Independent Audit Report

CODERE, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2016

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

INDEPENDENT AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Codere, S.A.:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Codere, S.A. (the parent company) and its subsidiaries (the Group), which comprise consolidated statement of financial position at December 31, 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended.

Directors' responsibility for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity and consolidated financial position and the consolidated results of Codere, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with prevailing audit regulations in Spain. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit requires performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements by the directors of the parent company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Codere, S.A. and its subsidiaries at December 31, 2016, and its consolidated results and consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions in the regulatory framework for financial information applicable in Spain.

Other matters

On February 26, 2016 other auditors issued their audit report on the 2015 consolidated financial statements, in which they expressed an unqualified opinion.

Report on other legal and regulatory requirements

The accompanying consolidated 2016 management report contains such explanations as the directors of the parent company consider appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2016 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of Codere, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

Rafael Páez Martínez

February 27, 2017

CODERE, S.A. AND SUBSIDIARIES

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

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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	Year ended 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.

(Thousands of euros)

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

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

	Annual amortization rate
Gaming licenses	2.5% - 11%
Exclusivity rights	15% - 25%
Installation rights	10% - 33%
Customer portfolios	4.5% - 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) Tax lawsuits in Mexico

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.

(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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(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**

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).

(Thousands of euros)

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**

(Thousands of euros)

(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, 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:

2016	Balance at Dec. 31, 2015	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2016
						Thousands of euros
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.

2015	Balance at Dec. 31, 2014	Business combination	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2015
							Thousands of euros
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%	
AcplI 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**

	Thousands of euros					
2015	**Balance at Dec. 31, 2014**	**Business combination**	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Dec. 31, 2015**
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.
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.
Bintegral S.p.a.
Parisienne 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.
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.	Sports-betting		100%	CODERE APUESTAS	100%	CODERE APUESTAS

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
Polígono Industrial Capellanías, Travesía 1, Parcela 105, Nave 11 10005 Cáceres		Full		ESPAÑA S.L.U.		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.
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	Operation, distribution and	Full	50%	OPERIBERICA, S.A.U.	50%	OPERIBERICA, S.A.U.

			2016		2015	
			%		%	
Name	Business activity	Consolidation method	Shareholding	Held through	Shareholding	Held through
Alcobendas (Madrid)	sale of gaming machines					
CODERE HUESCA, S.L. 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. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Financial services	Full	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.	Financial services		100%	-	100%	-

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
Avda. de Bruselas, 26 28108 Alcobendas (Madrid)		Full				
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.
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.

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
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.
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.
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						

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
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 INTERNACIONAL S.A.U.	99.99%	COLONDER, S.A.U., NIDIDEM S.L.U., CODERE LATAM, S.L. & CODERE 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.

			2016		2015	
			%		%	
Name	Business activity	Consolidation method	Shareholding	Held through	Shareholding	Held through
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.
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.
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	Bingo hall operation	Full	85%	OPERBINGO ITALIA,	85%	OPERBINGO ITALIA,

			2016		2015	
			%		%	
Name	Business activity	Consolidation method	Shareholding	Held through	Shareholding	Held through
Maddaloni (Ce), Italy				S.P.A.		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 Colleferro (RM)	Bingo hall operation	Full	51%	CRISTALTEC SERVICE, S.R.L.	51%	CRISTALTEC SERVICE, S.R.L.
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:

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, 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%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. & SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.	84.80%	IMPULSORA CENTRO DE 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 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 VIRTUAL S.A DE C.V.	84.80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, 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.

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
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. 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.	Development, construction, organization, operation and	EM	49%	CODERE MÉXICO, S.A. DE C.V.	49%	CODERE MÉXICO, S.A. DE C.V.

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 Held through
Miguel Hidalgo Mexico City	acquisition of and equity investments in other companies					
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. & COMERCIALIZADORA 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 Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Mexico City	Gaming room operation	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. & 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 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.

Name	Business activity	Consolidation method	2016 % Shareholding	2016 Held through	2015 % Shareholding	2015 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.
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:						

			2016		2015	
			%		%	
Name	**Business activity**	**Consolidation method**	**Shareholding**	**Held through**	**Shareholding**	**Held through**
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.

ANNUAL CORPORATE GOVERNANCE REPORT

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC COMPANIES

IDENTITY OF THE ISSUER

DATE OF CLOSE OF THE YEAR OF REFERENCE	31/12/2016

CIF (TAX REGISTRATION NUMBER)	A-82110453

REGISTERED OFFICES
AVENIDA DE BRUSELAS, 26 (ALCOBENDAS), MADRID

A. OWNERSHIP STRUCTURE

A.1 Fill in the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
13/04/2016	505,942,912.20	2,529,714,561	2,529,714,561

Indicate whether there are different kinds of shares with different rights associated:

Yes No X

A.2 Detail the direct and indirect holders of significant holdings in the Company at the close of the year:

Name or Company name of the shareholder rights	Number of direct voting rights	Number of indirect voting rights	%of total voting rights
MR DAVID ABRAMS	0	222,317,639	1.73%
ACPII EUROPE S.A.R.L.	178,625,789	0	7.06%
ALDEN GLOBAL CAPITAL LLC	0	172,988,582	0.00%
AGBPI FUND LTD	28,217,975	0	1.12%
TURNPIKE LIMITED	56,527,253	0	2.23%
ALDEN GLOBAL OPPORTUNITIES MASTER FUND L.P.	88,243,354	0	3.49%
MR EDWARD ARNOLD MULE	0	590,922,076	1.56%
SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	551,354,883	0	21.80%
MR JON R. BAUER	0	183,996,037	7.27%
PRUDENTIAL PLC	0	271,761,974	10.74%
INVESCO LIMITED	0	92,023,087	3.64%
VR GLOBAL PARTNERS L.P.	62,780,491	0	2.48%

Name or Company name of the indirect holder of the stake	Through: Name or Company name of the direct holder of the stake	Number of voting rights
MR DAVID ABRAMS	ACPII EUROPE S.A.R.L.	178,625,789
MR DAVID ABRAMS	ABRAMS CAPITAL MANAGEMENT LP	43,691,850
ALDEN GLOBAL CAPITAL LLC	AGCPI FUND LTD	28,217,975
ALDEN GLOBAL CAPITAL LLC	ALDEN GLOBAL OPPORTUNITIES MASTER FUND LP	88,243,354
ALDEN GLOBAL CAPITAL LLC	TURNPIKE LIMITED	56,527,253
MR EDWARD ARNOLD MULE	SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	551,354,883
MR EDWARD ARNOLD MULE	SPCP GROUP III LLC	39,567,193
MR JON R. BAUER	CONTRARIAN CAPITAL MANAGEMENT LLC	183,996,037
PRUDENTIAL PLC	DEBT INVESTMENT OPPORTUNITIES III DESIGNATED ACTIVITY COMPANY	132,615,405
PRUDENTIAL PLC	M&G DEBT OPPORTUNITIES FUND II LIMITED	84,691,010
PRUDENTIAL PLC	M&G INVESTMENT MANAGEMENT LIMITED	54,455,559
INVESCO LIMITED	INVESCO ASSET MANAGEMENT LIMITED	92,023,087

