifications	Translation differences	Balance at 31/12/2014
Leisure machines	(156,909)	(34,752)	22,475	3,180	1,439	(164,567)
Gaming and sports betting machines	(12,202)	(2,591)	867	(1,633)	19	(15,540)
Furniture, fittings and equipment	(46,244)	(8,801)	3,054	(4,249)	506	(55,734)
Computer hardware	(35,428)	(3,937)	3,058	-	(422)	(36,729)
Vehicles	(3,771)	(559)	699	(1)	30	(3,602)
Structures and buildings	(50,651)	(9,203)	2,145	-	403	(57,306)
Work on leased premises	(79,144)	(19,645)	1,065	96	(251)	(97,879)
Plant and machinery	(49,480)	(5,006)	1,611	2,607	54	(50,214)
Total	(433,829)	(84,494)	34,974	-	1,778	(481,571)
Provisions	(27,804)	(12,006)	505	-	-	(39,305)
Net carrying amount	430,405					368,665

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

The decreases under Leisure machines mainly reflect the rotation of machines in operation in Mexico and Columbia in the course of 2014.

Additions under Provisions in 2014 relate to the impairment of assets corresponding to the halls closed in Mexico. The re-opening of these halls at the date of these consolidated financial statements is regarded as remote.

At 31 December 2015 and 2014 the value of assets acquired under finance leases was as follows:

Thousand euro

	2015			2014		
	Cost	Accumulated depreciation	Net carrying amount	Cost	Accumulated depreciation	Net carrying amount
Leisure machines	5,243	(2,618)	2,625	18,985	(8,645)	10,340
Plant and machinery	10,036	(9,794)	242	10,637	(9,941)	696
Computer hardware	1,690	(1,219)	471	1,510	(842)	668
Vehicles	339	(207)	132	260	(233)	28
Total	**17,308**	**(13,838)**	**3,470**	**31,392**	**(19,661)**	**11,732**

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.3).

(Thousand euro)

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 2015 and 2014 corresponding to operating leases totals 124,453 thousand euros and 109,530 thousand euros, respectively (Note 23). Lease contracts mature in three to 10 years.

At 31 December 2015, the future aggregate minimum lease payments under non-cancellable operating leases on business premises, administration offices and vehicles are as follows:

	Thousand euro			
	Within 1 year	Between 1 and 5 years	More than 5 years	Total future payments
Total non-cancellable obligations	15,385	18,247	10,183	43,815

8.b) Investment properties

At 31 December 2015 this heading mainly relates to the assets of Centro Banamex. During the year certain land and buildings belonging to Spain were transferred, which at 31 December 2014 were recorded under Property, plant and equipment.

At 31 December 2014 investment properties only related to the assets of Centro Banamex.

Movements in Investment property is as follows.

FY 2015 *Cost*	**Balance at 31.12.2014**	**Additions**	**Disposals**	**Transfers**	**Translation differences**	**Balance at 31.12.2015**
Leisure machines	-	-	-	-	-	-
Furniture, fittings and equipment	4,110	129	-	-	(214)	4,025
Computer hardware	1,115	8	-	-	(59)	1,064
Vehicles	71	40	-	-	(4)	107
Land	-	-	-	715	-	715
Structures and buildings	87,234	-	(2)	1,333	(4,567)	83,998
Work on leased premises	4,777	64	-	-	(250)	4,591
Plant and machinery	971	31	-	-	(52)	950
Total	**98,278**	**272**	**(2)**	**2,048**	**(5,146)**	**95,450**
Accumulated depreciation						
Furniture, fittings and equipment	(3,188)	(201)	-	-	178	(3,211)
Computer hardware	(804)	(163)	-	-	42	(925)
Vehicles	(58)	(12)	-	-	3	(67)
Structures and buildings	(21,711)	(1,920)	1	(73)	1,138	(22,565)
Work on leased premises	(1,335)	(120)	-	-	70	(1,385)
Plant and machinery	(731)	(39)	-	-	38	(732)
Total	**(27,827)**	**(2,455)**	**1**	**(73)**	**1,469**	**(28,885)**
Net carrying amount	**70,451**					**66,565**

(Thousand euro)

FY 2014 *Cost*	Balance at 31.12.2013	Additions	Disposals	Translation differences	Balance at 31.12.2014
Leisure machines	1	-	-	(1)	-
Furniture, fittings and equipment	3,937	145	-	28	4,110
Computer hardware	1,037	71	-	7	1,115
Vehicles	155	-	(85)	1	71
Structures and buildings	86,610	-	-	624	87,234
Work on leased premises	4,674	69	-	34	4,777
Plant and machinery	903	61	-	6	971
Total	**97,317**	**346**	**(85)**	**700**	**98,278**

Accumulated depreciation	Balance at 31.12.2013	Additions	Disposals	Translation differences	Balance at 31/12/2014
Furniture, fittings and equipment	(2,969)	(197)	-	(22)	(3,188)
Computer hardware	(598)	(203)	-	(3)	(804)
Vehicles	(96)	(20)	59	(1)	(58)
Structures and buildings	(19,563)	(1,950)	-	(198)	(21,711)
Work on leased premises	(1,192)	(135)	-	(8)	(1,335)
Plant and machinery	(670)	(57)	-	(5)	(731)
Total	**(25,088)**	**(2,562)**	**59**	**(236)**	**(27,827)**
Net carrying amount	**72,229**				**70,451**

Lease on the Banamex Conference Centre

The Group 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 were reclassified from Property, plant and equipment to Investment property in 2013. This reclassification was recorded in the "Transfers" column of the movement in PPE.

This agreement entails an annual fee of 113 million pesos (6 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:

- Year 1: 9 million euros
- Years 2 to 5: 41 million euros
- After year 6: 11 million euros

Furthermore, the Group is committed to making annual minimum investments of 15 million Mexican pesos (approximately 0.8 million euros) at the Banamex centre.

(Thousand euro)

9. Investments in equity-method companies

Entities with which joint ventures are maintained are listed in Appendix I. At 31 December 2015, the Group companies with which joint ventures have been arranged are Hípica Rioplatense Uruguay, S.A., New Joker, S.r.l (these two companies as a result of the application of IFRS 11), Hotel Icela Sapi de C.V., Calle Icela Sapi de C.V., Centro de Convenciones Las Americas S.A de C.V., Hotel Entretenimiento Las Américas S.A de C.V. and Hippobingo Firenze, S.r.l.

FY 2015	Balance at 31.12.14	Additions	Disposals	Translation differences	Balance at 31.12.15
Equity method investments	12,415	632	(331)	(1,109)	11,607
	12,415	**632**	**(331)**	**(1,109)**	**11,607**

FY 2014	Balance at 31.12.13	Additions	Disposals	Translation differences	Balance at 31.12.14
Equity method investments	11,666	1,184	-	(435)	12,415
	11,666	**1,184**	**-**	**(435)**	**12,415**

Summarised financial information on significant joint ventures is as follows:

Joint ventures

FY 2015	Hípica Rioplatense Uruguay, S.A.	New Joker, S.R.L.	Hippobingo Firenze, Srl	Total
Non-current assets	**43,869**	**2,991**	**3,317**	**50,177**
Fixed assets and intangibles	38,716	2,961	3,317	44,994
Long-term investments	-	9	-	9
Deferred taxes	5,153	21	-	5,174
Current assets	**9,453**	**671**	**375**	**10,499**
Current assets	7,863	138	173	8,174
Cash and cash equivalents	1590	533	202	2325
TOTAL ASSETS	**53,322**	**3,662**	**3,692**	**60,676**
Non-current liabilities	**18,182**	**2,439**	**1,490**	**22,111**
Deferred taxes	40	122	-	162
Non-current payables	18,142	2,226	1,480	21,848
Non-current financial assets	-	91	10	101
Current liabilities	**11,307**	**1,167**	**2,852**	**15,326**
Short-term payables	5,004	488	1,556	7,048
Current financial liabilities	6,303	679	1296	8,278
TOTAL LIABILITIES	**29,489**	**3,606**	**4,342**	**37,437**
Operating income	53,927	5,452	612	59,991
Operating expenses	-42,156	-5,427	-1,235	-48,818
Operating profit/(loss)	**11,771**	**25**	**-623**	**11,173**
Financial income	39	1	-	40
Other interest and similar expenses	-2,751	-	-	-2,751
Financial expenses	-1,460	-	-39	-1,499
Net financial income/(expense)	**-4,172**	**1**	**-39**	**-4,210**
Corporate income tax	-1,441	-128	-	-1,569
Profit/(loss) for the year	**6,158**	**-102**	**-662**	**5,394**

(Thousand euro)

Joint ventures

FY 2014	Hípica Rioplatense Uruguay, S.A.	New Joker, S.R.L.	Total
Non-current assets	**51,284**	**3,184**	**54,468**
Fixed assets and intangibles	44,303	3,155	47,458
Long-term investments	98	8	106
Deferred taxes	6,883	21	6,904
Current assets	**8,589**	**661**	**9,250**
Current assets	8,108	336	8,444
Cash and cash equivalents	481	325	806
TOTAL ASSETS	**59,873**	**3,845**	**63,718**
Non-current liabilities	**(21,562)**	**(2,878)**	**(24,440)**
Deferred taxes	(100)	(104)	(204)
Non-current payables	(21,462)	(2,774)	(24,236)
Non-current financial assets	-	-	-
Current liabilities	**(13,260)**	**(1,195)**	**(14,455)**
Short-term payables	(8,843)	(1,195)	(10,038)
Current financial liabilities	(4,417)	-	(4,417)
TOTAL LIABILITIES	**(34,822)**	**(4,073)**	**(38,895)**
Operating income	47,847	4,389	52,236
Operating expenses	(38,345)	(4,809)	(43,154)
Operating profit/(loss)	**9,502**	**(420)**	**9,082**
Financial income	-	-	-
Other interest and similar expenses	(2,072)	-	(2,072)
Financial expenses	(1,563)	-	(1,563)
Net financial income/(expense)	**(3,635)**	**-**	**(3,635)**
Corporate income tax	344	(21)	323
Profit/(loss) for the year	**6,211**	**(441)**	**5,770**

The investment in Hípica Ríoplatense Uruguay, S.A. (HRU) relates to a 50% holding in this company, whose main activity consists of horse racing through the operation, holding and use of the Maroñas National Race Course and the las Piedras Race Course in Uruguay, and the operation of horse-racing agencies, as well as the operation of gaming arcades. HRU follows a policy of dividend distribution which is subordinate to its financial debt payment commitments, which is mainly structured in issues of bonds totalling 11,027 thousand euros, of which 1,956 thousand euros is short term.

The investment in New Joker, S.r.l. consists of a 30% shareholding in that company, which mainly engages in the management and operation of a bingo hall in Rome. There are no restrictions on the distribution of dividends by the Company.

The investment in Hippobingo Firenze, S.r.l. consists of a 34% shareholding.

Set out below are non-cancellable commitments referring to operating leases at 31 December 2015:

	Thousand euro			
				Total future
	Within 1 year	Between 1 and 5 years	More than 5 years	payments
Total non-cancellable commitments	1,076	2,928	5,076	**9,080**

10. Goodwill

The breakdown of goodwill by cash-generating unit (CGU) at year-end 2015 and 2014 and the movements on this account during the years then ended (thousand euro) are as follows:

FY 2015

	Thousand euro					
	Balance at 31.12.2014	**Additions**	**Disposals**	**Impairment**	**Translation differences**	**Balance at 31.12.2015**
Spain	21,477	-	-	-	-	21,477
Argentina	23,244	-	-	-	(6,212)	17,032
Italy	50,819	1,513	-	(7,941)	-	44,391
Panama	28,938	-	-	-	3,333	32,271
Mexico	83,083	-	-	-	(4,394)	78,689
Total	**207,561**	**1,513**	**-**	**(7,941)**	**(7,273)**	**193,860**

Additions in 2015 relate to the adquisition of the Italian companies Pgos S.r.l. and Garet S.r.L. (Note 6. a.1).

On the basis of the impairment tests described in note 13, the Group has recognised an impairment loss of 7,941 thousand euros in 2015 corresponding to the Italy CGU.

FY 2014

	Thousand euro					
	Balance at 31.12.2013	**Additions**	**Disposals**	**Impairment**	**Translation differences**	**Balance at 31.12.2014**
Spain	21,864	-	(387)	-	-	21,477
Argentina	26,845	-	-	-	(3,601)	23,244
Italy	50,819	-	-	-	-	50,819
Panama	25,478	-	-	-	3,460	28,938
Mexico	82,483	-	-	-	600	83,083
Total	**207,489**	**-**	**(387)**	**-**	**459**	**207,561**

Disposals in 2014 relate to the demerger of Ruan,S.L. between Operiberica,S.A.U and Codere Sagunto,S.L.U. (Note 6.b) and the sale of Resur Cádiz,S.L.

(Thousand euro)

Goodwill at cost and the accumulated amortisation thereon at 31 December 2015 and 2014 is broken down by cash generating unit as follows:

					Thousand euro
		Impairment losses			
FY 2015	**Cost**	**2013 and prior years**	**2014**	**2015**	**Net carrying amount**
Spain	100,805	(79,328)	-	-	21,477
Argentina	17,032	-	-	-	17,032
Italy	113,525	(45,193)	(16,000)	(7,941)	44,391
Panama	32,271	-	-	-	32,271
Mexico	103,019	-	(24,330)	-	78,689
	366,652	**(124,521)**	**(40,330)**	**(7,941)**	**193,860**

					Thousand euro
		Impairment losses			
FY 2014	**Cost**	**2012 and prior years**	**2013**	**2014**	**Net carrying amount**
Spain	100,805	(79,327)	-	-	21,478
Argentina	23,246	-	-	-	23,246
Italy	112,013	(45,193)	(16,000)	-	50,820
Panama	28,939	-	-	-	28,939
Mexico	107,408	-	(24,330)	-	83,078
		-	**-**	**-**	
	372,411	**(124,520)**	**(40,330)**		207,561

(Thousand euro)

11. Non-current financial assets

The balances under this heading at 31 December 2015 and 2014 and the movements in the years then ended break down as follows:

FY 2015

Item	Balance at 31.12.2014	Business combinations	Additions	Disposals	Transfers	Translation differences	Balance at 31.12.2015
							Thousand euro
Loans and receivables	18,091	659	2,738	(4,518)	731	(476)	17,225
Investments held to maturity	6,184	101	412	(2,725)	-	208	4,180
Other financial assets	1,441	-	-	(1,460)	-	19	-
	25,716	**760**	**3,150**	**(8,703)**	**731**	**(249)**	**21,405**

The disposal of Other non-current assets relates to the investments made by the Argentinian Group company Bingos del Oeste in the temporary consortium (UTE) between this company and Bingos del Puerto, S.A. during 2014.

FY 2014

Item	Balance at 31.12.13	Additions	Disposals	Transfers	Translation differences	Balance at 31.12.14
						Thousand euro
Loans and receivables	17,213	3,550	(2,867)	-	195	18,091
Investments held to maturity	5,387	1,288	(1,027)	-	536	6,184
Other financial assets	-	1,391	-	-	50	1,441
	22,600	**6,229**	**(3,894)**	**-**	**781**	**25,716**

At 31 December 2014 the most significant individual movement in Investment held to maturity occurred in Codere S.A, in relation to the investment in Uruguayan Bonds.