Indicate the most significant movements in the shareholder structure during the year:

Name or Company name of the shareholder	Date of the operation	Description of the operation
ACPII EUROPE S.A.R.L.	13/04/2016	Exceeded 5% of the share capital
MR DAVID ABRAMS	13/04/2016	Exceeded 5% of the share capital
ALDEN GLOBAL CAPITAL LLC	13/04/2016	Exceeded 5% of the share capital
ALDEN GLOBAL OPPORTUNITIES MASTER FUND LP	13/04/2016	Exceeded 3% of the share capital
AGBPI FUND LTD	08/06/2016	Exceeded 1% of the share capital (tax havens only)
TURNPIKE LIMITED	13/04/2016	Exceeded 1% of the share capital (tax havens only)
TURNPIKE LIMITED	07/10/2016	Exceeded 2% of the share capital (tax havens only)
MR EDWARD ARNOLD MULE	13/04/2016	Exceeded 20% of the share capital
SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	13/04/2016	Exceeded 20% of the share capital
MR JON R. BAUER	13/04/2016	Exceeded 5% of the share capital
VR GLOBAL PARTNERS LP	20/04/2016	Exceeded 2% of the share capital (tax havens only)
INVESCO LIMITED	13/04/2016	Exceeded 3% of the share capital
PRUDENTIAL PLC	11/08/2016	Exceeded 10% of the share capital
M&G DEBT OPPORTUNITIES FUND II LIMITED	17/06/2016	Exceeded 3% of the share capital
DEBT INVESTMENT OPPORTUNITIES III DESIGNATED ACTIVITY COMPANY	19/08/2016	Exceeded 5% of the share capital
DEBT INVESTMENT OPPORTUNITIES III DESIGNATED ACTIVITY COMPANY	11/08/2016	Exceeded 3% of the share capital
PRUDENTIAL PLC	13/04/2016	Exceeded 5% of the share capital
MR GERT JAN KOOMEN	13/04/2016	Exceeded 3% of the share capital
MR GERT JAN KOOMEN	10/08/2016	Fell under 3% of the share capital
MR GERT JAN KOOMEN	20/09/2016	Fell under 2% of the share capital (tax havens only)
MR GERT JAN KOOMEN	07/10/2016	Fell under 1% of the share capital (tax havens only)
M&G DEBT OPPORTUNITIES FUND LIMITED	13/04/2016	Exceeded 3% of the share capital
M&G DEBT OPPORTUNITIES FUND LIMITED	11/08/2016	Fell under 3% of the share capital
P CONTRARIAN EM LIMITED	13/04/2016	Exceeded 1% of the share capital (tax havens only)
P CONTRARIAN EM LIMITED	28/06/2016	Fell under 1% of the share capital (tax havens only)
SOTHIC CAPITAL EUROPEAN OPPORTUNITIES MASTER FUND LTD	13/04/2016	Exceeded 3% of the share capital
SOTHIC CAPITAL EUROPEAN OPPORTUNITIES MASTER FUND LTD	10/08/2016	Fell under 3% of the share capital
SOTHIC CAPITAL EUROPEAN OPPORTUNITIES MASTER FUND LTD	20/09/2016	Fell under 2% of the share capital (tax havens only)
SOTHIC CAPITAL EUROPEAN OPPORTUNITIES MASTER FUND LTD	07/10/2016	Fell under 1% of the share capital (tax havens only)

MASAMPE HOLDING B.V.	13/04/2016	Fell under 50% of the share capital

A.3 Fill in the following tables about members of the company's board of directors who hold voting rights to company shares:

Name or company name of the Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JOSE ANTONIO MARTINEZ SAMPEDRO	67,187	358,406,557	14.17%
MR LUIS JAVIER MARTINEZ SAMPEDRO	61,821,194	1,396,035	2.50%
MASAMPE, S.L.	358,406,557	0	14.17%
MR JOSEPH ZAPPALA	278,738	0	0.01%

Name of Company name of the indirect stakeholder	Through: Name or company name of the direct stakeholder	Number of voting rights
MR JOSE ANTONIO MARTINEZ SAMPEDRO	MASAMPE, S.L.	358,406,557
MR LUIS JAVIER MARTINEZ SAMPEDRO	RECREATIVOS METROPOLITANO S.L.	100,000
MR LUIS JAVIER MARTINEZ SAMPEDRO	M GLOBAL SOLUTIONS – GLOBAL ASSETS BRISA	1,296,035
Total % of voting rights in possession of the Board of Directors		16.68%

Fill in the following tables about the members of the company board of directors who hold rights over company shares

A.4 Indicate the relations of a family, commercial, contractual or corporate nature, if any, between holders of significant stakes, insofar as the company knows them, unless they are hardly relevant or arise from ordinary commercial traffic:

Name or Company name of related party
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
MR LUIS JAVIER MARTÍNEZ SAMPEDRO

Kind of relations: Family

Brief description:

Mr José Antonio Martínez Sampedro and Mr Luis Javier Martínez Sampedro are brothers.

Name or Company name of related party
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
MASAMPE S.L.

Kind of relations: Corporate

Brief description: Mr José Antonio Martínez Sampedro is the Sole Director and majority shareholder in Masampe S.L.

A.5 Indicate the commercial, contractual or corporate relations, if any between holders of significant stakes and the Company and/or its group, uncles they are hardly relevant or arise from ordinary commercial traffic:

Name or company name of related parties
MASAMPE S.L.
CODERE S.A.

Kind of relations: Corporate

Brief description:

Masampe S.L., significant shareholder in the Company, is Director of the Company.

Name or company name of related party
SILVER POINT LUXEMBOURG PLATFORM SARL
CODERE FINANCE (LUXEMBOURG) S.A.

Kind of relations:
Contractual

Brief description
The contractual relationship arises between Silver Point Finance LLC (a Company included in the same Group as the significant shareholder Silver Point Luxembourg Platform SARL) and Codere Finance (Luxembourg) S.A. During the restructuring process, it was agreed (and authorized by the Board of Directors on February 2nd 2016, before this Company become a significant shareholder of Codere S.A.), that a Monitor Committee composed by the major creditors of the Company will monitor the performance of the Company post-restructuring. For that purpose, the Monitor Committee could hire consultants and advisors. The Committee would be responsible for paying to these consultants or advisors, but Codere would be obliged to reimburse the costs to the Monitor Committee. Based on that agreement, Codere has reimbursed to Silver Point the costs that said Company paid to the consultants and advisors that the Monitor Committee has hired.

Name or company name of related party
SILVER POINT LUXEMBOURG PLATFORM SARL
CODERE NEWCO S.A.U.

Kind of relations:
Contractual

Brief description
The contractual relationship arises between Silver Point Finance LLC (a Company included in the same Group as the significant shareholder Silver Point Luxembourg Platform SARL) and Codere Newco S.A.U. During the restructuring process, it was agreed (and authorized by the Board of Directors on February 2nd 2016, before this Company become a significant shareholder of Codere S.A.), that a Monitor Committee composed by the major creditors of the Company will monitor the performance of the Company post-restructuring. For that purpose, the Monitor Committee could hire consultants and advisors. The Committee would be responsible for paying to these consultants or advisors, but Codere would be obliged to reimburse the costs to the Monitor Committee. Based on that agreement, Codere has reimbursed to Silver Point the costs that said Company paid to the consultants and advisors that the Monitor Committee has hired.