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

Currency	2015	2014
		Thousand euro
Euro	14,335	14,818
US dollar	3,281	5,468
Argentine peso	1,946	4,177
Mexican peso	1,820	1,226
Uruguayan peso	-	-
Colombian peso	23	27
	21,405	**25,716**

(Thousand euro)

c) Loans and receivables

Item	**Owner**	**Thousand euro 2015**	**2014**
Non-current loans	Hípica de Panamá, S.A.	585	2,834
Non-current loans	Alta Cordillera, S.A.	2,549	271
Non-current loans	Grupo Operbingo Italia, S.p.A.	2,913	2,643
Non-current loans	Operibérica, S.A.	559	1,128
Non-current loans	Codere S.A.	1,852	2,807
Non-current loans	Codere México, S.A.	1,861	1,227
Other minor loans to third parties		6,906	7,181
Total		**17,225**	**18,091**

Alta Cordillera e Hípica de Panamá, S.A includes long-term deposits with respect to a severance provision with financial institutions.

Grupo Operbingo Italia, S.p.A. mainly includes bank guarantees associated with the Bingo licence.

Codere, S.A. mainly reflects a 925 million euro loan granted to the Italian company S.E.V.A, S.r.L which owns 15% of King Slot, S.r.L.

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

Year	**Thousand euro 2015**	**2014**
2016	-	9,937
2017	7,390	1,478
2018	2,320	995
2019	1,261	354
2020	120	-
Subsequent years	6,134	5,327
Total	**17,225**	**18,091**

d) Investments held to maturity

Type of investment	**Thousand euro 2015**	**2014**
Payout reserve containers (hoppers)	2,833	2,642
Long-term fixed-rate investments	241	2,509
Deposit agreements	-	34
Other	1,106	999
	4,180	**6,184**

12. Deferred taxes

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

	2015		2014	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	3,384	(89,032)	3,371	(98,137)
Property, plant and equipment	11,732	174	11,844	(56)
Financial investments	168	(629)	303	(629)
Exchange differences	-	(163)	-	(163)
Tax credits	20,501	-	23,988	-
Other	9,161	(13,978)	9,167	(16,860)
	44,946	**(103,628)**	**48,673**	**(115,845)**
Deferred tax assets/(liabilities) to be recovered after more than 12 months	29,082	(82,349)	17,117	(90,818)
Deferred tax assets/(liabilities) to be recovered within 12 months	15,864	(21,279)	31,478	(25,027)
	44,946	**(103,628)**	**48,673**	**(115,845)**

The recovery of these credits is subject to the regular review of the business plans for the recovery of the consolidated group's tax bases, taking the following into account in said plan:

- Operational performance of the business units in accordance with the projections assumed in the asset impairment tests, assuming a time frame of five years.
- Estimation principally of tax adjustments for non-deductible expenses, differences between amortisation for tax and accounting purposes and differences in the treatment of accounts receivable impairment provisions.
- Estimation of future operational flows obtained from the companies in the tax consolidation group derived from operations by the rest of the business units (outside the consolidated group, both Spanish and foreign). These flows are derived from:

  - Provision of corporate services.
  - Interest on loans granted.
  - Dividends receivable.

The amount of these positive flows will enable the above-mentioned tax credits for loss carryforwards to be offset, generating sufficient profit for the Group to carry out the offset within the deadline stipulated by tax legislation.

The other deferred tax assets have been recorded based on the business plans in each geographical area and the tax legislation in force in each jurisdiction. In those jurisdictions, the business plan envisages the generation of future taxable income to offset the deductible temporary differences.

The relevant deferred tax liabilities are also taken into account in each geographical area.

(Thousand euro)

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

					Thousand euro
FY 2015	**Balance at 31.12.14**	**Charged to profit or loss**	**Reclassification**	**Translation differences**	**Balance at 31.12.15**
Assets					
Tax credits	23,988	(3,357)	(18)	(112)	20,501
Financial investments	303	(135)	-	-	168
Intangible assets	3,371	19	-	(6)	3,384
Property, plant and equipment	11,844	(479)	-	367	11,731
Other	9,167	2,032	-	(2,038)	9,161
	48,673	**(1,919)**	**(18)**	**(1,790)**	**44,946**
Liabilities					
Revaluation of property, plant and equipment and investments	(56)	436	-	(206)	174
Financial investments	(629)	-	-	-	(629)
Exchange differences	(163)	-	-	-	(163)
Intangible assets	(98,137)	5,187	-	3,918	(89,032)
Other	(16,860)	10,402	-	(7,520)	(20,436)
	(115,845)	**16,025**	**-**	**(3,809)**	**(103,629)**
	(67,172)				**(58,683)**

The Deferred taxes for Spanish companies are recognised at the rate at which reversal is expected, 25% for 2016.

(Thousand euro)

					Thousand euro
FY 2014	**Balance at 31.12.13**	**Charged to profit or loss**	**Reclassification**	**Translation differences**	**Balance at 31.12.14**
Assets					
Tax credits	19,056	4,980	-	(48)	23,988
Financial investments	226	77	-	-	303
Intangible assets	3,408	(40)	-	1	3,371
Property, plant and equipment	15,586	(3,957)	-	215	11,844
Other	8,472	640	-	55	9,167
	46,748	**1,701**	**-**	**223**	**48,673**
Liabilities					
Revaluation of property, plant and equipment	(102)	46	-	-	(56)
Financial investments	(684)	55	-	-	(629)
Exchange differences	(163)	-	-	-	(163)
Intangible assets	(104,433)	7,805	-	(1,509)	(98,137)
Other	(7,711)	(8,816)	-	(333)	(16,860)
	(113,093)	**(909)**	**-**	**(1,842)**	**(115,845)**
Net deferred tax assets (liabilities)	**(66,345)**				**(67,172)**

The decrease in tax credits in 2015 is mainly due to the adjustment to the new tax rate in Italy which enters force on 1 January 2017 (from 27.5% to 24%). The decrease in deferred tax liabilities during the year is mainly due to the reversion of deferred taxes due to differences between tax and accounting depreciation basically in Mexico and Panama, and other deferred tax liabilities.

The increase in tax credits in 2014 basically included the tax effect for the payment to the Italian Court of Auditors which led to the conclusion of the legal proceedings with Codere Network, S.p.A., partially offset by the decrease in tax credits in Spain due to the decrease in the interest rate as from 2015.

13. Impairment of non-financial assets

Following impairment tests carried out at the end of 2015, the Group recognised an impairment to its assets in the Italy unit and has partially reversed the impairment recognised in previous years in Colombia. The total amount has been 3,121 thousand euros, comprising the decrease of 7,941 thousand euros and the reversal of 4,820 thousand euros. This impairment is mainly due to an increase in gaming tax in Italy, both AWPs and VLTs, which although partly offset by the decrease in the pay-out, impacts the flows generated by the business. In addition, the reversal resulted from the improved performance of the Colombia business in recent months, which is reflected in the budget forecasts and therefore in future flows.

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. This is equivalent to the net present value of future effective cash flows generated by the operating assets of each identified unit.

Cash flow projections

The Group estimates the future cash flows for each cash-generating unit using forecasting models based on the operating, financial and macroeconomic indicators applicable in each case. The projections cover a five-year period. Beyond the five-year period, a terminal value is estimated based on a constant rate of growth in perpetuity. The cash flows in year one of the projection period are based on detailed budgets approved by each unit for 2016, 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 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. For reasons of practical expediency, 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 2015.

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 2015 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 EBITDA between the 12 months ended 31 December 2015 and the final 12 months of the projection period.

Cash-generating unit	Carrying amount of net operating assets(1) at 31.12.2015 (€'000)	Asset impairment adjustment at 31.12.2015 (€'000)	After-tax discount rate
Argentina	71,963	-	27.6%
Mexico	456,381	-	10.2%
Banamex	64,607	-	10.2%
Spain(3)	104,290	-	10.7%
Italy(4)	106,224	(7,941)	9.6%
Panama	62,199	-	12.8%
Colombia	7,024	4,820	12.0%
Carrasco	26,880	-	14.4%
Parent companies and other	(10,124)	-	-
Total	**889,445**	**(3,121)**	**N/A**

Cash-generating unit	Organic growth rate for calculating terminal value	CAGR of revenue in local currency(2)	Change in EBITDA margin (percentage points)(2)
Argentina	5.0%	16.7%	(1.8p.p.)
Mexico	3.0%	3.0%	(0.1p.p.)
Banamex	3.0%	4.2%	-
Spain(3)	1.5%	5.6%	1.3p.p.
Italy(4)	1.3%	3.8%	(2.5p.p.)
Panama	2.0%	2.4%	6.6pp
Colombia(5)	3.0%	5.4%	(3.6p.p.)
Carrasco	5.0%	25.4%	N/A
Total	**N/A**	**N/A**	**N/A**

(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.

(2) Obtained by comparing the figures for the last year of the projection period with those of the 12 months to 31 December 2015 (as reported quarterly and translated into local currency at average exchange rates). Excluding 2015 non-recurring expenses in Panama (€2.3 M in personnel restructuring), the fluctuation in EBITDA is 4.6%.

(3) Includes all business lines in Spain which have been organisationally unified from 2011 (AWP machines, sports betting and traditional bingo). Deployment of sports betting operations in Madrid, Basque Country, Navarra, Valencia, Aragón, Murcia, Galicia, Castilla la Mancha, La Rioja, Castilla León, Catalonia and Extremadura.

(4) Includes all business lines in Italy (indirect operations with AWP machines, traditional bingo, video lotteries and connection network). The negative impact on EBITDA is due to the rise in taxes on machines as from 2016.

(5) The variation in Columbia EBITDA is negative mainly due to the impact of the tax increase which partly came into force in October 2015 and which will be fully applicable during 2016.

(Thousand euro)

(6) The growth in income forecast for Carrasco is conditioned by the fact that this business is going through a growth stage.

Sensitivity to key assumptions

The table below shows, for each cash generating unit for which no impairment loss was recognised during the financial year, the discount rate after taxes and, separately, the natural growth rate used to calculate the terminal value which, had they been applied, would have resulted in the value in use equalling the carrying amount of its net operating assets:

	Variable required to equate value in use to carrying amount	
Cash-generating unit	After-tax discount rate	Organic growth rate for calculating terminal value (1)
Argentina	123.2%	N/A
Mexico	12.3%	N/A
Banamex	11.8%	0.7%
Spain	15.0%	N/A
Italy	N/A	N/A
Panama	18.6%	N/A
Colombia	16.9%	N/A
Carrasco	19.2%	N/A

(1) The "N/A" for some cash generating units is because those growths will be negative. Therefore, bearing in mind the definition of terminal value, it makes no economic sense to use negative growth in perpetuity.

The sensitivity analysis indicates that all of the cash-generating units have room to accommodate a potential impairment to their assets.

14. Inventories

	Thousand euro	
	2015	**2014**
Gaming machines	34	37
Spare parts for machines	4,272	3,629
Food and drink	2,206	2,159
Bingo cards	1,318	1,250
Other items	3,795	3,366
	11,625	**10,441**

The cost of inventories recognised as an expense in 2015 and 2014 amounts to 36,287 thousand euros in 2015 and 37,403 thousand euros in 2014.

15. Accounts receivable

c) Trade receivables:

(Thousand euro)

At 31 December 2015, "Trade and other receivables" included 3,260 thousand euros for catering and management services supplied to food and drink establishments in Spain (3,544 thousand euros at 31 December 2014).

The increase is mainly due to the balance receivable from players at the Carrasco casino in Uruguay, whose credit limit is higher.

There are no provisions for impairment of receivables.

d) Sundry receivables:

	Thousand euro	
	2015	**2014**
Sundry receivables	70,216	65,946
Receivable from employees	978	485
Provisions	(29,069)	(32,291)
	42,125	**34,140**

At 31 December 2015, "Sundry receivables" includes approximately 20,478 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 (25,658 thousand euros at 31 December 2014). These advances will be recovered against the takings collected.

“Sundry receivables” also includes at year-end 2015, 10,348 thousand euros due from CIE Group companies, mainly Make Pro, S.A. de C.V., for advertising and sponsorship services (10,718 thousand euros at year-end 2014).

This heading also includes 14,664 thousand euros receivable by Codere Network S.p.A. from gaming machine operators in Italy (11,972 thousand euros at 31 December 2014). The remaining amount comprises a significant number of receivables of lower value.

The amounts recognised under Provision correspond principally to amounts set aside to cover advances against takings in Spain and to cover receivables from gaming machine operators in Italy.

(Thousand euro)

The movements on the provision are as follows:

	Thousand euro
Balance at 31.12.2014	**(32,291)**
Provision	(3,849)
Unused amounts reversed	1,807
Amounts derecognised	5,147
Translation differences	117
Balance at 31.12.2015	**(29,069)**

	Thousand euro
Balance at 31.12.2013	**(31,116)**
Provision	(4,021)
Unused amounts reversed	218
Amounts derecognised	2,641
Translation differences	(13)
Balance at 31.12.2014	**(32,291)**

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

e) Tax receivables accrued

At 31 December 2015, “Tax receivables accrued” amount to 102,650 thousand euros (111,837 thousand euros at year-end 2014). This balance includes 79,607 thousand euros in VAT refundable from the Mexican tax authorities (86,128 thousand euros in 2014). 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 23,043 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:

	Thousand euro	
Currency	**2015**	**2014**
Euro	35,171	23,749
US dollar	73,305	69,754
Argentine peso	15,961	16,851
Mexican peso	61,435	68,884
Uruguayan peso	309	85
Colombian peso	1,578	1,589
Brazilian real	587	614
	188,346	**181,526**

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 at 31 December 2015 and 2014 are as follows (figures in thousand euro):

FY 2015	Balance at 31.12.14	Business combinations	Additions	Disposals	Transfers	Translation differences	Balance at 31.12.15
Short-term investment securities	106	-	-	(104)	-	-	2
Other loans and investments	35,882	563	21,819	(15,408)	584	(692)	42,748
	35,988	**563**	**21,819**	**(15,512)**	**584**	**(692)**	**42,750**

The main movement in Other loans and investments took place in Codere S.A. due to the purchase and sale of Argentinian bonds.

FY 2014	Balance at 31.12.13	Additions	Transfers	Disposals	Translation differences	Balance at 31.12.14
Short-term investment securities	1,218	-	-	(1,056)	(56)	106
Other loans and investments	40,450	7,666	-	(12,155)	(79)	35,882
	41,668	**7,666**	**-**	**(13,211)**	**(135)**	**35,988**

Other loans and investments mainly reflects the derecognition of the Icela purchase option which fell due in June 2014 in the amount of 5,327 thousand euros and the derecognition of the guarantee on the repaid loan in Codere México, S.A. de C.V., amounting to 1,021 thousand euros.

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

	Thousand euro	
	2015	**2014**
Short-term loans	22,762	18,139
Deposits and guarantees	19,981	17,343
Short-term deposits	5	400
	42,748	**35,882**

"Short-term loans" includes 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).

Deposits and guarantees 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 12,226 thousand euros.

(Thousand euro)

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

	Thousand euro	
Currency	**2015**	**2014**
Euro	24,692	17,324
US dollar	10,678	11,186
Argentine peso	465	603
Mexican peso	6,727	6,532
Uruguayan peso	179	340
Colombian peso	9	3
	42,750	**35,988**

17. Equity

d) Share capital

At 31 December 2015 and 2014 the share capital of Codere S.A. totalled 11,007,924 euros and consisted of 55,036,470 fully subscribed and paid in bearer shares with a par value of 0.20 euros each. The Parent's shares have been listed on the Madrid Stock Exchange since 19 October 2007.