A.6 Indicate if any shareholder agreements have been reported to the Company that affect it pursuant to articles 530 and 531 of the Capital Enterprises Act (*Ley de Sociedades de Capital*).If so, describe them briefly and the shareholders bound by the agreement:

Participants in the shareholders' agreement
MASAMPE, S.L.
MR LUIS JAVER MARTÍNEZ SAMPEDRO
SILVER POINT FINANCE LLC
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

Percentage of share capital affected: 97.00%

Brief description of the agreement:

Concerning the agreement reached by the Company to restructure the Group debt and capital, shareholder agreements were signed on the 6th of April 2016 (Relevant Event 237,456), duly reported to the National Securities Market Commission (CNMV) and published on the corporate web site, with a view to regulating relations between the Company and its shareholders, including the principles of governance of the Company and the terms and conditions governing the transmission of shares and the exit mechanisms that could be activated at the time.

Indicate whether the Company knows of the existence of concerted actions among its shareholders. If so, describe them briefly:

Yes No X

If there has been any modification or breach of said covenants or agreements or concerted actions during the year, indicate expressly:

Not applicable

A.7 Indicate whether there is any physical person or legal entity that exercises or could exercise control over the Company pursuant to article 4 of the Securities Market Act (*Ley del Mercado de Valores*). If so, identify them:

Yes No X

A.7 Indicate whether there is any physical person or legal entity that exercises or could exercise control over the Company pursuant to article 4 of the Securities Market Act (*Ley del Mercado de Valores*). If so, identify them:

Yes No X

Remarks

A.8 Complete the following tables about the company's treasury shares portfolio:

At the close of the year:

Number of direct shares	Number of indirect shares(*)	Total % of share capital
306,733	0	0.01%

(*) Through:

Detail the significant variations, pursuant to Royal Decree 1362/2007, made during the year:

Explain the significant variations

A.9 Detail the conditions and the term of the valid mandate of the general meeting of shareholders to the board of directors to issue, buy back or transfer of treasury stock.

The General Meeting of Shareholders held on the 27th of June 2013 adopted the following as item four of the agenda:

1. Leaving null and void, the unused part, authorisation to acquire treasury stock conferred under item nine of the agenda of the General Meeting of Shareholders held on the 10th of May 2012, authorise, pursuant to the applicable legislation, the re-purchase, at any time and as many times may deemed fit, by Codere, S.A., either directly or through any subsidiary company to which it is the parent company, of treasury stock, totally paid up, through purchase and sale or by any other legal title involving the payment of a fee.

The minimum acquisition price or consideration will be the nominal value of the treasury stock acquired and the maximum, the result of increasing the listed value on the date of acquisition by 20 percent.

This authorisation is granted for a term of five years from the date of this General Meeting, and it is expressly subject to the limitation that the nominal value of the treasury stock acquired by virtue of this authorisation, plus the value of the stock that Codere, S.A. already holds, along with any held by any of its subsidiary companies, may not, at any time, exceed the maximum permitted by law.

The minutes will expressly show that this authorisation can be used partially or in full for acquiring treasury stock to be delivered to or transferred to workers or directors of the Company, or as a consequence of exercising the option rights that these hold.

2. Authorise the Board of Directors, in the broadest possible terms, to exercise the authorisation covered by this resolution and to carry out all the other provisions contained therein. The Board of Directors in any Director, the Secretary or Deputy Secretary or any other person that the Board of Directors may empower expressly for the purpose, may delegate said powers.

A.9.bis Estimated free-float capital:

	%
Estimated Free-Float Capital	20.18

A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on the right to vote. In particular, the existence of any kind of restriction that could impede taking control of the company by acquiring its shares in the market will be reported.

Yes X No

Description of the restrictions

Article 11 of the Corporate By-laws establishes that "each share will entitle the holder to one vote, although a single shareholder, the companies belonging to the same group or whomsoever may act in a concerted fashion with the former may not under any circumstances, issue a number of votes that is greater than the number corresponding to shares representing a percentage of 44% of the share capital at a General Meeting of Shareholders, even if the number of shares that said party or parties possess exceeds said percentage of the share capital, notwithstanding article 527 of the Capital Enterprises Act.

This limitation does not affect the votes of the shares over which the shareholder holds the proxy as a consequence of article 13 below, although the aforementioned limitation shall be applicable to the number of votes held by each shareholder represented".

The Corporate By-laws do not include any restrictions on the transferability of securities. The shareholders' agreements mentioned in reply to question A.6 however, do include certain obligations between the parties in Chapter 10, concerning the transfer of securities (obligation whereby the acquirer has to stick to the shareholder pact and a prohibition preventing any person or group of people from acting in a concerted manner to hold a proportional holding greater than 44% before the 1st of January 2017).

A.11 Indicate whether the general assembly has resolved to adopt measures to neutralise a takeover bid by virtue of Act 6/2007.

Yes No X

If so, explaining the measures adopted and the terms under which the restrictions will be rendered inefficient:

A.12 Indicate whether the Company has issued securities that are not traded on a regulated EU market.

Yes No X

If so, indicate the different kinds of shares and the rights and obligations conferred by each kind of share.

B GENERAL MEETING

B.1 Indicate whether there are differences from the minimum regime established in the Capital Enterprises Act (LSC, as is known in Spanish) concerning the quorum for constituting the general meeting, and if so detail.

Yes No X

B.2 Indicate whether there are differences from the regime established in the Capital Enterprises Act (LSC) for adopting corporate resolutions, and if so detail:

Yes X No

Describe the difference from the regime established in the LSC.

	Reinforced majority different from the one established in article 201.2 LSC for cases covered by article 1941. LSC	Other instances of reinforced majority
% established by the entity for adopting resolutions	50.10%	50.10%

Describe the differences

Article 21 of the Corporate By-Laws establishes that, in general, resolutions shall be adopted by absolute majority of the votes cast by the shareholders present in person or by proxy.

The following resolutions however, shall be adopted by an absolute majority of the votes of all the shares into which the Company's share capital is divided (instead of an absolute majority of the share capital present in person or by proxy established in the LSC):
i) the resolutions referred to in article 19 of the Corporate By-Laws (increase or reduction of capital, any modification to the Corporate By-Laws, the issue of convertible debentures or bonds that attribute the holders with a share in the corporate profits, the suppression or limitation of the preferential right to acquire new shares and the global transformation, merger, carve-out or the transfer of assets and liabilities, and the transfer of the registered office abroad) and ii) the adoption of the annual accounts, the appointment of auditors, the voluntary dissolution and liquidation and reactivation. In any event, the majority required for exercising responsible action against directors (article 238 of the Capital Enterprises Act), the quorum and the majority required for the purposes of winding up the Company (article 364 of the Capital Enterprises Act) and also any other majority classed as imperative, are safeguarded.

B.3 Indicate the rules applicable to the modification of the Company's corporate by-laws. In particular, the majorities established for modifying the by-laws and the rules, if any, regarding safeguarding shareholders' rights in the modification of the by-laws, shall be reported.

Article 19 of the Corporate By-Laws establishes: "However, for the Ordinary or Extraordinary General Meeting to be able to validly adopt an increase or reduction in capital, and in general, any modification of the Corporate By-Laws, the issue of convertible debentures or bonds that attribute the bond-holder a share in corporate profits, the suppression or limitation of the preferential right to acquire new shares, and the global transformation, merger, carve-out or cession of the assets and liabilities and the transfer of the registered offices abroad, the presence of shareholders, in person or by proxy, in possession at least 50% of the share capital taken up with voting rights shall be necessary at the first call to order. At the second call to order, the presence of 25% of said capital shall be sufficient". This same provision is established in article 20.2 of the Codere S.A. General Meeting Regulations.

Furthermore, article 21 establishes that resolutions to modify the corporate by-laws shall be adopted by an absolute majority of the votes of all the shares into which the Company's share capital is divided.

Article 7 of the Company Regulations for the General Meeting of Shareholders, in turn, establishes that the following are the competence of the General Meeting: "h) The transformation, merger, carve-out, global cession of the assets and liabilities, the transfer of the registered offices abroad and the dissolution of the Company and, in general, any modification of the Corporate By-Laws".

As for voting resolutions, article 24.3. b) of the General Meeting Regulations establishes that the General Meeting will vote separately on "In the case of modification of the by-laws, each article or group of articles that are substantially independent".

B.4 Indicate the attendance data for the general meetings held in the year referred to in this report and those of the previous year:

	Attendance data				
			% remote vote		
Date of General Meeting	% physically present	% by proxy	Electronic vote	Others	Total
27/04/2015	16.75%	57.55%	0.00%	0.30%	74.60%
25/06/2015	13.48%	53.71%	0.00%	2.45%	69.64%
04/12/2015	15.38%	8.59%	0.00%	51.55%	75.52%
30/06/2016	19.49%	20.60%	0.00%	43.75%	83.84%
10/11/2016	19.46%	0.16%	0.00%	69.85%	89.47%

B.5 Indicate whether there is any statutory restriction establishing a minimum number of shares required to attend the general meeting:

Yes X No

Number of shares required to attend the general meeting	**100**

B.6 Section repealed

B.7 Indicate the address and means of access to the Company web site and the information on corporate governance and other information about general meetings that must be made available to shareholders on the Company web site.

The address of the Company web site is www.codere.com.

From this site, clicking on the link "Shareholders and Investors" deploys multiple options. Select “Corporate Governance”. If you click on this link, a range of information about Codere SA Corporate Governance appears, such as its Corporate By-Laws, the Regulations for the General Meeting, the composition of the Board of Directors, the Regulations of the Board of Directors and specific information about General Meetings. All the information on the General Meetings of Shareholders held since the day it was listed on the stock exchange and information on the Shareholders’ Electronic Forum is published in this tab.

C ADMINISTRATIVE STRUCTURE OF THE COMPANY

C.1 Board of directors

C.1.1 Maximum and minimum number of shareholders established by the corporate by-laws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Complete the following table with the members of the board:

Name or company name of representative of the director	Representative	Category of the director	Office on the Board	Date first appointment	Date last appointment	Election procedure
MR JOSE ANTONIO MARTÍNEZ SAMPEDRO		Executive	CHAIRMAN	07/05/1999	25/06/2015	RESOLUTION AGM SHAREHOLDERS
MR LUIS JAVIER MARTÍNEZ SAMPEDRO		Executive	DEPUTY CHAIR	07/05/1999	25/06/2015	RESOLUTION AGM SHAREHOLDERS
MASAMPE S.L.	MR PÍO CABANILLAS ALONSO	Proprietary	DIRECTOR	07/05/2008	25/06/2014	RESOLUTION AGM SHAREHOLDERS
MR DAVID ANTHONY REGANATO		Proprietary	DIRECTOR	28/04/2016	30/06/2016	RESOLUTION AGM SHAREHOLDERS
MR TIMOTHY PAUL LAVELLE		Proprietary	DIRECTOR	28/04/2016	30/06/2016	RESOLUTION AGM SHAREHOLDERS
MR MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ		Proprietary	DIRECTOR	28/04/2016	30/06/2016	RESOLUTION AGM SHAREHOLDERS
MR JOSEPH ZAPPALA		Independent	DIRECTOR	20/11/2002	25/06/2015	RESOLUTION AGM SHAREHOLDERS
MR MATTHEW CHARLES TURNER		Independent	DIRECTOR	28/04/2016	30/06/2016	RESOLUTION AGM SHAREHOLDERS
MR NORMAN RAUL SORENSEN VALDEZ		Independent	INDEPENDENT LEAD DIRECTOR	28/04/2016	30/06/2016	RESOLUTION AGM SHAREHOLDERS

Total number of directors	9

Indicate any directors that have left the board of directors during the reporting period:

Name or Company name of the Director	Category of director at time of termination	Date of termination
MRS ENCARNACIÓN MARTÍNEZ SAMPEDRO	Executive	28/04/2016
MR JOSÉ IGNACIO CASES MÉNDEZ	Proprietary	28/04/2016
MR JOSÉ RAMÓN ROMERO RODRÍGUEZ	Proprietary	28/04/2016
MR JUAN JUNQUERA TEMPRANO	Independent	28/04/2016
MR EUGENIO VELA SASTRE	Another External	28/04/2016
MR JUAN JOSÉ ZORNOZA PÉREZ	Another External	28/04/2016

C.1.3 Complete the following tables about members of the board and their different categories:

EXECUTIVE DIRECTORS

Name or Company name of the director	Office in the organizational chart of the Company
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CHAIRMAN
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	GENERAL MANAGER CODERE AMÉRICA

Total number of executive directors	2
% of the total Board	22.22%

EXTERNAL PROPRIETARY DIRECTORS

Name or Company name of the director	Company name of the significant shareholder who represents them or has proposed their appointment
MASAMPE, S.L.	MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
MR DAVID ANTHONY REGANATO	SILVER POINT LUXEMBOURG S.A.R.L.
MR TIMOTHY PAUL LAVELLE	SILVER POINT LUXEMBOURG S.A.R.L.

MR MANUEL MARTÍNEZ FIDALGO VÁZQUEZ	ABRAMS CAPITAL MANAGEMENT LP

Total number of proprietary directors	4
% of total Board	44.44%

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of the director:

MR JOSEPH ZAPPALA

Profile:

Ambassador of the USA in Spain from 1989 to 1992. Chairman of Joseph Zappala Investments, holding of real estate, health, gambling and entertainment assets.

Name or company name of the director:

MR MATTHEW CHARLES TURNER

Profile:

Director of Arcapita. He previously held key offices at Kaupthing Bank and Bank of America Merrill Lynch.

Name or Company name of the director:

MR NORMAN RAUL SORENSEN VALDEZ

Profile:

Director of Insperity INC. and Encore Capital Group Inc. He previously held key offices at Principal International, AIG and Citigroup.