At 31 December 2015 and 2014 the Parent Company's shareholder structure was as follows:

	Shareholding	
	%	**%**
Shareholder	**2015**	**2014**
Masampe Holding, B.V.	51.35%	51.35%
Mr. José A. Martínez Sampedro	12.42%	12.42%
Other shareholders	36.23%	36.23%
	100%	**100%**

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

At 31 December 2015, 55,036,470 shares were admitted to trading, of which 69.04% (69.13% at year-end 2014) were directly or indirectly held by members of the Board of Directors.

No Company shares were sold by senior managers on the market in 2015 or 2014. Nor did senior management purchase any shares in 2015 or 2014.

Certain corporate resolutions were adopted at the General Shareholders' Meeting held on 4 December 2015 related to the Restructuring process, which are detailed in Note 3.f)iv). They will not be effective until the completion conditions described in Note 3.f.iii are met.

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.

<u>Liquidity agreement</u>

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 and was terminated on 20 October 2014. On 28 October 2014 a new liquidity agreement was entered into with Interdin Sociedad de Valores, S.A., which came into force on 1 November 2014.

The key features of this agreement, in line with current regulations, are:

- Financial intermediary: Interdin Sociedad de Valores, S.A.
- Securities covered by the agreement: Ordinary shares in Codere S.A. traded on the official stock market.
- Term of the agreement: 12 months, extendable by explicit consent of the parties.
- Funds transferred to the cash account: 83.5 thousand euros and 203.5 thousand euros.
- The voting and dividend rights attached to the shares deposited in the securities account are suspended.

On 30 January 2015, due to the split-off of a line of business of Interdin Bolsa, S.V., S.A. to Banco Madrid S.A.U., this latter entity was subrogated to the obligation to provide said service to Codere under the same conditions as those already agreed with the demerged company. In view of the fact that Banco de Madrid S.A.U. is involved in insolvency proceedings, on 24 March 2015 Codere decided to suspend the liquidity agent operation.

At 31 December 2015, the Company held 270,733 treasury shares (387,733 in 2014) of which 105,733 (222,733 in 2014) had been acquired by Interdin Sociedad de Valores, S.A., representing less than 10% of the total share capital of Codere S.A. (the legal limit) with a value in equity of 86 thousand euros (69 thousand euros at 31 December 2014). The average acquisition price was 0.81 euros 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 2015 and 2014 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.

e) Transition 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 Transition Reserve heading.

The Transition 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.

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 less than share capital as a result of the distribution. 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.

(Thousand euro)

g) Information by company

Appendix II provides an itemised breakdown of the equity of the Group companies at 31 December 2015.

18. Provisions

18.1. Non-current provisions

FY 2015	Balance at 31.12.14	Business combinations	Additions	Disposals	Translation differences	Balance at 31.12.15
						Thousand euro
Provision for taxes	15,033	-	1,117	(1,560)	(957)	13,633
Retirement bonuses	6,204	85	4,236	(325)	(221)	9,979
Other provisions	12,228	-	6,924	(8,930)	(1,492)	8,729
	33,465	**85**	**12,277**	**(10,815)**	**(2,671)**	**32,341**

FY 2014	Balance at 31.12.13	Additions	Disposals	Translation differences	Balance at 31.12.14
					Thousand euro
Provision for taxes	16,373	130	(1,335)	(135)	15,033
Retirement bonuses	7,713	980	(2,420)	(69)	6,204
Other provisions	24,256	1,493	(13,159)	(362)	12,228
	48,342	**2,603**	**(16,914)**	**(566)**	**33,465**

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 2015 and 2014 of approximately 12,509 thousand euros and 12,883 thousand euros, respectively.

b) Retirement bonuses

This heading includes amounts payable by various Group companies to its employees under collective bargaining agreements. The increase mainly relates to companies in Italy.

c) Other provisions

At 31 December 2015, this heading includes 1,658 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 (1,417 thousand euros at year-end 2014).

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.

The decrease in 2014 mainly includes the reversal of the provision following the conclusion of the proceedings involving Codere Network,S.p.A. and the Court of Auditors.

(Thousand euro)

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

18.2. Current provisions and other

	Thousand euro	
	2015	**2014**
Reserve for options	3,433	4,454
Other	5,996	6,121
Total provisions and other	**9,429**	**10,575**

The heading "Other" mainly includes 3,582 thousand euros in advance income in the Icela Group and the provision for potential prizes in Italy, Panama and Argentina.

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 euros 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 7,880 thousand euros, which accrued interest at an annual rate of 2.5% in 2015 and 2014. The interest accrued, amounting to 1,471 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 2014. 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 2015	Thousand euro			
	Balance at 31.12.14	**Additions**	**Disposals**	**Balance at 31.12.15**
Provision for put option granted to executives	4,454	47	(1,068)	3,433

(Thousand euro)

FY 2014	**Thousand euro**			
	Balance at 31.12.13	**Additions**	**Disposals**	**Balance at 31.12.14**
Provision for put option granted to executives	5,158	234	(938)	4,454

In February 2016 the Board of Directors agreed to extend the duration of the loans granted to directors. However, all the interest accruing on the loans has been provided for as the Company's management regards it as unlikely that it will be collected.

Interest accrued during 2015 totalled 54 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.

At 31 December 2015 and 2014, 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:

	2015	**2014**
Strike price	10.597	10.597
Expected volatility	118.594%	89.112%
Annual rate	(0.055%)	0.162%
Implicit rate	8.1460%	3.1550%
Total price	**9.81**	**10.28**

19. Financial liabilities

a) Non-current payables

	Thousand euro	
	2015	**2014**
Bank borrowings	76,375	89,299
Other payables	36,295	56,267
Finance lease liabilities	987	1,959
	113,657	**147,525**

(Thousand euro)

a.1) Non-current bank borrowings

	Average effective interest rate	Maturity	Thousand euro 2015	Thousand euro 2014
Group in Spain	2.83%	2017-2026	1,020	1,202
Group in Italy	3.38%	2017	313	611
Group in Mexico	TIIE + 3.25%	2019	35,554	53,436
Group in Panama	3M Libor + 3.50% (Floor 6.75%)	2016	-	3,554
Group in Colombia	DIF TA + 5.5%	2020	2,336	1,376
Uruguay (C Nobile)	6.91%	2018-2023	37,152	29,120
			76,375	**89,299**

The items recognised under this heading correspond principally to debt contracted locally to finance the expansion of the Group's activities in these countries. The most significant debt pertains to ICELA due to the investments made in Centro Banamex, Hipódromo and sala Royal, and the financial agreements concluded with Rospide Sociedad de Bolsa S.A, Urraburo & Hijos Corredor de Bolsa, S.R.L and Compañía de Valores Pérez Marexiano S.B.S.A. in Uruguay. The main decrease relates to Mexico and Panama due to the reclassification of the debt to short term.

The debt owed by the Mexican company Administradora del Hipódromo, S.A. de C.V. to Inbursa, for a term of four years, was renewed on 26 November 2015.

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

a.2) Other non-current payables

The amounts recognised under "Other payables" within “Other non-current payables” at 31 December 2015 and 2014, totalling 36,295 thousand euros and 56,267 thousand euros, respectively, correspond principally to long-term payables recognised by Spanish companies for acquisitions and to payments outstanding on exclusivity rights in amounts of approximately 4,837 thousand euros in 2015 and 5,345 thousand euros in 2014.

It also includes 15,546 thousand euros and 24,775 thousand euros at 31 December 2015 and 2014, 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.

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 2015 and 2014 in the amount of 9,306 thousand euros and 11,313 thousand euros, respectively.

(Thousand euro)

a.3) Finance lease liabilities

The breakdown of the minimum payments due on finance leases at 31 December 2015 and 2014 is as follows:

	Gross liabilities		Present value	
	2015	2014	2015	2014
No later than 1 year	1,489	4,044	1,533	3,892
Later than 1 year and no later than 5 years	1,044	2,009	987	1,959
	2,533	**6,053**	**2,520**	**5,851**
Less:				
Future finance charges on finance lease liabilities	(14)	(201)		
Recognised as:				
Non-current finance lease liabilities			**987**	**1,959**
Current finance lease liabilities			**1,533**	**3,892**

Thousand euro

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 2015 and 2014.

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

Currency	**2015**	**2014**
Euro	35,320	46,830
US dollar	29,031	23,621
Argentine peso	836	1,258
Mexican peso	37,140	64,736
Uruguayan peso	8,923	9,751
Colombian peso	2,407	1,329
	113,657	**147,525**

Thousand euro

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

	2015			2014		
Year	**Bank borrowings**	**Other non-current payables**	**Total**	**Bank borrowings**	**Other non-current payables**	**Total**
2016	-	-	-	29,684	30,765	60,449
2017	26,894	13,705	40,599	17,603	9,374	26,977
2018	26,641	8,529	35,170	16,571	2,307	18,878
2019	12,408	2,932	15,340	15,293	2,209	17,502
2020	2,761	490	3,251	10,148	13,571	23,719
Other	7,671	11,626	19,297	-	-	-
	76,375	**37,282**	**113,657**	**89,299**	**58,226**	**147,525**

Thousand euro

(Thousand euro)

d) Current liabilities

b.1) Bonds

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 Codere Finance (Luxembourg), S.A. issued an additional 165 million euros of bonds and on 7 November 2006 it issued another additional bond for 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**	**Contract maturity date**	**2015**	**2014**
Bonds issued by Codere Finance (Luxembourg), S.A.	335,000	Euro	8.76%	15/06/2015	335,000	335,000
Bonds issued by Codere Finance (Luxembourg), S.A.	165,000	Euro	8.23%	15/06/2015	165,000	165,000
Bonds issued by Codere Finance (Luxembourg), S.A.	160,000	Euro	7.96%	15/06/2015	160,000	160,000
Bonds issued by Codere Finance (Luxembourg), S.A.	100,000	Euro	10.71%	15/06/2015	100,000	100,000
Bonds issued by Codere Finance (Luxembourg), S.A.	300,000	US dollar	10.20%	15/02/2019	275,559	247,096
					1,035,559	**1,007,096**

This heading includes unpaid accrued interest which at 31 December 2015 and 2014 amounted to 239,463 and 133,630 thousand euros, respectively. The increase results from Codere's failure to meet payment commitments since 2014.

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 dollar 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 December 2015 are:

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

(*) 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.

(Thousand euro)

As mentioned in Note 2.a.1), the procedure known as "Scheme of Arrangement" provided for under the UK Companies Act, the purpose of which is to obtain judicial authorisation to implement the Restructuring, was authorised by the competent English courts and the competent courts of New York on 22 December 2015.

This agreement and the structure envisaged to reorganise the Group's debt and capital are explained in detail in Notes 3.f) and 3.g).

b.2) Bank borrowings

	Thousand euro	
	2015	**2014**
Short-term loans	18,533	31,734
Trade discount lines and credit facilities	130,000	130,000
Interest accrued/prepaid	(1,037)	(758)
Total bank borrowings	**147,496**	**160,976**
Total undrawn	-	-
Total limit	**147,496**	**160,976**

Short-term loans

At 31 December 2015, the main short-term bank borrowings pertain to Grupo ICELA amounting to 7,667 thousand euros, Panama in the amount of 3,963 thousand euros and Uruguay, amounting to 5,082 thousand euros.

The main decreases have arisen in Grupo ICELA due to loan repayments and in Uruguay due to their reclassification to long term as a result of the fulfilment of coverage and debt ratios defined in the agreements with Rospide Sociedad de Bolsa S.A, Urraburo & Hijos Corredor de Bolsa, S.R.L and Compañía de Valores Pérez Marexiano S.B.S.A.

The items recognised under this heading at 31 December 2014 included principally short-term debts with credit institutions held by various companies in the ICELA Group of 13,643 thousand euros, the Group in Italy of 1,721 thousand euros, the Group in Panama of 4,716 thousand euros and 20,688 thousand euros in Uruguay.

Trade discount lines and credit facilities

This heading also includes a credit line drawn down by 130 million euros at 31 December 2015 and 2014.

On 5 July 2013 the Senior credit facility was partially 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 stipulated 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 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 facility to change the conditions of that credit facility 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 euros. The maturity date of the senior debt was 5 January 2014.

On 9 January 2014 the extension of the senior credit facility to 5 February 2014 was agreed.

On 6 February 2014, the senior credit facility expired and was pending repayment, although it was covered by the Stand-still Agreement linked to the Lock-Up debt restructuring agreement concluded on 23 September 2014 (Note 3.g). Since that date, late payment interest has accrued.

On 17 October 2014 the senior debt holders agreed to increase the available figure by 35 million euros in the same contractual terms, in order to obtain the funds required to conclude the legal proceedings with the Court of Auditors in Italy.

The lending institutions that have underwritten the current senior credit facility are: GSO, which includes various funds managed by GSO capital Partners LP, Canyon Capital, Finance S.a.r.l, Silver Point Luxemburg Platform, S.a.r.l, Monarch Master Funding 2 (Luxemburg), S.a.r.l and FBC Holdings S.a.r.l

The balances drawn (in thousand euro), their maturities and the interest rates applicable at 31 December 2015 and 2014 are as follows:

2015	Interest rate	Maturity date
60,000	11.84%	29/01/2016
20,000	11.84%	29/01/2016
15,000	11.84%	29/01/2016
35,000	11.84%	29/01/2016
130,000		

(Thousand euro)

2014	Interest rate	Maturity date
60,000	12.02%	06/02/2014
20,000	12.02%	06/02/2014
15,000	12.02%	06/02/2014
35,000	12.02%	06/02/2014
130,000		

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

Notes 3.f and 3.g describe agreements reached with the lenders, including the replacement of the current credit facility by an issuance of corporate bonds amounting to 200 million euros, maturing in 2021.

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

	Thousand euro	
	2015	**2014**
Payable to tax authorities	180,939	161,653
Gaming taxes deferred	33,644	30,390
Payable to employees	19,326	20,079
Other payables	37,050	29,118
	270,959	**241,240**

b.3.1) Payable to tax authorities

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

b.3.2) 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, 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.3.3) Other payables

This heading includes:

- Amounts payable in the short term on finance leases for gaming machines which at 31 December 2015 totalled 1,533 thousand euros (3,892 thousand euros at 31 December 2014).
- Payables for exclusivity rights and for fixed-asset suppliers of the Spanish gaming machine companies, amounting to 2,911 thousand euros at 31 December 2015 (2,914 thousand euros at 31 December 2014).
- Bills payable in the short term by Spanish companies totalling 2,910 thousand euros at 31 December 2015 (987 thousand euros at 31 December 2014).

(Thousand euro)

- Payments outstanding on the acquisition of companies in Italy in the amount of 2,041 thousand euros at 31 December 2015 (1,447 thousand euros at 31 December 2014).
- Payables on the acquisition of betting terminals in Spain in the amount of 1,475 thousand euros at 31 December 2015 (1,489 thousand euros at 31 December 2014).

b.4) 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.

In compliance with the ICAC ruling dated 29 January 2016, the following data is reported at 31 December concerning Spanish entities within the consolidation scope:

	2015 (days)
Average supplier payment period	29.6
Ratio of transactions paid	28.7
Ratio of transactions pending payment	118.3
Total payments made	96,099
Total payments outstanding	959.1

c) Loans secured by the Group

In addition to the shares of various Group companies pledged at 31 December 2015 and 2014 as described in paragraph b.1) above, debt totalling 57,937 thousand euros (82,117 thousand euros at year-end 2014) was secured by fixed assets belonging to several Group companies (Note 22).

d) Current liabilities by currency

	Thousand euro	
Currency	**2015**	**2014**
Euro	1,213,977	1,133,382
US dollar	381,485	318,405
Argentine peso	53,823	47,702
Mexican peso	143,678	163,582
Uruguayan peso	5,683	3,189
Colombian peso	5,333	5,021
Sterling	4	81
Chilean peso	88	87
Brazilian real	3,255	2,858
	1,807,326	**1,674,307**

20. Derivative transactions

During 2015 and 2014, no operations were carried out involving derivatives.

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 2015 were:

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

Spanish Tax Group 2015:

Codere, S.A.
Cartaya, S.A.
CF-8, S.L.
Codere America, S.A.U.
Codere Asesoria, S.A.U.
Codere Apuestas España, S.L.U.
Codere Apuestas,S.A.U.
Codere Apuestas Aragón, S.L.U.
Codere Apuestas Asturias, S.A. (*)
Codere Apuestas Castilla la Mancha, S.A.
Codere Apuestas Castilla y León, S.A.
Codere Apuestas Cataluña, S.L.
Codere Apuestas Cantabria, S.A. (*)
Codere Apuestas Ceuta, S.A.
Codere Apuestas Extremadura, S.A.
Codere Apuestas Galicia, S.L.U.
Codere Apuestas La Rioja, S.A.
Codere Apuestas Melilla, S.A. (*)
Codere Apuestas Murcia, S.L.U.
Codere Navarra, S.A. (*)
Codere Apuestas Navarra S.A.U.
Codere ApuestasValencia, S.A.U.
Codere Castilla y León, S.L. (*)
Codere Distribuciones, S.L.U
Codere España, S.L.U. (unipersonal)
Codere Interactiva, S.L.
Codere Internacional, S.L.U (unipersonal)
Codere Internacional Dos, S.A.U.
Codere Latam, S.L (*)
Codere Logroño, S.L.
Codere Online, S.A.
Codere Sagunto, S.L.
Codere Servicios Compartidos, S.A.
Codere Servicios, S.R.L.
Colonder, S.A.U.
Desarrollo on line juegos regulares, S.A.
J.M. Quero Asociados, S.A.U
JPVmatic 2005, S.L.
Misuri, S.A.U.
Nididem, S.L.U (unipersonal)
Operiberica, S.A.U
Red Aeam S.A.U
Sigirec, S.L.

(*) These companies were added to the scope of consolidation in 2015.

The companies forming the Spanish consolidated tax group in 2014 were:

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

Spanish Tax Group 2014:

Codere, S.A.
Cartaya, S.A.U.
CF-8, S.L.
Codere America, S.A.U.
Codere Asesoria, S.A.U.
Codere Apuestas España, S.L.U.
Codere Apuestas,S.A.U.
Codere Apuestas Aragón, S.L.U.
Codere Apuestas Castilla la Mancha, S.A.
Codere Apuestas Castilla y León, S.A. (*)
Codere Apuestas Cataluña, S.L. (*)
Codere Apuestas Ceuta, S.L. (*)
Codere Apuestas Extremadura, S.A. (*)
Codere Apuestas Galicia, S.L.U.
Codere Apuestas La Rioja, S.A. (*)
Codere Apuestas Murcia, S.L.U.
Codere Apuestas Navarra S.A.U.
Codere ApuestasValencia, S.A.U.
Codere Distribuciones, S.L.U.
Codere España, S.L.U. (unipersonal)
Codere Interactiva, S.L.
Codere Internacional, S.L.U. (unipersonal)
Codere Internacional Dos, S.A.U.
Codere Logroño, S.L.
Codere Online, S.A.
Codere Sagunto, S.L. (*)
Codere Servicios Compartidos, S.A.
Codere Servicios, S.R.L. (*)
Colonder, S.A.U.
Desarrollo on line juegos regulares, S.A.
J.M. Quero Asociados, S.A.U.
JPVmatic 2005, S.L.U.
Misuri, S.A.U.
Nididem, S.L.U. (unipersonal)
Operiberica, S.A.U.
Red Aeam S.A.U.
Sigirec, S.L.

(*) These companies were added to the scope of consolidation in 2014.

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 2015 and 2014 are as follows:

Italian tax group in 2015

Codere Italia S.p.a.
Seven Cora Service S.r.l.
Cristaltec Service S.r.l.
Vasa e Azzena Service S.r.l.
Gap Games, S.r.l.
FG Slot Service s.r.l.
DP Service, S.r.l.
Codere Gaming Italia S.r.l.
Codematica S.r.l.
CodereNetwork S.p.a.
Gaming Re, S.r.l.
Operbingo Italia S.p.a.
Gestioni Marconi S.r.l.
Giomax S.r.l.
Vegas S.r.l.
King Slot S.r.l.
King Bingo S.r.l.
Palace Bingo S.r.l.
Royal Jackpot S.r.l.
Bintegral S.p.a.
Parisienne S.r.l.

(Thousand euro)

Italian tax group in 2014

Codere Italia S.p.A.	Operbingo Italia S.p.A.
Cristaltec Service S.r.l.	Royal Jackpot, 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.	Parisienne 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.	

The other companies file individual corporate income tax returns.

Companies domiciled in Spain are subject to a statutory income tax rate of 28% in 2015. 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 39%, except in Chile, where the tax rate is 22.5%, and Columbia, at 29%.

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.

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:

	Thousand euro	
	2015	**2014**
Consolidated profit/(loss) before tax	(78,942)	(169,965)
Tax at statutory rate of 28/30%	(22,104)	(50,989)
Tax effects of rates applicable in other countries	9,202	3,230
Tax effect of tax losses and permanent differences for which deferred tax assets were not recognised	76,122	88,644
Tax losses capitalised/derecognised	-	-
Cost associated with tax inspections	-	-
Corporate Income Tax expense taken to the consolidated income statement	**63,220**	**40,885**

(Thousand euro)

The amount recorded under "Tax effects of rates applicable in other countries" corresponds to the difference arising from applying the statutory rate of 28% in Spain in 2015 and 30% in 2014 to consolidated profit/(loss) before tax and applying the rates prevailing in each country. The amounts of 9,202 thousand euros and 3,230 thousand euros in 2014 and 2014, respectively, correspond principally to the difference arising from the rate in Spain and that applied 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 2015 and 2011, principally in Spain, head offices, Mexico, Uruguay and Brazil, in the amount of approximately 62 million euros (73 million euros in Spain and head offices in 2014).

- The effect of the recognition of deferred taxes in Argentina derived from retained earnings: net reversal of 0.6 million euros in 2015 (net charge of 9.2 million in 2014).

- 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.

Corporate income tax expense for 2015 was calculated as follows:

	Thousand euro	
	2015	**2014**
Consolidated profit/(loss) before tax	**(78,942)**	**(169,965)**
Non-temporary differences	210,025	218,196
Temporary differences	42,806	29,272
Use of previously unrecognised tax losses	(1,800)	(250)
Tax base (taxable income)	**172,089**	**77,253**

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.

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

Consolidated income statement	**Thousand euro** **2015**	**2014**
Current tax		
- Current income tax expense (*)	59,364	27,708
- Foreign taxes and other adjustments to current tax	17,962	13,969
Deferred tax		
- Relating to increases and decreases in temporary differences (Note 12)	(13,459)	(10,008)
- Relative to deferred tax charge on retained earnings in Argentina	(647)	9,216
Other adjustments to income tax expense		
Corporate income tax expense	**63,220**	**40,885**

(*) Includes cost of tax inspections, if applicable

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 mainly in Italy.

The breakdown of tax loss carryforwards pending offset losses of the Codere Group at 31 December 2015 and 2014 after factoring in tax expense for both periods is as follows (thousand euro):

Company	**Thousand euro** **2015**	**2014**
Codere, S.A. (Tax Group)	398,494	360,555
Rest of Spain	24,583	20,604
Italy	39,597	43,298
Mexico	239,125	170,713
Argentina	5,195	1,593
Panama	1,838	3,541
Uruguay	47,425	33,381
Brazil	23,520	28,752
Colombia	9,001	9,001
Total	**788,779**	**671,438**

Unrecognised deferred tax assets amount to 201,362 thousand euros at 31 December 2015 and 154,491 thousand euros at 31 December 2014.

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 20,501 thousand euros corresponding mainly to Codere S.A. (6,972 thousand euros), certain Italian companies (8,700 thousand euros) and certain Mexican companies (3,389 thousand euros).

(Thousand euro)

In 2014, due to the entry into force of the amendment to the Spanish Corporate Income Tax Act, tax loss carryforwards are no longer subject to any time limit for offset. Tax losses relating to Spain amount to 423,078 thousand euros at 31 December 2015.

The time limits for offsetting tax loss carryforwards prevailing at the year end are as follows:

	Thousand euro 2015		Thousand euro 2014	
Year	**Spain**	**Other countries**	**Spain**	**Other countries**
2014	-	-	-	2,230
2015	-	3,976	-	2,112
2016	-	6,840	-	6,591
2017	-	9,403	-	9,324
2018	-	17,790	-	21,025
2019	-	12,284	-	15,045
2020	-	32,430	-	15,473
2021	-	9,232	-	9,533
2022	-	17,038	-	17,479
2023	-	26,295	-	46,106
2024	-	63,469	-	64,369
2025	-	96,992	-	
Subsequent periods	-	-	-	-
Indefinite	423,078	69,552	382,906	72,198
Total	**423,078**	**365,701**	**382,906**	**281,485**

The amount of unused tax credits of the Codere Group at year-end and their expiry dates at 31 December 2015 and 2014 are as follows:

Expiry date	**2015**	**2014**
2013	-	-
2014	-	936
2015	-	807
2016	-	1,512
2017	-	1,799
2018	91	4,107
2019	90	6,844
2020	104	1,786
2021	132	5,344
2022	132	30
2023	101	25
2024	97	14
2025	69	97
2026	-	125
2027	261	6,897
2028	58	1,472
2029	-	755
Indefinite	39,197	-
	40,332	**32,550**

22. Guarantees extended to third parties and other contingent liabilities

(Thousand euro)

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 2015 and 2014 is as follows:

	Thousand euro	
Sureties and guarantees	**2015**	**2014**
Sureties and guarantees for gaming	88,559	87,386
Other guarantees	66,684	69,654
	155,243	**157,040**

Sureties and guarantees for gaming

The most significant sureties and guarantees for gaming operations at 31 December 2015 and 2014 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 25,001 thousand euros at 31 December 2015. It should be noted that these policies are external to the senior credit facility and are therefore not covered by that line's guarantee package.

Codere S.A. has also provided guarantees to the tax authorities of the autonomous community of Madrid in respect of the organisation and marketing of sports betting operations totalling 12,003 thousand euros at 31 December 2015 and the same amount at 31 December 2014. It should be noted that these policies are external to the senior credit facility and are therefore not covered by that line's guarantee package.

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. Said bonds are secondarily guaranteed against pledged shares in Codere España, S.L. and Codere Internacional, S.L.

Other guarantees

There are other non-bank guarantees granted by Codere, S.A. which include those issued by Afianzadora Aserta S.A. de C.V. in México, guarantees in favour of the Mexican Federal Treasury related to the lawsuits concerning tax related interest of Codere México Group amounting to the equivalent of 34,957 thousand euros at 31 December 2015, compared with 34,330 thousand euros at 31 December 2014.

18,880 thousand euros relate to guarantee lines which the Group has utilised when drawing down part of the senior financing facility.

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 4,939 thousand euros which are counter-guaranteed by Codere, S.A.

The Company's Directors do not consider that material obligations are likely to arise from these guarantees, for which no provisions have been recognised.

(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
			December 2015
	Land and buildings	Machines	Total
Operibérica, S.A.	8,645	36,984	45,629
J.M.Quero S.A.	1,195	-	1,195
J.P.V.Matic 2005, S.L..	844	-	844
Codere Girona, S.L	5,263	-	5,263
Codere Alicante, S.A.	201	-	201
Codere Asesoría, S.L	4,149	-	4,149
Comercial Yontxa, S.A.	231	-	231
Bingos Codere, S.A.	425	-	425
	20,953	**36,984**	**57,937**

			Thousand euro
			December 2014
	Land and buildings	Machines	Total
Operibérica, S.A.	8,938	61,158	70,096
J.M.Quero S.A.	1,222	-	1,222
J.P.V.Matic 2005, S.L..	858	-	858
Codere Girona, S.L	5,335	-	5,335
Codere Alicante, S.A.	209	-	209
Codere Asesoría, S.L	4,195	-	4,195
Comercial Yontxa, S.A.	261	-	261
	21,018	**61,158**	**82,176**

(*) 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

c) Other income

This heading corresponds principally to revenue received under an exclusivity agreement with a machine supplier in Mexico derived from the installation of machines by said supplier in gaming premises not operated by the Codere Group. Since 2013, the revenues from the lease of the Banamex centre are included.

d) Consumables and other external expenses

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

(Thousand euro)

c) Other operating expenses

	Thousand euro	
	2015	**2014**
Gaming levies and other taxes	571,914	468,898
Machine rentals and other leases	124,453	109,531
Supplies, repair and maintenance	77,809	72,448
Professional services and other expenses	284,292	285,378
	1,058,468	**936,255**

d) Staff costs

The breakdown of consolidated employee benefit expense in 2015 and 2014 is as follows:

	Thousand euro	
	2015	**2014**
Wages, salaries and similar expenses	205,003	178,998
Social security costs	50,785	46,680
Other welfare expenses	20,807	14,452
Total	**276,595**	**240,130**

"Wages, salaries and similar expenses" includes termination benefits in the amount of 8,846 thousand euros in 2015 (6,411 thousand euros in 2014).

The effect of the average workforce reduction of over 1,800 persons worldwide has been offset by the impact of salary increases in Argentina, higher than 35% p.a. in 2015, in local currency.

f) Personnel

	2015		**2014**	
	Average number of employees		**Average number of employees**	
	Men	Women	Men	Women
Administrative staff	289	382	276	383
Executives (including senior management)	117	15	118	29
Middle management	1,476	645	1,593	661
Manual workers	4,890	3,726	5,963	4,099
Technical staff	1,329	462	1,477	582
Total	**8,101**	**5,230**	**9,427**	**5,754**

The decrease in the number of employees is due to the Group's restructuring processes carried out in 2015, particularly in Mexico, Argentina and Panama.

f) Earnings/(loss) per share

Basic earnings/(loss) per share

		2015			2014
Loss for the year (€'000)	Average number of shares	Loss per share	Loss for the year (Thousand euro)	Average number of shares	Loss per share
(139,446)	54,752,222	(2.55)	(207,883)	54,752,222	(3.80)

Basic earnings/loss per share attributable to the parent company

		2015			2014
Loss for the year (€'000)	Average number of shares	Loss per share	Loss for the year (Thousand euro)	Average number of shares	Loss per share
(113,192)	54,752,222	(2.07)	(173,005)	54,752,222	(3.16)

Basic earnings/(loss) per share from continuing operations attributable to the parent company

		2015			2014
Loss for the year (€'000)	Average number of shares	Loss per share	Loss for the year (Thousand euro)	Average number of shares	Loss per share
(113,192)	54,752,222	(2.07)	(173,005)	54,752,222	(3.16)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For this purpose conversion is treated as having taken place at the start of the period or at the moment the potential ordinary shares were issued, if this took place during the period concerned. At 31 December 2015 and 2014 the Group had no dilutive potential ordinary shares, as no convertible debt had been issued and the current 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 54,752,222 in 2015 (54,752,222 in 2014).