Total number of independent directors	3
% of total Board	33.33%

Indicate whether any director considered independent receives any amount or benefit from the Company for from the same group, for any reason other than director's remuneration, or maintains or has maintained a business relationship with the Company or with any Company of its group during the last year, either on his own behalf or as a significant shareholder, director or senior manager of an entity that maintains or had maintained said relationship.
NO.

If so, a reasoned declaration from the board will be included, including the reasons why the board considers that said director can perform his duties as an independent director.

OTHER EXTERNAL DIRECTORS

The other external directors will be identified and details will be provided on the reasons why they cannot be considered proprietary or independent directors and their ties, either with the Company, its senior management or its shareholders:

Indicate the variations in the category of each director, if any, that have occurred during the period:

C.1.4 Complete the following table with information on the number of female directors during the last 4 years and the character of such directors:

	Number of female directors				% of total No. of directors of each type			
	2016	2015	2014	2013	2016	2015	2014	2013
Executive	0	1	1	1	0.00%	10.00%	10.00%	10.00%
Proprietary	0	1	0	0	0.00%	10.00%	0.00%	0.00%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	0	2	1	1	0.00%	20.00%	10.00%	10.00%

C.1.5 Explain the measures, if any, that have been adopted in an attempt to include a number of women on the board of directors that will enable the board to attain a balanced presence of women and men.

Explanation of measures

The Director Selection Policy adopted by the Board of Directors at their meeting of the 10th of November 2016, establishes the objective of "making every effort such that the number of female directors represents at least 30% of the total number of members of the Board of Directors by 2020", and regarding the selection process, it established that "a woman shall be included, at least as a candidate at each and every one of the selection processes, until such time as the aforementioned objective of 30% is attained in 2020".

Moreover, the Ethical Code of Conduct of the Codere Group indicates in section IV point 1 that "The Codere Group will promote equal treatment between men and women with regard to access to employment, training and to the promotion of professionals and to working conditions, along with access to goods and services and their supply. Point 5 of the same section indicates, "The Codere Group will maintain the most stringent and objective selection process, based exclusively on the academic and professional merits of the candidates and the needs of the Group".

C.1.6 Explain the measures, if any, that the appointments committee may have agreed upon to prevent the selection process from suffering implicit biases that put obstacles in the path of selecting female directors and enable the Company to deliberately seek and include women with the right professional profile among potential candidates:

Explanation of measures

The Codere S.A. Board of Directors' Regulations establish as an obligation of the Appointments, Remunerations and Corporate Governance Committee, to ensure, on producing new vacancies on the Board, that the selection procedures do not suffer any implicit biases that impede the selection of female directors and in order for the Company to deliberately seek, and include among potential candidates, women with the right professional profile.

The Regulations of the Board of Directors of the Company attributes the Appointments, Remunerations and Corporate Governance Committee with the responsibility for ensuring the competences, know-how and experience necessary on the Board and the definition of the functions and aptitudes necessary in candidates that must cover each vacancy and assess the time and dedication required to perform their duties well. Furthermore, one of its competences is to establish a representation objective for the less represented gender on the board of directors and to draw up guidelines on how to attain the objective.

In this context, the Appointments, Remuneration and Corporate Governance Committee analysed and presented a favourable report to the Board, the Codere S.A. Director Selection Policy, adopted at the Board meeting of the 10th of November 2016. This Policy establishes that gender and age equality will also be promoted as far as possible and that the candidate selection process will always avoid the existence of implicit biases that could entail discriminations, and priority shall be given to meritocracy as the main principle and the search for the best candidate for the position to be covered.

If the number of female directors is low or non-existent, despite the measures, if any, that have been adopted, explain the reasons for this:

Explanation of the reasons

During the long and difficult process of financial restructuring embarked upon by the Company over the last three years, the Company agreed upon the future composition of the Board with its creditors. Each of the new shareholders entitled to appoint members of the Codere S.A. Board of Directors, pursuant to the agreements reached, carried out their own diversity-friendly selection processes, which exclude any kind of bias or discrimination.

However, given that, pursuant to the Codere S.A. Corporate By-Laws, the duration of the term of director is two years, the Board will initiate a process of selecting candidates pursuant to the Selection Policy adopted in 2018, in order to determine the need to bring in new directors. This process will bear in mind the policies and principles adopted in matters of gender diversity and selection of directors.

C.1.6 bis Explain the conclusions of the appointments committee with respect to verifying compliance with the director selection policy. In particular, on how this policy is promoting the objective of having women representing at least 30% of the total number of members of the board of directors by 2020.

Explanation of the conclusions

As the Codere S.A. Director Selection Policy was adopted in November 2016, the Appointments, Remuneration and Corporate Governance Committee has not verified compliance thereof in 2016.

C.1.7 Explain how shareholders with significant holdings are represented on the board.

Jose Antonio Martínez Sampedro, Executive Director and Chairman of the Board of Directors, holder of 14.171% of the Company's shares, is also represented on the Board of Directors by Masampe, S.L., Proprietary Director, which in turn, is represented by Pío Cabanillas Alonso.

Directors David Anthony Reganato and Timothy Paul Lavelle represent silver Point Luxembourg S.A.R.L., holder of 21.795% of the Company's shares, on the Board of Directors.

Director Manuel Martínez-Fidalgo Vázquez represents Abrams Capital Management, L.P. (8.788%) and Contrarian Capital Management L.L.C. (7.27%) on the Board of Directors.

C.1.8 Explain the reasons, if any, why proprietary directors have been appointed at the request of shareholders whose holding is less than 3% of the capital:

Indicate whether formal requests for presence on the board made by shareholders whose holding is equal to or greater than those others at whose request proprietary directors have been appointed, have been denied. If so, explain the reasons for denying their request:

Yes No X

C.1.9 Indicate whether any director has left the board before the termination of his or her mandate, whether he or she has explained the reasons for this and, if this were done in writing to the whole board, explain at least the reasons given:

Name of the director:

ENCARNACIÓN MARTÍNEZ SAMPEDRO

Reason for resignation:

Encarnación Martínez Sampedro sent a letter to the Board dated the 28th of April 2016, presenting her resignation as Director before the termination of her mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible.

Name of the director:

JUAN JOSÉ ZORNOZA PÉREZ

Reason for resignation:

Juan José Zornoza Pérez sent a letter to the Board dated the 28th of April 2016, presenting his resignation as Director before the termination of his mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible.

Name of the director:

JOSÉ IGNACIO CASES MÉNDEZ

Reason for resignation:

José Ignacio Cases Méndez sent a letter to the Board dated the 28th of April, presenting his resignation as Director before the termination of his mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible.

Name of the director:

EUGENIO VELA SASTRE

Reason for resignation:

Eugenio Vela Sastre sent a letter to the Board dated the 28th of April, presenting his resignation as Director before the termination of his mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible.

Name of the director:

JOSÉ RAMÓN ROMERO RODRÍGUEZ

Reason for resignation:

José Ramón Romero Rodríguez sent a letter to the Board dated the 28th of April, presenting his resignation as Director before the termination of his mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible, which included a new composition of the Board.