(Thousand euro)

g) Financial income and expenses

	Thousand euro	
	2015	**2014**
Financial expenses		
Contractual interest expense	(135,264)	(132,561)
Provisions and other liabilities: unwinding of discount	(21,165)	(15,613)
Total	**(156,429)**	**(148,174)**
Financial income		
Interest income	2,323	2,120
Income from securities, loans and other assets	1,234	1,211
Other finance income	-	-
Total	**3,557**	**3,331**
Net gains/(losses) on exchange	**(50,469)**	**(45,899)**
Net finance costs	**(203,341)**	**(190,742)**

Contractual interest expense

This heading reflects interest expense on borrowings from third parties.

Provisions and other liabilities: unwinding of discount

In 2015 this heading recorded 21,089 thousand euros relating to losses on the purchase and sale of Argentinian government bonds.

In 2014 15,613 thousand euros figured under this heading, mainly in relation to:

- 5,436 thousand euro loss in Mexico as a result of not exercising the purchase option on 15.2% of the Icela Group in June 2014.
- Losses on the sale-purchase of Argentine government bonds in the amount of 10,058 thousand euros.

Net gains/(losses) on exchange

In 2015 this heading is the net result of 227,037 thousand euros of exchange gains and 277,506 thousand euros of exchange losses. In 2014 this heading was the net result of 105,739 thousand euros of exchange gains and 151,637 thousand euros of exchange losses.

(Thousand euro)

24. Additional information on the consolidated cash flow statement

Breakdown of cash and cash equivalents

	Thousand euro	
	2015	**2014**
Cash equivalents	13,883	12,806
Cash at bank and in hand	96,443	73,866
	110,326	**86,672**

	Thousand euro	
Currency	**2015**	**2014**
Euro	37,415	43,214
US dollar	27,503	6,284
Argentine peso	19,768	17,641
Mexican peso	18,399	15,932
Uruguayan peso	4,406	1,745
Colombian peso	2,699	1,657
Sterling	5	1
Chilean peso	37	53
Brazilian real	94	145
	110,326	**86,672**

Additional information on cash flows

For the year ended 31 December 2015, the main transactions not involving movements of cash were profits on sales of fixed assets and operating income of 191 thousand euros, losses on disposals or sales of fixed assets (5,177 thousand euros) and operating expenses (3,702 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 2015, payments were made for fixed-asset acquisitions totalling 67,070 thousand euros and 2,126 thousand euros was earned on sales of fixed assets. In addition,367 thousand euros was received from long-term loans consisting of: a net increase of 79 thousand euros in loans to the owners of hotel and catering businesses in Spain (loans paid out of 2,247 thousand euros net of receipts of 2,168 thousand euros) and 288 thousand euros received on long-term loans granted to the owners of premises in Italy (loans paid out of 19,902 thousand euros net of receipts of 18,901 thousand euros). Payments have been made in acquisitions of companies totalling 5,269 thousand euros, including the acquisition of non-controlling interests in Mexico and three operators in Italy. This amount is not of the initial cash of these companies acquired for 1,306 thousand euros.

Payments for other financial assets includes the net impact of cash outflows relating to the purchase of bonds in Argentina (purchase of 99,700 thousand euros and sale of 78,600 thousand euros).

(Thousand euro)

Increases in cash due to bank loans of 1,514 thousand euros relate to loans obtained mainly in Colombia and Italy bingos. The 29,436 thousand euros in bank loan repayments relate mainly to Mexico, Panama and Italy machines. Variation in other financial liabilities includes funds from deferral of taxes amounting to 10,167 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 7,406 thousand euros.

For the year ended 31 December 2014, the main transactions not involving movements of cash were profits on sales of fixed assets (2,026 thousand euros), operating income (366 thousand euros), losses on disposals or sales of fixed assets (5,373 thousand euros) and operating expenses (4,232 thousand euros).

With regard to cash applied to investing activities in the year ended 31 December 2014, payments were made for fixed-asset acquisitions totalling 83,641 thousand euros and 6,679 thousand euros was earned on sales of fixed assets. In addition,144 thousand euros was received from long-term loans consisting of: a net increase of 121 thousand euros in loans to the owners of hotel and catering businesses in Spain (loans paid out of 2,307 thousand euros net of receipts of 2,186 thousand euros) and 23 thousand euros received on long-term loans granted to the owners of premises in Italy (loans paid out of 18,848 thousand euros net of receipts of 18,825 thousand euros). Payments have been made for acquisitions of companies (net of cash received) totalling 2,252 thousand euros which include the acquisition of 49% of minority interests in Mexico and 10% in bingos in Italy for 2,258 thousand euros and includes the 332 thousand euro cash outflow arising in 2013 from the companies ceasing to be consolidated.

Increases in cash due to bank loans of 1,051 thousand euros relate to loans obtained mainly in Italy. The 11,989 thousand euros in bank loan repayments relate to Mexico, Panama and Italy bingos. Variation in other financial liabilities includes funds from deferral of taxes amounting to 2,626 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 10,599 thousand euros.

25. Related party disclosures

Transactions with related parties not belonging to the Group at 31 December 2015 and 2014 and year-end balances resulting from related party transactions were as follows:

		Thousand euro	
FY 2015	**Nature of relationship**	**Loans**	**Services provided**
Encarnación Martínez Sampedro	Executive/Director	521	-
Luis Javier Martínez Sampedro	Executive/Director	1,045	-
Fernando Ors	Executive	14	-
José Ramón Romero	Director	-	505
Adolfo Carpena	Executive	9	-
		1,589	**505**

(Thousand euro)

FY 2014	Nature of relationship	Thousand euro	
		Loans	**Services provided**
Encarnación Martínez Sampedro	Executive/Director	512	-
Luis Javier Martínez Sampedro	Executive/Director	1,026	3
Fernando Ors	Executive	154	-
Jaime Estalella	Executive	3	-
José Ramón Romero	Director	-	500
Pedro Vidal	Executive	154	-
Adolfo Carpena	Executive	103	-
		1,952	**503**

The interest expense accrued at 31 December 2015 and 2014 on loans to related parties amounted to 54 thousand euros and 64 thousand euros, respectively. 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 2015, accumulated interest accrued on loans to directors amounting to 982 thousand euros has been provided for in full. In addition, the principal of loans granted to certain directors, totalling 489 thousand euros, has been provided for. At 31 December 2014, accumulated interest accrued on loans to directors amounting to 1,103 thousand euros was provided for in full.

d) 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:

	Thousand euro	
	2015	**2014**
Directors' remuneration	602	742
Services rendered (*)	505	500
Fixed and variable remuneration	1,771	1,771
	2,878	**3,013**

(*) This balance includes fees of 505 thousand euros and 500 thousand euros paid in 2015 and 2014, 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 2015 was as follows:

	Gross amounts paid (thousand euro)			
Director	**Fixed remuneration**	**Fixed remuneration as director**	**Remuneration for attending Board meetings**	**Total**
Mr. José Antonio Martínez Sampedro	912	32	17	**961**
Mr. Luis Javier Martínez Sampedro	650	32	14	**696**
Ms. Encarnación Martínez Sampedro	209	32	14	**255**
Total	**1,771**	**96**	**45**	**1,912**

The fixed remuneration paid to the Company's non-executive directors in 2015 for their membership of the Board of Directors and its various committees (the Audit Committee, Compliance Committee and Corporate Governance Committee) was as follows:

	Gross amounts paid (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	17	28	-	3	6	86
Mr. José Ignacio Cases Méndez	32	17	-	-	3	7	59
Mr. Joseph Zappala	32	17	-	8	3	-	60
Mr. José Ramón Romero Rodríguez	32	17	-	8	3	-	60
Mr. Eugenio Vela Sastre	32	17	-	8	-	7	64
Mr. Juan José Zornoza Pérez	32	17	-	7	-	6	62
Mr. Juan Junquera Temprano	32	17	-	8	3	7	67
Total	**224**	**119**	**28**	**39**	**15**	**33**	**461**

(1) Represented by José M. Lastra Bermúdez

The remuneration paid to senior management in 2015 was 3,718 thousand euros (3,031 thousand euros at 31 December 2014). No termination benefits were paid to senior executives in 2015. 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 termination benefits under these contracts stood at 1.2 million euros at 31 December 2015 and 1.1 million euros at 31 December 2014.

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 compliance with their duty to avoid any conflict with the Company's interests, during the year the directors that have held positions on the Board of Directors have complied with the obligations laid down in Article 228 of the Spanish Companies Act 2010. In addition, both they and persons related to them have abstained from coming under the instances of conflict of interest envisaged in Article 229 of said Law, except in cases in which the relevant authorisation has been obtained.

(Thousand euro)

A conflicted director must abstain from deliberating on resolutions or decisions relating to the transaction giving rise to the 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.

In addition, in compliance with Article 4.f) of the Board of Directors Regulations of Codere, S.A., the 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.

e) 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 43,417 thousand euros (38,858 thousand euros at 31 December 2014), the amount of which is provided for in full at 31 December 2015.

f) Balances with the CIE Group

The Codere Group has an account receivable of 10,348 thousand euros at 31 December 2015 (10,718 thousand euros at 31 December 2014) 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
	PricewaterhouseCoopers Auditores, S.L.	**Other PwC group companies**	**Total**
FY 2015			
Audit services	272	1,693	1,965
Other services	43	270	313
	315	**1,963**	**2,278**
FY 2014			
Audit services	290	1,711	2,001
Other services	4	79	83
	294	**1,790**	**2,084**

27. Environmental disclosures

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 2015 or 2014.

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

Actions envisaged for 2016 within the financial restructuring process

At the date of these consolidated financial statements, the Group is approaching completion of the implementation the Restructuring process, which is expected to become effective in the coming months.

The actions to be implemented to carry out the Restructuring process are described below, once the completion conditions contained in the Scheme have been complied with (Note 3.f):

- Issue of "New Senior Private Notes" amounting to 218.9 million dollars (200 million euros at the agreed exchange rate of 10 December 2015) by the Group company Codere Finance 2, S.A.

- Issue of the New Notes for 738.9 million dollars (675 million euros at the agreed exchange rate of 10 December 2015, of which 200 million euros relate to "New Cash Notes"; the remaining amount of 475 million will be swapped for existing notes) by the Group company incorporated in 2015, Codere Finance 2, S.A.

- Transfer of capitalisable existing notes (totalling approximately 815 million euros at the date of the annual accounts, adjustable at the date of execution on the basis of total accrued interest) to the Group company issuing said notes, Codere Finance Luxembourg, S.A.

- As consideration for the foregoing, Codere Finance Luxembourg, S.A. delivery to the holders of said notes and the global coordinator the equivalent amount (815 million euros at the date of preparation of the annual accounts, adjustable at the date of execution on the basis of total accrued interest) of the loan agreements between Codere Finance Luxembourg, S.A. and Codere, S.A. (the "Funding Loan Agreements") to be capitalised, on the basis of the agreed percentages.

- Following approval by the CNMV of the transaction prospectus, holding of a Board meeting by Codere, S.A. to approve the capital increase through the capitalisation of debt approved by the shareholders in general meeting on 4 December 2015.

- Execution of the sale agreement for 19.2% of the shares of Codere, S.A. received by the Scheme creditors from the Key Executives.

- Incorporation of Codere Newco, S.A. (approved by the shareholders in extraordinary meeting on 4 December 2015), 100% owned by Codere, S.A. through the transfer in bloc of the latter's assets and liabilities.

- Contribution by Codere, S.A. of its shares in Codere Newco, S.A. to a newly created Luxembourg company ("Luxco 2"), and subsequent contribution of all the shares of Luxco 2 to another newly incorporated Luxembourg company, with certain guarantees being provided.

- Payment of cash backstop fee of 5% of the total value of the new cash bond issue and the cash backstop fee of 2% of the senior loan agreement for an amount of 10 million euros and 4.7 million euros, respectively.

- Execution of the warrants, if applicable, described in Note 3.f) i).

– At completion of the Restructuring, the shareholders at that time will appoint a new board of nine directors which will consist of the following (subject to compliance with certain requirements for a listed company prior to the de-listing of the company):

  a) José Antonio Martínez Sampedro (Chairman and CEO) and two additional directors nominated by the Key Executives;

  b) five (5) non-executive directors nominated by the Existing Noteholders, who in turn will be proposed: (i) three (3) directors, appointed by the Core Equity Group (i.e. Existing Noteholders who, upon completion of the Restructuring, hold in excess of 10% of the share capital of Codere and who meet certain conditions) and (ii) two (2) directors appointed by the Existing Noteholders who are not part of the Core Equity Group. Notwithstanding this 3/2 spit between Existing Noteholders, the definitive numbers will be based on the final composition of the Core Equity Group and their aggregate holdings in the post-restructured equity; and

  c) one (1) non-executive director nominated jointly by (i) Existing Noteholders who are not part of the Core Equity Group and (ii) the Key Executives.

The members of the new board has have already been approved in the Scheme.

– Codere shall procure its de-listing by launching a de-listing public offer (OPA de exclusión) (a "Take Private Offer") addressed to all its shareholders post-Restructuring unless the price to be offered pursuant to applicable legislation (as determined with the CNMV) exceeds the cap that the parties agree during the implementation of the Restructuring. José Antonio Martínez Sampedro, Javier Martínez Sampedro and certain other members of the Martínez Sampedro family and the Existing Noteholders have agreed not to tender their holdings of shares of Codere (subject to certain exceptions) in any such Take Private Offer. Those shares in the Company which are tendered by the participants in the Take Private Offer shall thereafter be (re)allocated to the participants in the New Cash Notes Subscription in accordance with implementation mechanics to be agreed.

The funds received upon the conclusion of the Restructuring, amounting to 400 million euros, through the New Senior Private Notes and the New Cash Notes, will be used for the repayment of the Senior credit facility existing in Codere, S.A., for the payment of transaction costs and for other operations (including the acquisition of minority shareholdings and the payment of debts to suppliers).

Change in shareholder structure in Carrasco Nobile, S.A.

On 22 January 2016, Carrasco Nobile, S.A. was notified of an injunction filed for by Sikeston, S.A. (minority shareholder of Carrasco Nobile, S.A.) before a Uruguay court which paralysed the resolution adopted by an extraordinary general meeting of Nobile, S.A. dated 30 December 2015 approving a capital increase of 670 million Uruguay pesos (20.5 million euros approx. at 31 December 2015) in order to restore the company's financial situation. At said general meeting, Codere México, S.A. de C.V. undertook to subscribe the amount of the capital increase pertaining to it, i.e. 494 million pesos (15.2 million euros approx. at 31 December 2015). Codere Group has appealed against the injunction and, on the basis of its legal advisers' opinion, believes that the court ruling will be in favour of the Codere Group.

APPENDIX I

Consolidated Group at 31 December 2015 and 2014

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
SPAIN:						
CARTAYA, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo hall operation	Full consol.	100%	CODERE ESPAÑA, S.L.U.	100%	CODERE ESPAÑA, S.L.U.
C-F8, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full consol.	75%	OPERIBERICA, S.A.U.	75%	OPERIBERICA, S.A.U.
CODERE ALICANTE, S.L.U. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Gaming machine operation	Full consol.	59%	CODERE ESPAÑA, S.L.U.	59%	CODERE ESPAÑA, S.L.U.
CODERE APUESTAS, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA, S.L.U.	100%	CODERE APUESTAS ESPAÑA, S.L.U.
CODERE APUESTAS ARAGÓN, S.L.U. Calle José Pellicer, 33 50007 Zaragoza	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS ASTURIAS, S.A.U. Calle Pola de Siero, 8 y 10 33207 Gijón (Asturias)	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	-	-

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
CODERE APUESTAS CANTABRIA, S.A.U. Calle Columna Sagardía, 3 y 5 39009 Santander	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	-	-
CODERE APUESTAS CASTILLA LA MANCHA, S.A.U. Polígono Industrial “Santa Maria de Benquerencia”, Calle Jarama, 50 A 45007 Toledo	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS CASTILLA Y LEÓN, S.A.U. Calle Recondo, 11 - 13 47007 Valladolid	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS CATALUÑA, S.A. Polígono Industrial “Riera de Caldes” Calle Mercaders, 1 08184 Palaú I Solitá Plegamans (Barcelona)	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS CEUTA, S.L. Glorieta del Teniente Reinoso, s/nº, edificio “Ceuta Center”, B-22-25, 51001 Ceuta	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS ESPAÑA, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports betting	Full consol.	100%	CODERE, S.A.	100%	CODERE, S.A.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
CODERE APUESTAS EXTREMADURA, S.A.U. Polígono Industrial Capellanías, Travesía 1, Parcela 105, Nave 11 10005 Cáceres	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS GALICIA, S.L.U. Edificio "Palacio de la Opera" Glorieta de América s/n local E, 15004 A Coruña	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS MELILLA, S.A.U. Calle Puerto Deportivo Local, 11, 52001 Melilla	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	-	-
CODERE APUESTAS MURCIA, S.L.U. Calle Los Martínez, 4 (Bajo), Barrio del Progreso, 30012 Murcia	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS NAVARRA S.A.U. Polígono Plazaola, Manzana D, Nave 10, Aizoain 31195 Barrioplano (Navarra)	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS LA RIOJA, S.A.U. Polígono Industrial “El Sequero”, Calle Río Piqueras, 133 – N3 26151 Arrubal (La Rioja)	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
CODERE APUESTAS VALENCIA S.A.U. Avda. Alquería de Moret, 19-21 46210 Picanya (Valencia)	Sports betting	Full consol.	100%	CODERE APUESTAS ESPAÑA S.L.U.	100%	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%	CODERE INTERNACIONAL DOS S.A.U.	100%	CODERE INTERNACIONAL DOS S.A.U.
CODERE ASESORÍA, S.A.U. Avda. Alquería de Moret, 19-21 46210 Picanya (Valencia)	Gaming machine operation	Full consol.	100%	OPERIBERICA, S.A.U.	100%	OPERIBERICA, S.A.U.
CODERE CASTILLA Y LEÓN, S.L.U. Calle Recondo, 11-13, 47007 Valladolid	Gaming machine operation	Full consol.	100%	OPERIBERICA, S.A.U.	-	-
CODERE DISTRIBUCIONES, S.L.U. Pol. Ind. Riera de Caldes, Calle Mercaders, 1 08184 Palau de Plegamans (Barcelona)	Gaming machine operation, distribution and marketing	Full consol.	100%	OPERIBERICA, S.A.U.	100%	OPERIBERICA, S.A.U.
CODERE ESPAÑA, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company; gaming machine and bingo hall operation	Full consol.	100%	CODERE, S.A.	100%	CODERE, S.A.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
CODERE GIRONA, S.A. Calle Benet del Riu, 10 17007 Girona (Barcelona)	Gaming machine operation	Full consol.	66.67%	CODERE ESPAÑA, S.L.U.	66.67%	CODERE ESPAÑA, S.L.U.
CODERE GUADALAJARA, S.L. Avda. de Bruselas, 26 Alcobendas (Madrid)	Gaming machine operation, distribution and marketing	Full consol.	50%	OPERIBERICA, S.A.U.	50%	OPERIBERICA, S.A.U.
CODERE HUESCA, S.L. Calle Cavia, 8 portal 6, local B 22005 Huesca	Gaming machine operation	Full consol.	51.02%	OPERIBERICA, S.A.U.	51.02%	OPERIBERICA, S.A.U.
CODERE INTERNACIONAL, S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	Full consol.	100%	CODERE, S.A.	100%	CODERE, S.A.
CODERE INTERNACIONAL DOS S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	Full consol.	100%	CODERE INTERNACIONAL S.L.U.	100%	CODERE INTERNACIONAL S.L.U.
CODERE INTERACTIVA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Television, online and telephony gaming	Full consol.	90%	CODERE, S.A.	90%	CODERE, S.A.
CODERE LATAM S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Management and administration of the capital of entities not resident in Spain	Full consol.	100%	CODERE INTERNACIONAL DOS S.A.U.	-	-

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
CODERE LOGROÑO, S.L. Calle Río Piqueras 133 26509 Arrubal (La Rioja)	Gaming machine operation	Full consol.	75.03%	OPERIBERICA, S.A.U.	75.03%	OPERIBERICA, 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 NAVARRA, S.A.U. Polígono Plazaola, manzana D, nave 10 31195 Aizoáin, Berrioplano (Navarra)	Gaming machine operation	Full consol.	100%	OPERIBERICA, S.A.U.	-	-
CODERE SAGUNTO, S.L. Pol. Ind. Alqueria de Moret, Avda. Alqueria de Moret, 19 y 21 46210 Picanya (Valencia)	Gaming machine operation	Full consol.	100%	OPERIBERICA, S.A.U.	100%	OPERIBERICA, S.A.U.
Codere Servicios Compartidos, S.A. (*) Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Financial services	Full consol.	100%	CODERE, S.A.	100%	CODERE, S.A.
CODERE SERVICIOS S.R.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Advisory, intermediary and real-estate development and management services	Full consol.	100%	JPV MATIC 2005, S.L.	100%	JPV MATIC 2005, S.L.
CODERE, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Financial services	Full consol.	100%	-	100%	-

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
COLONDER, S.A.U. 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. Calle 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. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Online gaming activities	Full consol.	100%	CODERE ONLINE S.A.U.	100%	CODERE ONLINE S.A.U.
EL PORTALÓN, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full consol.	50%	OPERIBERICA, S.A.U.	50%	OPERIBERICA, S.A.U.
GARAIPEN VICTORIA APUSTUAK, S.L. Calle Ribera de Axpe, 11, pabellón 5, nave D 2 48950 Erandio (Vizcaya)	Sports betting	Full consol.	84.81%	CODERE APUESTAS ESPAÑA, S.L.U. and COMERCIAL YONTXA S.A.	84.81%	CODERE APUESTAS ESPAÑA, S.L.U. and COMERCIAL YONTXA 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.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
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.
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. Calle Hernán Cortés, 188 06700 Villanueva de la Serena (Badajoz)	Gaming machine operation	Full consol.	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
OPERSHERKA, S.L.U. Calle Padre Melchor Prieto, 31 09005 Burgos	Gaming machine operation	Full consol.	51%	COMERCIAL YONTXA, S.A.	51%	COMERCIAL YONTXA, S.A.
RECREATIVOS ACR, S.L. Polígono Espíritu Santo, Parcela 11-12 Nave 3 33010 Colloto, Oviedo (Asturias)	Gaming machine operation	Full consol.	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
RECREATIVOS OBELISCO, S.L. Polígono Industrial San Rafael, Calle San Rafael-73 04230 Huercal de Almería (Almería)	Gaming machine operation	Full consol.	60.61%	OPERIBÉRICA, S.A.U.	60.61%	OPERIBÉRICA, S.A.U.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
RED AEAM, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo gaming	Full consol.	100%	MISURI, S.A.U.	100%	MISURI, S.A.U.
RESTI Y CIA, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full consol.	50%	OPERIBÉRICA, S.A.U.	50%	OPERIBÉRICA, S.A.U.
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.
ARGENTINA						
BINGOS DEL OESTE, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Lotteries and bingo halls	Full consol.	100%	CODERE ARGENTINA, S.A. and BINGOS PLATENSES, S.A	100%	CODERE ARGENTINA, S.A. and BINGOS PLATENSES, S.A
BINGOS PLATENSES, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo hall operation	Full consol.	100%	CODERE ARGENTINA, S.A. and COLONDER S.A.U.	100%	CODERE ARGENTINA, S.A. and COLONDER S.A.U.
CODERE ARGENTINA, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Holding company	Full consol.	100%	IBERARGEN, S.A. and COLONDER S.A.U.	100%	IBERARGEN, S.A. and COLONDER S.A.U.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
IBERARGEN, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo, lotteries and food and drink	Full consol.	100%	COLONDER S.A.U. and NIDIDEM, S.L.U.	100%	COLONDER S.A.U. and NIDIDEM, S.L.U.
INTERBAS, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Lottery and bingo hall operation	Full consol.	100%	COLONDER S.A.U. and IBERARGEN S.A.	100%	COLONDER S.A.U. and IBERARGEN S.A.
INTERJUEGOS, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Lotteries and bingo	Full consol.	100%	CODERE ARGENTINA, S.A. and COLONDER S.A.U.	100%	CODERE ARGENTINA, S.A. and COLONDER 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 COLONDER S.A.U.
ITAPOAN, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo hall operation	Full consol.	81.80%	IBERARGEN, S.A. and INTERBAS, S.A.	81.80%	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.
BINGOS DEL OESTE S.A.–BINGO DEL PUENTE S.A. Unión Transitoria de Empresas Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Hall operation and brand utilisation.	Prop. consol.	92%	BINGOS DEL OESTE, S.A.	-	-

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
BRAZIL:						
CODERE DO BRASIL ENTRETENIMIENTO Ltda. Rua dos Três Irmãos, 310 – conjuntos 308, Morumbi Ciudad de Sao Paulo (Estado de Sao Paulo)	Gaming machine operation and racetrack management	Full consol.	100%	CODERE LATAM, S.L.U. and NIDIDEM, S.L.U.	100%	CODERE AMÉRICA, S.A.U. and NIDIDEM, S.L.U.
SIMULCASTING BRASIL SOM E IMAGEM, Ltda. Rua Helena, nº 260, piso 8, Conj.:82-A Ciudad de Sao Paulo (Estado de Sao Paulo)	Gaming machine operation and racetrack management	Full consol.	100%	CODERE INTERNACIONAL DOS S.A.U. Y NIDIDEM, S.L.U.	-	-
CHILE:						
CODERE CHILE, Ltda. Gerónimo de Alderete 790, depto. 107, La Florida Santiago de Chile (Chile)	Investment, lease, disposal, sale-purchase and exchange of all manner of assets	Full consol.	100%	CODERE AMÉRICA, S.A.U. and NIDIDEM, S.L.U.	100%	CODERE AMÉRICA, S.A.U. and NIDIDEM, S.L.U.
COLOMBIA:						
BINGOS CODERE, S.A. Transversal 95 Bis A No. 25 D – 41 Bogotá (Colombia)	Bingo hall operation	Full consol.	99.99%	NIDIDEM, S.L.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A.U. and CODERE LATAMS.L.U.	99.99%	NIDIDEM, S.L.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A.U. and CODERE AMÉRICA S.A.U.
CODERE COLOMBIA, S.A. Transversal 95 Bis A No. 25 D – 41 Bogotá (Colombia)	Operation of electronic games and games of chance	Full consol.	99.99%	COLONDER, S.A.U., NIDIDEM S.L.U., CODERE LATAM, S.L.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.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
INTERSARE, S.A. Transversal 95 Bis A No. 25 D – 41 Bogotá (Colombia)	Business operation of electronic gaming machines directly and via third parties	Full consol.	59.89%	CODERE COLOMBIA S.A. and NIDIDEM, S.L.U.	59.89%	CODERE COLOMBIA S.A. and NIDIDEM, S.L.U.
ENGLAND AND SCOTLAND:						
CODERE FINANCE (UK) 20-22 Bedford Row, London WC1R 4JS United Kingdom	Authorised to conduct all legal activities.	Full consol.	100%	CODERE, S.A.	100%	CODERE, S.A.
ITALY:						
BINTEGRAL, S.P.A. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
CODERE GAMING ITALIA, S.R.L. Via Cornellia, 498 Rome	Holding company	Full consol.	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
CODERE ITALIA, S.P.A. Via Cornellia, 498 Rome	Provision of advisory services	Full consol.	100%	CODERE INTERNACIONAL, S.L.U.	100%	CODERE INTERNACIONAL, S.L.U.
CODEMATICA, S.R.L.	Gaming machine operation					

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
Via Cornellia, 498 Rome		Full consol.	100%	CODERE GAMING ITALIA, S.R.L.	100%	CODERE GAMING ITALIA, S.R.L.
CODERE NETWORK, S.P.A. Via Cornellia, 498 Rome	Network concession	Full consol.	100%	CODEMATICA, S.R.L.	100%	CODEMATICA, S.R.L.
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.
GAME OVER, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full consol.	51%	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%	CODERE ITALIA, S.P.A.
GAP GAMES S.R.L. Via Cornellia, 498	Gaming machine operation	Full consol.	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
Rome						
G.A.R.E.T., S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full consol.	51%	CODERE ITALIA, S.P.A.	-	-
GESTIONI MARCONI, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
GIOMAX, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
HIPPOBINGO FIRENZE, S.R.L. Via Giuseppe Ambrosini, 300 Cesena	Bingo hall operation	P	34%	OPERBINGO ITALIA, S.P.A.	-	-
KING SLOT S.R.L. Via Strada Statale Sannitica, 265. km.25,800 Maddaloni (Ce), Italy	Bingo hall operation	Full consol.	85%	OPERBINGO ITALIA, S.P.A.	85%	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.	85%	OPERBINGO ITALIA, S.P.A.	85%	OPERBINGO ITALIA, S.P.A.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
NEW JOKER S.R.L. Via della Magliana, 279a Rome	Bingo hall operation	P	30%	OPERBINGO ITALIA, S.P.A.	30%	OPERBINGO ITALIA, S.P.A.
OPERBINGO ITALIA, S.P.A. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
PALACE BINGO, S.R.L Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
PARISIENNE, S.R.L. Via Cornelia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
PGO SERVICE, S.R.L. Via Divisione Folgore n. 9/A Vicenza	Gaming machine operation	Full consol.	51%	GAP GAMES S.R.L.	-	-
ROYAL JACKPOT, S.R.L. Via Cornellia, 498 Colleferro (RM)	Bingo hall operation	Full consol.	51%	CRISTALTEC SERVICE, S.R.L.	51%	CODERE ITALIA, S.P.A.
SEVEN CORA SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full consol.	60%	CODERE ITALIA, S.P.A.	60%	CODERE ITALIA, S.P.A.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
VASA & AZZENA SERVICE, S.R.L. Via Cornellia, 498 Rome	Gaming machine operation	Full consol.	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
VEGAS, S.R.L. Via Cornellia, 498 Rome	Bingo hall operation	Full consol.	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
FLORIDA:						
CODERE INTERACTIVE, INC 200 Crandon Boulevard, Suite 331Key Biscayne 33149 Florida, USA	Any legal business.	Full consol.	100%	CODERE S.A.	100%	CODERE S.A.
LUXEMBOURG:						
CODERE FINANCE, S.A. 6C, rue Gabriel Lippmann, L-5365 Munsbach (Luxembourg)	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 FINANCE 2, S.A. 6C, rue Gabriel Lippmann, L-5365 Munsbach (Luxembourg)	Holding company	Full consol.	100%	CODERE, S.A.	-	-
MEXICO:						