Name of the director:

JUAN JUNQUERA TEMPRANO

Reason for resignation:

Juan Junquera Temprano sent a letter to the Board dated the 28th of April, presenting his resignation as Director before the termination of his mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible.

C.1.10 Indicate the faculties, if any, delegated in the CEOs:

C.1.11 Identify the members of the board, if any, who hold posts as directors or senior management positions in other companies that form part of the listed Company group:

Name or Company name of the director	Name of the group entity	Position	Executive duties?
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	COLONDER, S.A.U.	CHAIRMAN AND JOINT CHIEF EXECUTIVE OFFICER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	C-F8 S.L.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE DISTIBUCIONES S.L.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE ESPAÑA S.A.U.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE AMÉRICA S.A.U.	CHAIRMAN AND JOINTN CHIEF EXECUTIVE OFFICER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL S.A.U.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	NIDIDEM S.A.U.	CHAIRMAN	NO
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE INTERACTIVA S.L.	CHAIRMAN OF THE BOARD	NO
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE LATAM S.A.U.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	IMPULSORA DE CENTROSDE ENTRETENIMIENTO LAS AMÉRICAS SAPI DE CV	CHAIRMAN DIRECTOR	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE MÉXICO SA DE CV	CHAIRMAN DIRECTOR	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CARRASCO NOBILE S.A.	DIRECTOR	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	INTERMAR BINGOS S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE ARGENTINA S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	BINGOS DEL OESTE S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	IBERARGEN S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	BINGOS PLATENSES S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	SAN JAIME S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	INTERBAS S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	ITAPOAN S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	INTERJUEGOS S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	ALTA CORDILLERA S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	HÍPICA DE PANAMÁ S.A.	CHAIRMAN BOARD OF DIRECTORS	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	COMPAÑÍA DE RECREATIVOS DE PANAMÁ S.A.	CHAIRMAN BOARD OF DIRECTORS	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE CHILE LIMITADA	PRESIDENT	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	INTERSARE S.A.	CHAIRMAN BOARD OF DIRECTORS	NO
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	BINGOS CODERE S.A.	CHAIRMAN BOARD OF DIRECTORS	NO
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	COLONDER S.A.U.	JOINT CHIEF EXECUTIVE OFFICER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE COLOMBIA S.A.	CHAIRMAN BOARD OF DIRECTORS	NO
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL DOS S.A.U.	JOINT CHIEF EXECUTIVE OFFICER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE AMÉRICA S.A.U.	JOINT CHIEF EXECUTIVE OFFICER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL S.A.U.	GENERAL MANAGER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	NIDIDEM S.A.U.	DIRECTOR	NO

MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE LATAM S.A.U.	GENERAL MANAGER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE MÉXICO S.A. DE C.V.	BOARD MEMBER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	PROMOCIONES RECREATIVAS MEXICANAS S.A. DE C.V.	SUB DIRECTOR	NO
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE NEWCO S.A.U.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE NEWCO S.A.U.	DIRECTOR	YES
MR DAVID ANTHONY REGANATO	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR JOSEPH ZAPPALA	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ	CODERE NEWCO S.A.U.	DIRECTOR	NO
MASAMPE S.L.	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR MATTHEW CHARLES TURNER	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR NORMAL RAUL SORENSEN VALDEZ	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR TIMOTHY PAUL LAVELLE	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE LATAM COLOMBIA S.A.	CHAIRMAN OF THE BOARD	NO
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	C-F8 S.L.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE DISTRIBUCIONES S.L.U.	GENERAL MANAGER	YES

C.1.12 List the Company directors, if any, who are members of the boards of other entities listed on official securities markets than those of their group, who have been reported to the company:

Name or company name of the director	**Company name of the group entity**	**Position**
MR NORMAL RAUL SORENSEN VALDEZ	INSPERITY INC	DIRECTOR
MR NORMAL RAUL SORENSEN VALDEZ	ENCORE CAPITAL GROUP INC	DIRECTOR

C.1.13 Indicate whether the Company has established rules about the number of directors that form part of its boards, and if so, explain:

Yes X No

Explanation of the rules
Article 4.1.b) of the Board of Directors' Regulations establishes that Directors cannot form part of more than 8 boards, not including (i) the Boards of Companies that form part of the same group as the Company, (ii) the Boards of Companies belonging to relatives or of the equity of Directors or their relatives and (iii) the Boards that they belong to because of their professional relations, without the express authorisation of the Board, after receiving a report from the Appointments, Remuneration and Corporate Governance Committee

C.1.14 Section repealed.

C.1.15 Indicate the overall remuneration of the board of directors:

Remuneration of the board of directors (€000s)	2,337
Sum of the rights accumulated by the current directors in pensions (€000s)	0
Sum of the rights accumulated by the former directors in pensions (€000s)	0

C.1.16 Identify the members of the senior management who are not also executive directors, and indicate the total remuneration accrued by them during the year:

Name or Company name	Position
MR PEDRO CARLOS ECHEVARRIA ARNAIZ	ASSISTANT DIRECTOR TO THE CHAIRMAN
MR RAFAEL LÓPEZ ENRÍQUEZ CHILLÓN	DIRECTOR OF HUMAN RESOURCES
MR SERAFÍN GÓMEZ RODRÍGUEZ	DIRECTOR OF SECURITY AND COMPLIANCE
MR BERNARDO CHENA MATHOV	GENERAL MANAGER ARGENTINA
MR FELIPE LUDEÑA MUÑOZ	DIRECTOR INFORMATION SYSTEMS
MR ANGEL CORZO UCEDA	CHIEF FINANCIAL OFFICER
MR ADOLFO CARPENA MANSO	DIRECTOR OF INTERNAL AUDIT
MR FERNANDO ORS VILLAREJO	DIRECTOR OF BUSINESS DEVELOPMENT
MR DAVID JIMÉNEZ MÁRQUEZ	DIRECTOR CORPORATE LEGAL AREA
MR ALEJANDRO PASCUAL GONZÁLEZ	DIRECTOR OF OPERATIONS EUROPE
MR ITALO DURAZZO	DIRECTOR OF MARKETING AND COMMUNICATION
MR LUCAS RAUL ALEMAN HEALY	GENERAL MANAGER PANAMA
MR DIEGO FELIPE NOVARRO	DIRECTOR GENERAL COLOMBIA
MR ANDRE GELFI	DIRECTOR GENERAL BRAZIL
MR RODRIGO GONZÁLEZ CALVILLO	DIRECTOR GENERAL MEXICO

Total remuneration Senior Management (€000s)	5,020

C.1.17 Indicate the identity of the members of the board, if any, that are, in turn, members of the board of directors of companies of significant shareholders and/or entities in their group:

Name or company name of the director	Company name of the significant shareholder	Office
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	MASAMPE S.L.	SOLE MANAGER

List the relevant relations, if any, of those mentioned in the previous section, of the members of the board of directors that relate them to the significant shareholders and/or entities of their group:

Name or Company name of the related director:

LUIS JAVIER MARTÍNEZ SAMPEDRO

Name or Company name of the related significant shareholder:

JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

Description of relations:

Family relations (brothers)

Name or Company name of the related director:

MASAMPE, S.L.