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal.	Operation, administration and development of racetracks and sports events	Full consol.	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. and SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. and SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. ASOCIACIÓN EN PARTICIPACIÓN Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal.	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 Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal.	Operation, administration and development of racetracks and sports events	Full consol.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., JUEGAMAX DE LAS AMÉRICAS S.A. DE C.V.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V., JUEGAMAX DE LAS AMÉRICAS S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO III, S.A. de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal.	Operation, administration and development of racetracks and sports events	Full consol.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V.	84.8%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO IV, S.A. de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal.	Operation, administration and development of racetracks and sports events	Full consol.	43.25%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V.	43.25%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V.
CALLE DE ENTRETENIMIENTO, S.A. de C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo	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.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
Ciudad de México, Distrito Federal						
CALLE ICELA S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Development, construction, organisation, operation, acquisition of and equity investing in companies	P	49%	CODERE MÉXICO, S.A. DE C.V.	49%	CODERE MÉXICO, S.A. DE C.V.
CODERE MÉXICO, S.A. DE C.V. Av. Conscripto 311, Puerta 4 Caballerizas 6 D 102, Lomas de Sotelo Ciudad de México, Distrito Federal	Holding company	Full consol.	100%	CODERE LATAM, S.L.U., CODERE S.A. and NIDIDEM, S.L.U.	100%	CODERE AMÉRICA, S.A.U., CODERE S.A. and NIDIDEM, S.L.U.
CENTRO DE CONVENCIONES LAS AMÉRICAS S.A de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Administration, operation and development of exhibitions and conventions	P	49%	HOTEL ICELA S.A.P.I. DE C.V. and CALLE ICELA S.A.P.I. DE C.V.	49%	HOTEL ICELA S.A.P.I. DE C.V. and CALLE ICELA S.A.P.I. DE C.V.
COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	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.
ENTRENIMIENTO RECREATIVO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo	Operation of legally-permitted games	Full consol.	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. and ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	84.8%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. and ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
Ciudad de México, Distrito Federal						
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	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 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.
GRUPO CALIENTE S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Operation of gaming machines and games of chance	Full consol.	67.3%	CODERE MÉXICO, S.A. DE C.V.	67.30%	CODERE MÉXICO, S.A. DE C.V.
GRUPO INVERJUEGO, S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Gaming	Full consol.	67.3%	CODERE MÉXICO, S.A. DE C.V.	67.30%	CODERE MÉXICO, S.A. DE C.V.
HOTEL ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Construction and management of tourism and sports complexes	P	49%	HOTEL ICELA S.A.P.I. DE C.V. and CALLE ICELA S.A.P.I. DE C.V.	49%	HOTEL ICELA S.A.P.I. DE C.V. and CALLE ICELA S.A.P.I. DE C.V.
HOTEL ICELA S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Development, construction, organisation, operation, acquisition of and equity investing in companies	P	49%	CODERE MÉXICO, S.A. DE C.V.	49%	CODERE MÉXICO, S.A. DE C.V.
IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo	Gaming room management	Full consol.	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. and COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V.	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. and COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
Ciudad de México, Distrito Federal						
IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. de C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Payroll services	Full consol.	84.80%	CODERE MÉXICO, S.A. DE C.V.	84.80%	CODERE MÉXICO, S.A. DE C.V.
JUEGAMAX DE LAS AMÉRICAS S.A. DE CV Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Gaming room operation	Full consol.	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. and COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V.	84.80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. and COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V.
JOMAHARHO S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Organisation of all manner of games, bets and draws	Full consol.	67.30%	CODERE MÉXICO, S.A. DE C.V.	67.30%	CODERE MÉXICO, S.A. DE C.V.
MIO GAMES, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	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. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Organisation of all manner of games, bets and draws	Full consol.	67.30%	GRUPO CALIENTE S.A.P.I. DE C.V. and JOMAHARHO S.A.P.I. DE C.V.	67.30%	GRUPO CALIENTE S.A.P.I. DE C.V. and JOMAHARHO S.A.P.I. DE C.V.
OPERADORA CANTABRICA S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	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.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
OPERADORA DE ESPECTÁCULOS DEPORTIVOS S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	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. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	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. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	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. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Gaming	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.
RECREATIVOS MARINA, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Gaming	Full consol.	100%	CODERE MÉXICO, S.A. DE C.V. and PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	100%	CODERE MÉXICO, S.A. DE C.V. and PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.
SERVICIOS COMPARTIDOS EN FACTOR HUMANO HIPÓDROMO, Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Provision of staff administration, hiring, advisory and assistance services, including payroll services	Full consol.	84.80%	SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. and ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V.	84.80%	SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. and ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V.

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Provision of staff administration, hiring, advisory and assistance services, including payroll services	Full consol.	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO RECREATIVO S.A. DE C.V.	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. and ENTRETENIMIENTO RECREATIVO S.A. DE C.V.
PANAMA:						
ALTA CORDILLERA, S.A. Calle 50 y Calle Elvira Méndez, Torre Financial Center Piso 40 – 41. Corregimiento de Bella Vista, Republic of Panama	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. Calle 50 y Calle Elvira Méndez, Torre Financial Center Piso 40 – 41. Corregimiento de Bella Vista, Republic of Panama	Financial services	Full consol.	100%	CODERE CHILE, LTDA.	100%	CODERE CHILE, LTDA.
URUGUAY:						

Name	Business	Consolidation method	2015 % Shareholding	2015 Holding company	2014 % Shareholding	2014 Holding company
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. Y CODERE LATAM, S.L.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	P	50%	CODERE URUGUAY, S.A.	50%	CODERE URUGUAY, S.A.
CARRASCO NOBILE, S.A. Rambla República de México 6451 Montevideo (Uruguay)	Operation, administration and management of hotels, casinos, gaming rooms, slot machines and related activities	Full consol.	73.73%	CODERE MÉXICO, S.A. DE C.V.	51%	CODERE MÉXICO, S.A. DE C.V.

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 2015

The breakdown of the reserve and retained earnings accounts by company at 31 December 2015 (in thousand euro) is as follows:

Company	Share capital	Share premium	Reserves	Profit/(loss)	Interim dividend	Equity
CODERE APUESTAS ASTURIAS, S.A.	(1,000)	-	-	(3)	-	(1,003)
CODERE APUESTAS CANTABRIA, S.A.	(60)	-	-	9	-	(51)
CODERE APUESTAS CATALUÑA, S.A.	(600)	-	172	270	-	(157)
CODERE APUESTAS CEUTA, S.L.U.	(250)	-	30	(59)	-	(280)
CODERE APUESTAS CASTILLA LEON, S.A.	(1,000)	-	(2)	273	-	(729)
CODERE APUESTAS CASTILLA LA MANCHA, S.A.	(500)	-	(186)	(247)	-	(933)
ALTA CORDILLERA, S.A.	(27,464)	-	(11,635)	5,141	-	(33,959)
RED AEAM S.A.	(60)	-	(4)	(2)	-	(65)
ASOCIACION EN PARTICIPACION	(13,476)	-	(10,051)	(2,629)	-	(26,157)
CODERE APUESTAS GALICIA S.L.	(2,000)	-	(184)	125	-	(2,059)
CODERE APUESTAS MELILLA, S.A.	(60)	-	-	-	-	(60)
ADMINIST.MEXICANA HIPODROMO II S.A. C.V.	(1,456)	-	(524)	(589)	-	(2,569)
ADMINIST.MEXICANA HIPODROMO III S.A. C.V.	(1,505)	-	766	105	-	(635)
ADMINIST.MEXICANA HIPODROMO IV S.A. C.V.	(2,787)	-	1,581	93	-	(1,113)
ADMINIST.MEXICANA HIPODROMO S.A. C.V.	(109,256)	(5,680)	(66,854)	(13,676)	-	(195,466)
CODERE APUESTAS MURCIA S.L.	(1,000)	-	535	419	-	(46)
CODERE APUESTAS EXTREMADURA, S.A.	(1,000)	-	1	112	-	(887)
CODERE APUESTAS LA RIOJA, S.A.	(1,000)	-	18	71	-	(910)
CODERE ARGENTINA S.A.	(132)	(726)	1,242	(18,191)	-	(17,807)
BINGOS CODERE S.A.	(2,135)	-	1,619	(1,929)	-	(2,444)
BINGOS DEL OESTE S.A.	(40)	-	(899)	1,404	-	465
BINGOS PLATENSES S.A.	-	-	(1,121)	(9,303)	-	(10,424)
BINTEGRAL S.P.A.	(300)	-	(13,300)	(1,070)	-	(14,670)
PALACE BINGO , SRL	(60)	(280)	(22)	(1,579)	-	(1,941)
CODERE APUESTAS ARAGÓN, S.L.	(1,000)	-	365	218	-	(417)
CODERE APUESTAS ESPAÑA, S.L.	(662)	(32,286)	67,116	(211)	-	33,957
CODERE ALICANTE S.L.	(875)	-	413	(291)	-	(754)
CODERE CASTILLA LEON, S.L.U.	(3)	-	-	2	-	(1)

Company	Share capital	Share premium	Reserves	Profit/(loss)	Interim dividend	Equity
CODERE AMÉRICA S.A.	(83,350)	-	(80,771)	95	-	(164,026)
CODERE APUESTAS NAVARRA, S.A.	(2,000)	-	832	359	-	(809)
CARRASCO NOBILE, S.A.B DE C.V	(17,700)	-	8,434	17,230	-	7,964
OPERADORA CANTABRIA, S.A. C.V.	(25,338)	-	116,864	26,438	-	117,965
CARTAYA S.A.	(120)	-	(130)	(7)	-	(257)
CODERE APUESTAS, S.A.	(60)	-	3,866	3,315	-	7,121
CODERE ASESORÍA S.A.	(60)	-	(3,630)	4	-	(3,686)
CODERE APUESTAS VALENCIA, S.A.	(2,000)	-	744	906	-	(350)
CODERE BRASIL LTDA.	(4,987)	-	37,295	20,330	-	52,637
CODERE COLOMBIA S.A.	(10,167)	(15,962)	4,551	489	-	(21,089)
CENT.CONVENC.AMERICAS, S.A. DE C.V.	(3)	-	3	-	-	-
CODERE DISTRIBUCIONES S.L.	(3)	-	37	26	-	60
CODERE ONLINE,S.A.	(100)	-	3,174	593	-	3,667
CODERE SERVICIOS, S.L.U	(3)	-	14	473	-	484
CALLE ICELA, S.A. DE C.V.	(3)	-	4	169	-	171
CALLE DEL ENTRETENIMIENTO, S.A. DE C.V.	(4)	-	843	(47)	-	792
CODERE ESPAÑA S.L.	(2,613)	(5,185)	170,263	(365)	-	162,100
CODERE FILIAL 8 S.L.	(60)	-	(23)	(67)	-	(151)
CODERE FINANCE (LUXEMBURG), S.A.	(35)	(12,140)	174	18,899	-	6,897
CODERE FINANCE II, S.A.	(37)	-	-	40	-	3
CODERE FINANCE (U.K.), S.A.	(2,177)	-	-	1,285	-	(891)
CODERE GAMING ITALIA SRL.	(10)	-	187	147	-	324
CODERE GIRONA S.A.	(126)	-	(9,573)	(856)	-	(10,555)
CODERE GUADALAJARA S.A.	(3)	-	57	(163)	-	(110)
CODERE CHILE LTDA.	(20,153)	-	(9,713)	13	-	(29,853)
CODERE HUESCA S.L.	(5)	-	(520)	(199)	-	(724)
CODERE INTERNACIONAL DOS, S.A.U	(436)	-	215,615	(23,720)	-	191,460
CODERE INTERNACIONAL S.L.	(85,727)	(25,270)	(67,619)	14,235	-	(164,381)
CODERE ITALIA SPA.	(15,000)	-	(28,000)	8,163	-	(34,837)
CODERE INTERACTIVE, INC.	(10)	-	1,251	182	-	1,423
CODERE INTERACTIVA, S.L.	(30)	-	851	(55)	-	766
CODERE LATAM	-	-	-	-	-	-

Company	Share capital	Share premium	Reserves	Profit/(loss)	Interim dividend	Equity
CODERE LOGROÑO	(6)	-	(56)	(89)	-	(150)
CODEMÁTICA SRL.	(10)	-	(90)	148	-	48
CODERE MÉXICO S.A.	(197,394)	(33)	(161,819)	46,092	-	(313,153)
CODERE S.A.	(11,007)	(231,280)	375,181	39,359	-	172,253
COLONDER S.A.	(9,761)	-	(315,062)	(29,251)	-	(354,074)
COMERCIAL YONTXA S.A.	(481)	-	(4,580)	(925)	-	(5,985)
CODERE SAGUNTO S.L.	(868)	-	10	(172)	-	(1,030)
CODERE SERVICIOS COMPARTIDOS, S.A.	(60)	-	1	-	-	(59)
CRISTALTEC SERVICE SRL	(10)	-	(1,705)	52	-	(1,663)
CODERE URUGUAY S.A.	(12,085)	-	2,722	(2,643)	-	(12,006)
DESARROLLO ONLINE JUEGOS REGULADOS, S.A.	(1,753)	-	1,793	539	-	579
DP SERVICE S.R.L.	(90)	(315)	(3,601)	702	-	(3,304)
ENTRETENIMIENTO RECREATIVO S.A.	(50,562)	-	(18,128)	(1,199)	-	(69,889)
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	(24,036)	-	(51,757)	994	-	(74,799)
FG SLOT SERVICES S.R.L.	(116)	-	(365)	15	-	(465)
GAP GAMES, S.R.L.	(21)	-	(1,010)	(740)	-	(1,771)
GAMING RE, S.R.L	(10)	-	2,609	413	-	3,013
GARAIPEN VICTORIA APUSTAK, S.L.	(12,229)	-	17,350	2,101	-	7,222
GRUPO CALIENTE. S.A. C.V.	(8)	(16,913)	(1,463)	7	-	(18,377)
GRUPO INVERJUEGO, S.A.	(2,227)	(125)	1,925	5	-	(422)
GIOMAX S.R.L.	(69)	-	(27,280)	433	-	(26,916)
GESTION MARCONI S.R.L.	(11)	-	(3,838)	(654)	-	(4,503)
GAME OVER, S.R.L.	(10)	-	(437)	(70)	-	(517)
GARET, S.R.L.	(110)	-	(770)	(188)	-	(1,068)
HOTEL ICELA, S.A. DE C.V.	(3)	-	4	35	-	37
HOTEL ENTRET.AMH S.A. C.V.	(3)	-	4	-	-	1
HIPPOBINGO FIRENZE, SRL.	(10)	-	-	661	-	651
HIPICA DE PANAMA, S.A.	-	-	5,323	(1,250)	-	4,072
HÍPICA RIOPLATENSE URUGUAY S.A.	(11,670)	-	(6,419)	(5,746)	-	(23,834)
IBERARGEN S.A.	(3,493)	-	(8,804)	(37,411)	-	(49,707)
IMPULSORA CENTR.ENTR.AMERICAS, S.A.C.V.	(170,933)	(3,408)	(43,386)	(12,538)	-	(230,265)
INTERSARE S.A.	(635)	-	(142)	(99)	-	(875)