Name or Company name of the related significant shareholder:

JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

Description of relations:

MASAMPE, S.L. is a Company with a controlling stake held by Jose Antonio Martínez Sampedro, who is also the General Manager.

C.1.18 Indicate whether there has been any change in the board regulations during the year:

Yes X No

Description of modifications

The Board of Directors' Regulations were modified at a Board of Directors meeting held on the 25th of August 2016.

Thus, articles 1.1., 1.13, 10.5, 7.2 and 14.2 of the Regulations for the Board of Directors were modified to introduce new standards that bring the best practises to the Company in the area of Good Governance, including certain mentions of the Code of good governance of listed companies, adopted in February 2015.

Article 12 of the Regulations was modified, not only to bring it in line with Recommendation 31 of Good Governance, but also so that the text were coherent with the Corporate By-Laws.

With respect to the process of financial restructuring, and the agreements reached by the parties, the resolution to reserve a series of new competences for the Board was adopted, which were included in article 7 of the Board Regulations.

Finally, article 16 was modified so that the terminology of the Board Regulations coincided with the legally established terminology, changing the denomination of the Corporate Governance Committee to “Appointments, Remuneration and Corporate Governance Committee” and expressly including the minimum functions established by law among its functions.

C.1.19 Indicate the procedures for selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the steps to be followed and the criteria to be used in each of the procedures.

- Selection:

The Company Board of Directors’ Regulations attributes the competence of putting proposals to the Board in relation to this, to the Appointments, Remuneration and Corporate Governance Committee - with regard to appointments or proposals concerning the composition of the Board and of its Committees. To such end, the Board Regulations charge the previously mentioned committee with the function of assessing the abilities, know-how and experience necessary on the Board and with defining the functions and aptitudes necessary in the candidates to cover each vacancy and to assess the time and dedication necessary to perform their duties well. In particular, the Appointments, Remuneration and Corporate Governance Committee shall make every attempt to ensure that the selection procedures do not suffer from implicit biases that impede the selection of female directors on presenting new candidates. (Arts. 1.12 and 16.2.m of the Board of Directors Regulations) and it will set a representation objective for the less-represented sex on the board of directors and draft guidelines on how to attain the objective.
Furthermore, the Board of Directors adopted the Directors Selection Policy in 2016, the objective of which is to strike a suitable balance of diversity in the composition of the Board. This Policy establishes a series of general requisites for candidates in the selection process and how the selection process will be conducted. The starting point for the selection or re-election process for directors will be for the Board of Directors, having received the preliminary report from the Appointments, Remuneration and Corporate Governance Committee, to conduct an analysis of the needs of the Company and its Group.

After said analysis, the Appointments, Remuneration and Corporate Governance Committee shall initiate the process of selecting candidates, in which, implicit biases that could entail discrimination will always be avoided, and the main criterion to be used shall be meritocracy and the search for the best candidate to cover the post.

One women will be included in each and every one of the selection processes, at least as a candidate, until such time as the aforementioned objective of 30% is attained in 2020.

- Appointment:

The designation of the members of the Board of Directors is the responsibility of the General Meeting of Shareholders (art. 24.1 of the Corporate By-Laws), notwithstanding the Board’s authority to designate, from among shareholders, the people to cover any vacancy that occurs, until the first General Meeting of Shareholders is held (art. 24.16 of the Corporate By-Laws).

Individuals affected by any incompatibility, disability or legal prohibition established in any geographical area that affects the Company, either general in nature or those applicable for reasons of the purpose and activities of the Company, may not be Directors nor represent Directors that are legal entities (art. 24.4 of the Corporate By-Laws).

For everything else, the persons designated as Directors will also have to comply with the conditions, apart from those required by law and by the Corporate By-Laws, the conditions set in the Regulations of the Board of Directors, and they must formally commit to complying with all the obligations and duties established therein at the time of taking possession, highlighting the fact that when the Board of Directors makes its proposals for appointments of Directors to the General Meeting and when it makes the proper appointments under a co-optation scheme, it will do so at the proposal of the Appointments, Remuneration and Corporate Governance Committee, in the case of Independent Directors, and after receiving a report from said Committee, in the case of all other Directors (art. 2 of the Board of Directors Regulations).

- Re-election:

Directors shall exercise their functions during a term of two years, and may be re-elected for new terms of the same duration (art. 24.3 of the Corporate By-Laws).

As in the case of appointments, re-election shall be preceded by a proposal from the Appointments, Remuneration and Corporate Governance Committee (in the case of Independent Directors), or by a report from the previously mentioned Committee (in the case of other Directors).

- Assessment:

At the proposal of the Appointments, Remuneration and Corporate Governance Committee, the Board assesses its own performance once a year, along with the performance of the Committees and the Chair of the Board and, based on these results, it shall propose an action plan to correct any deficiencies detected. The result of the assessment shall be written into the minutes of the meeting (art. 12 of the Board of Directors Regulations).

- Termination:

Directors will step down under the circumstances and for the causes established by law or by the by-laws (art. 3.1 of the Board of Directors Regulations).

C.1.20 Explain to what extent the board's annual assessment has given rise to important changes in its internal organisation and the procedures applicable to its activities:

Description of modifications

On the 2nd of February 2016, the Board of Directors heard the results of the self-assessment of the Board, which was reason for more satisfaction than the previous year.

At the proposal of the Appointments, Remuneration and Corporate Governance Committee, (known as the Corporate Governance Committee at the time), the Board adopted the Action Plan at the same meeting to correct the deficiencies detected.

The objectives of the Plan focused mainly on improving the following aspects: dealing with Company strategy; dealing with the appointment and termination of the senior management, the composition of the Board and on improving the points included in the Agenda of the Board's meetings.

After identifying the objectives, the Plan established a series of improvement Actions, and a deadline for implementing each of the actions.

Finally, once all the above had been done, the Appointments, Remuneration and Corporate Governance Committee was charged with monitoring the Action Plan adopted, and to such end, it was resolved that said Committee shall include an item on the agenda of its meetings every quarter, dealing with appraising the degree of compliance and progress of the Action Plan.

C.1.20.bis Describe the assessment process and the areas assessed by the board of directors, with the help of an external consultant, if any, regarding the diversity of its composition and competences, its performance and the composition of its committees, the performance of the chairman of the board of directors and the first executive of the Company and the performance and contribution of each director.

The annual assessment process of the Board is conducted internally with the help of an external consultant.

The process is initiated by sending a questionnaire to each of the directors, who are given a deadline for filling it in and returning it to the Board Secretary's Office. Filling in the form is voluntary for directors and the confidentiality of their answers is guaranteed.

The questionnaire is divided into five sections or areas:

1) First, questions are asked about the Board of Directors, using 13 different questions in an attempt to assess how the different aspects of the administration body work. These questions include one on whether the composition of the Board is adequate with regard to the suitability of the directors and the mix of knowledge and skills.

2) Section two asks about the Board of Directors' Committees in four different questions, in an attempt to assess whether they are adequate in their composition and functions to advise the Board and prepare their resolutions and other features concerning their performance.