Company	Share capital	Share premium	Reserves	Profit/(loss)	Interim dividend	Equity
IMPULSORA RECREATIVA AMH,S.A. C.V.	(5)	(1,505)	35	12	-	(1,464)
ITAPOAN S.A.	(342)	-	(636)	(171)	-	(1,149)
JUEGAMAX DE LAS AMERICAS, S.A.DE C.V.	(5)	(1,456)	12	7	-	(1,441)
JOMAHARHO. S.A. C.V.	(5)	(8,101)	(88)	9	-	(8,185)
J.M.QUERO S.A.	(97)	-	472	167	-	542
JPVMATIC 2005 S.L.	(3)	-	(5,058)	(740)	-	(5,801)
KING BINGO S.R.L.	(10)	-	(25)	1,149	-	1,114
KING SLOT S.R.L.	(100)	-	(285)	(1,617)	-	(2,002)
LIBROS FORANEOS, S.A. C.V.	(11,613)	-	108,140	27,005	-	123,531
MIO GAMES S.A. DE C.V.	(844)	(313)	7,608	1,344	-	7,795
MISURI S.A.	(2,542)	-	(4,643)	679	-	(6,506)
NEW JOKER, S.R.L.	(110)	-	(51)	104	-	(57)
CODERE NAVARRA S.A.	(90)	-	-	2	-	(88)
NIDIDEM S.L.	(380)	-	4,075	(1,272)	-	2,423
OPERBINGO ITALIA S.P.A.	(10,180)	-	42,235	(2,914)	-	29,141
OPERAD.ESPECTACULOS DEPORTIV. S.A. C.V.	(2,419)	-	35,285	7,279	-	40,144
OPEROESTE S.A.	(204)	-	(377)	(236)	-	(818)
OPERIBÉRICA S.A.	(2,104)	-	(127,874)	(8,198)	-	(138,176)
OPER SHERKA S.L.	(1,049)	-	(1,232)	(122)	-	(2,403)
PARISIENNE, SRL	(10)	-	(6)	(939)	-	(955)
PGO SERVICE SRL	(92)	(621)	(1,472)	584	-	(1,601)
PROMOJUEGOS DE MEXICO, S.A.	(307)	-	28,971	6,063	-	34,727
EL PORTALÓN S.L.	(3)	-	(194)	(65)	-	(262)
PROM. REC. MEXICANAS S.A.	(1,790)	-	10,193	(161)	-	8,242
RECREATIVOS ACR, S.L.	(24)	-	(114)	(81)	-	(219)
RECREATIV.CODERE S.A. DE C.V.	(3)	-	21	9	-	28
COMPAÑIA RECREATIVOS DE PANAMA, S.A.	(3,988)	-	-	-	-	(3,988)
RESTI Y CíA. S.L.	(3)	-	(56)	(96)	-	(155)
RETE FRANCO ITALIA S.P.A.	(2,000)	-	(18,159)	(6,891)	-	(27,050)
RECREATIVOS MARINA, S.A.	(3)	-	1,053	1,082	-	2,132
RECREATIVOS OBELISCO S.L.	(37)	(703)	505	(115)	-	(349)
ROYAL JACKPOT SRL	(20)	-	(53)	2	-	(71)

Company	Share capital	Share premium	Reserves	Profit/(loss)	Interim dividend	Equity
SERVICIOS ADMINIST.HIPODROMO, S.A. DE C.V.	(3)	-	477	173	-	647
SECOFACH, S.A. DE C.V.	(3)	-	1,979	18	-	1,994
SEVEN CORA, SRL.	(20)	-	(1,846)	313	-	(1,553)
SIMULCASTING BRASIL SOM E IMAGEM, LTDA	-	-	-	-	-	-
SIGIREC S.L.	(96)	-	(462)	(32)	-	(590)
SAN JAIME S.A.	(87)	-	26	(19)	-	(80)
SORTIJUEGOS, S.A. DE C.V.	(29)	-	(6,445)	1,059	-	(5,416)
INTERBAS S.A.	(611)	(3,347)	(2,344)	(12,490)	-	(18,791)
INTERJUEGOS S.A. (ARG)	(2)	(1,387)	(1,612)	(5,381)	-	(8,382)
INTERMAR BINGOS S.A.	(7)	-	2	(4,988)	-	(4,993)
UTE-BOES S.A.	(2,255)	-	205	403	-	(1,647)
VASA E AZZENA SERVICE S.R.L.	(10)	-	(1,740)	114	-	(1,636)
VEGAS S.R.L.	(10)	-	(3,600)	23	-	(3,587)

APPENDIX III
DIRECTOR DECLARATIONS REGARDING CONFLICTS OF INTEREST

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

Director/Related party	Entity (*)	Post/Duty	Direct shares	Direct shareholding %	Indirect shareholding %
Jose Antonio Martínez Sampedro	Francomar Investments S.A.	Chairman CEO (acting joint and severally)	26,000	52%	
Jose Antonio Martínez Sampedro	Promobowling S.A.		79	0.124%	51.35%
Jose Antonio Martínez Sampedro	Centros de Ocio Familiar S.L.				25.74%
Jose Antonio Martínez Sampedro	Magic Recreativos S.L.U.				51.47%
Jose Antonio Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.	Director (acting joint and severally)			26%
Jose Antonio Martínez Sampedro	Planet Bowling S.L. (en liquidación)				51.47%
Jose Antonio Martínez Sampedro	Promobowling Levante S.A.U.				51.47%
Jose Antonio Martínez Sampedro	Tui Play S.L. (en liquidación)				20.22%
Jose Antonio Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.				26.52%
Luis Javier Martínez Sampedro	Francomar Investments S.A.	Board member and CEO (acting joint and severally)	6,000	22%	
Luis Javier Martínez Sampedro	Promobowling S.A.		79	0.124%	21.72%
Luis Javier Martínez Sampedro	Centros de Ocio Familiar S.L.				10.86%
Luis Javier Martínez Sampedro	Magic Recreativos S.L.U.				21.72%
Luis Javier Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.				6%
Luis Javier Martínez Sampedro	Planet Bowling S.L. (en liquidación)				21.72%
Luis Javier Martínez Sampedro	Promobowling Levante S.A.U.				21.72%
Luis Javier Martínez Sampedro	Tui Play S.L. (en liquidación)				4.67%
Luis Javier Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.				6.12%
Luis Javier Martínez Sampedro	Recreativos Metropolitano S.L.	Sole director	46,590	100%	

Director/Related party	Entity (*)	Post/Duty	Direct shares	Direct shareholding %	Indirect shareholding %
Ms. Maria Carmen Martínez Sampedro	Francomar Investments S.A.	Board member and CEO (acting joint and severally)	6,000	12%	
Ms. Maria Carmen Martínez Sampedro	Promobowling S.A.	Sole director	475	0.748%	11.85%
Ms. Maria Carmen Martínez Sampedro	Centros de Ocio Familiar S.L.				6.29%
Ms. Maria Carmen Martínez Sampedro	Magic Recreativos S.L.U.	Sole director			12.60%
Ms. Maria Carmen Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.				6%
Ms. Maria Carmen Martínez Sampedro	Planet Bowling S.L. (en liquidación)				12.60%
Ms. Maria Carmen Martínez Sampedro	Promobowling Levante S.A.U.	Sole director			12.60%
Ms. Maria Carmen Martínez Sampedro	Tui Play S.L. (en liquidación)				4.67%
Ms. Maria Carmen Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.				6.12%
Ángel Martínez Sampedro	Francomar Investments S.A.		1,000	2%	
Ángel Martínez Sampedro	Promobowling S.A.		80	0.126	1.98%
Ángel Martínez Sampedro	Centros de Ocio Familiar S.L.				1.05%
Ángel Martínez Sampedro	Magic Recreativos S.L.U.				2.10%
Ángel Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.				1%
Ángel Martínez Sampedro	Planet Bowling S.L. (en liquidación)				2.10%
Ángel Martínez Sampedro	Promobowling Levante S.A.U.				2.10%
Ángel Martínez Sampedro	Tui Play S.L. (en liquidación)				0.78%
Ángel Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.				1.02%
Encarnación Martínez Sampedro	Francomar Investments S.A.	Secretary and CEO (acting joint and severally)	6,000	12%	
Encarnación Martínez Sampedro	Promobowling S.A.		79	0.124%	11.85%

Director/Related party	Entity (*)	Post/Duty	Direct shares	Direct shareholding %	Indirect shareholding %
Encarnación Martínez Sampedro	Centros de Ocio Familiar S.L.				5.98%
Encarnación Martínez Sampedro	Magic Recreativos S.L.U.				11.97%
Encarnación Martínez Sampedro	Material Auxiliar de Juego Internacional Majisa S.A.				6%
Encarnación Martínez Sampedro	Promobowling Levante S.A.U.				11.97%
Encarnación Martínez Sampedro	Planet Bowling S.L. (en liquidación)				11.97%
Encarnación Martínez Sampedro	Tui Play S.L. (en liquidación)				4.67%
Encarnación Martínez Sampedro	Material Auxiliar de Juego Internacional de Colombia S.A.				6.12%
Joseph Zappala	Tucson Greyhound Park	Chairman		80%	

(*) The above information refers solely to non-Codere Group companies.

CONSOLIDATED DIRECTORS' REPORT FOR 2015

The Codere Group's business performance

During 2015, EBITDA has reflected an increase in Argentina mainly due to the appreciation of the Argentinian peso against the euro and the increased number of machines, in Mexico due to the higher number of machines and savings measures applied on expenditure, and in Italy to lower expenses due to the costs associated with the resolution of the litigation at the Court of Auditors recorded in 2014. This increase is offset by the cost of financial advice for debt restructuring in the parent company.

Investments in 2015 totalled 65.9 million euros compared with 54.2 million euros in 2014, of which 47 million euros related to maintenance and 65.9 million euros to investment in growth.

Highlights of the year include the following:

- *Restructuring of the Company's debt*

Note 3 f) describes in detail the terms of the agreements signed in connection with the company's debt restructuring process.

- *Italian Stability Law*

The Stability Law enacted in Italy on 29 December 2014 included the implementation of a new tax for 2015 on gaming companies in Italy amounting to 500 million euros per annum. The annual payment, as from 2015, was to be distributed among the 13 network concession holders based on the number of interconnected machines of each operator. Codere Network, S.p.A will be required to pay 22 million euros according to a report published by the AAMS dated 15 January 2015. This amount will be distributed among all participants in the value chain of Codere Network, S.p.A.

Of the 22.4 million euros corresponding to Codere Network, S.p.A., 12.9 million euros has been paid to the AAMS at the date of these financial statements, and approximately 9.5 million euros has yet to be collected and paid in. The Group considers, based on the opinion of its legal advisers, that the outstanding amount is not the responsibility of Codere Network, S.p.A and the obligation to assume payment rests with the other participants in the value chain of Codere Network, S.p.A. which are not Codere Group companies.

The Italian companies in the Codere Group also paid a total of 1.4 million euros with respect to taxes under the Stability Law for machines connected to other concessionaires.

- *Impairment testing of assets*

An asset impairment provision of 7.9 million euros has been recognised in the Italy unit and an asset impairment in the Colombia unit amounting to 4.8 million euros has been reversed.

Group's financial results

Operating income

Operating income increased 253.9 million euros (18.3%) during the year to 1,639.5 million euros mainly due to (i) increase in Argentina (192.7 million euros) resulting in part from the appreciation of the Argentinian peso against the euro the higher average per machine in local currency and the higher number of machine posts, (ii) the increase in Italy (20.4 million euros), due largely to a higher average per machine and a greater number of machine posts, and (iii) Panamá (14.8 million euros) mainly because of the appreciation of the dollar against the euro.
.

Operating expenses

Operating expenses increased by 148.7 million euros (10.9%), to 1,510.2 million euros. This increase has been very significant in Argentina (142.3 million euros) and Panama (18.9 million euros), largely due to the appreciation of the

Argentinian peso and the dollar against the euro, the impact of which has overcome the process re-engineering efforts deployed in these businesses, though this has been partially offset by the decrease in Mexico (20.1 million euros).

Gain/(loss) on disposals of assets

Fixed asset disposals generated a loss of 4.9 million euros compared with a loss of 3.3 million euros recorded in 2014. This loss mainly derives from disposals of machinery in Mexico.

Operating profit

In 2015, operating profit increased by 103.7 million euros to 124.4 million euros. The operating margin grew to 7.6%, against a loss of 1.5% in the comparable period in 2014.

EBITDA

EBITDA rose by 104.9 million euros (70%) to 254.6 million euros mainly due to increases in Argentina (52.7 million euros), Italy (22.2 million euros) and Mexico (16.4 million euros). The EBITDA margin decreased to 8.7% compared to 13.4% for the comparable period last year.

Financial expenses

Financial expenses increased by 8.2 million euros (5.5%) to 156.4 million euros. This increase is primarily attributable to higher costs associated with the Senior Credit Facility, including default interest, and interest on overdue bonds and unpaid coupons, the appreciation of the dollar against the euro because of its impact on USD Notes and other financing or refinancing in Uruguay (Carrasco).

Corporate income tax

Corporate income tax increased by 22.3 million euros to 63.2 million euros, due mainly to the increase in pre-tax profits in Argentina and the tax impact of the deductibility of the payment in the *Corte dei Conti* proceedings (10.4 million euros) in 2014.

Profit/(loss) attributable to non-controlling interests

The profit attributable to non-controlling interests decreased in 2015 by 8.6 million euros to 26.3 million euros compared with 34.9 million euros in 2014. This decrease is mainly due to a lower level of after-tax losses in the Joint Licensees together with the change in percentage interest in Casino Carrasco from 51% in 2014 to 73.7% in 2015.

Profit /(loss) attributable to the Parent Company

Mainly due to the effects described in the preceding paragraphs, results attributable to the parent company in 2015 consisted of a loss of 113.1 million euros compared with a loss of 173 million euros in 2014.

Disclosure on deferral of payments to suppliers.

The average payment period to Spanish company suppliers is 30 days.

A more detailed description of deferrals in payments to suppliers can be found in Note 19 above.

Personnel

At 31 December 2015 the Group employed a total of 13,331 persons, this being 1,850 employees less than at 31 December 2014.

Environmental information

At 31 December 2015 there are no policies aimed at protecting the environment.

Research and development expenditure

At 31 December 2015, the Group has not incurred any R&D costs.

Treasury shares

As mentioned in Note 17, on 27 June 2013 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.

Outlook for the Group

For 2016, the Group intends to continue implementing financial measures designed to boost free cash flow generation. Investments forecast for 2016 will mainly centre on maintenance at gaming halls and specific product renovation.

Group's main risks

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 alliances with third parties.

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