3) Section three is a block of questions about the Chair and first executive, regarding his/her performance at the head of the Board. There are 8 questions in this section that assess different aspects of the job.

4) Section four of the questionnaire briefly analyses the job done by the Board Secretary in four

questions.

5) Finally, the last section concerns the individual assessment of each director, including questions on the performance and skill building of each member of the board.

After receiving the questionnaires, the company Secretary analyses the answers and a report is drafted with the results, highlighting the areas where there is room for improvement and proposing a range of actions to correct any deficiencies detected.

The Appointments, Remuneration and Corporate Governance Committee then meets for the Secretary to present the work done and the Committee approves a report on the results of the self-assessment and an Action or Improvement Plan.

These documents are then revised at a Meeting of the Board of Directors, which, in the event of considering them adequate, adopts them.

C.1.20.ter Breakdown of the business relations between the consultant, or any Company of its group, and the Company or any Company of its group, if any.

Not applicable

C.1.21 Indicate the circumstances under which directors are obliged to resign

Proprietary Directors must resign if the shareholder that they represent sells its corporate holding in full or if said shareholder reduces its shareholding to a level that requires a reduction in the number of its Proprietary Directors (art. 3.3 of the Board of Directors Regulations).

The Board should not propose the removal of any Independent Director before completing the statutory period for which he or she had been appointed, unless there is just cause, appreciated by the Board after receiving a report from the Corporate Governance Committee. Just cause will be understood to exist if the Director had failed to comply with any of the duties inherent to the office or has incurred any of the circumstances that would impede him or her from being considered Independent (art. 3.4 of the Board of Directors Regulations).

The removal of Independent Directors can also be proposed as the result of Public Take Over Bids, mergers or other similar corporate operations that represent a change in the Company's capital structure if such changes in the structure of the Board are propitiated by the proportionality criterion indicated in article 1.9 of these Regulations (art. 3.5 of the Board of Directors Regulations).

Directors are obliged to resign in those circumstances that may bring the Company's credit and reputation into disrepute (art. 3.6 of the Board of Directors Regulations).

If a Director steps down from office before the end of his or her term of office, either because he/she resigns or for any other reason, he/she must explain the reasons in a letter that he/she will send to all the members of the Board (art. 3.7 of the Board of Directors Regulations).

C.1.22 Section repealed

C.1.23 Are reinforced majorities required, other than the legally established ones, in any kind of resolution?

Yes No X

Describe the differences, if any

C.1.24 Explain whether there are specific requirements, other than those concerning directors, to be appointed chair of the board of directors.

Yes No X

C.1.25 Indicate whether the chair has a casting vote:

Yes No X

C.1.26 Indicate whether the corporate by-laws or the board regulations set any limit on the age of directors:

Yes No X

C.1.27 Indicate whether the by-laws or board regulations establish a limited term of office for independent directors, other than the one established in the legislation:

Yes No X

C.1.28 Indicate whether the by-laws or the board of directors regulations establish specific rules for delegating votes at meetings, how this is done and, in particular, the maximum number of proxies that a director can hold and whether any limit has been established regarding the categories in which it is possible to delegate, beyond the limits imposed by the legislation. If so, give brief details of such rules.

Article 24.13 of the Corporate By-Laws states that Directors may delegate their attendance and vote in any other Director in writing, except for non-executive directors, who may only name another non-executive director as their proxy.

Article 4.1.d. of the Board of Directors Regulations, in turn, while establishing the duty of Directors to attend the meetings of the bodies they form part of, also states that absences must be reduced to the absolutely necessary cases and, in these cases, directors must confer their representation in another member of the Board, in writing and addressed to the Chair of the Board, with instructions and as a special case for each meeting. Non-executive directors may only name another non-executive director as a proxy.

Apart from the above, there are no rules about proxy votes, as the Company has not considered it necessary to regulate this matter, as there have been practically no proxy votes in recent years.

C.1.29 Indicate the number of meetings that the Board of Directors has held during the year. Indicate the number of times that the board has met without the attendance of its chair, if any. The calculation will consider proxies made with specific instructions as attendances.

Number of board meetings	13
Number of board meetings without the attendance of the chair	0

If the chair is an executive director, indicate the number of meetings held without the attendance or representation of any executive director and chaired by the lead director.

Number of meetings	0

Indicate the number of meetings of the different board committees held in the year:

Committee	No. of meetings
COMPLIANCE COMMITTEE	6

APPOITMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	10
AUDIT COMMITTEE	15

C.1.30 Indicate the number of meetings held by the Board of Directors during the year with the attendance of all its members. Proxies granted with specific instructions will be considered attendances in the calculation:

Number of meetings with attendance of all directors	11
% of all votes in attendance during the year	96.72%

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the board for adoption are previously certified:

Yes X No

Identify the person/s, if any who has/have certified the company's individual and consolidated annual accounts, for filing by the board:

Name	**Office**
MR ANGEL CORZO UCEDA	CHIEF FINANCIAL OFFICER

C.1.32 Explain the mechanisms put in place by the Board of Directors, if any, to prevent the individual and consolidated accounts filed by it from being presented to the general meeting with qualifications in the auditor's report.

Pursuant to article 26.5 of the Corporate By-Laws and article 14.2.e. of the Board of Directors Regulations, one of the competences of the Audit Committee is to maintain relations with the external auditor to receive information on issues that could put the external auditor's independence at risk, and any other issues relating to the process of auditing the accounts, and to receive information and maintain the communications with the auditor established in the legislation.

Article 9.4 of the Board Regulations also states that the Board's relations with the company's external auditors, which shall be channelled through the Audit Committee, will be based on criteria of loyal collaboration and respect for their independence. Every effort will be made to ensure that the annual accounts filed by the Board will have been verified and receive an unqualified report from the auditors. If qualifications cannot be avoided, the Board, the Chairperson of the Audit Committee and the auditors will clearly explain the content and scope of the reservations or qualifications to the shareholders.

C.1.33 Is the board secretary a director?

Yes No X

If the secretary is not a director, fill in the following table:

Name or Company name of the secretary	Representative
MR LUIS ARGÜELLO ALVAREZ	

C.1.34 Section repealed

C.1.35 Indicate the mechanisms put in place by the company, if any, to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies

- External auditors:

Article 9.4 of the Board of Directors Regulations states that the Board's relations with the external auditors, which shall be channelled through the Audit Committee, will be based on criteria of loyal collaboration and respect for their independence and article 14.2 e) of the same text specifies as the competence of the Audit Committee, maintaining relations with the external auditors to receive information about issues that could put the independence of said external auditors at risk.

The Board Regulations also establishes as one of the functions of the Audit Committee, putting proposals to the Board for the selection, appointment, re-election and replacement of the external auditor and the conditions of its contract and to regularly receive information from the external auditor concerning the audit plan and the results of its implementation, and to verify that the senior management bears in mind its recommendations (art. 14.3.2º, a) and b)).

Finally, article 14.3.2º.c) of the Board Regulations states that it is the responsibility of the Audit Committee to ensure the Independence of the external auditor and, to such end, it must ensure that the Company reports the change of auditor to the Securities Exchange Commission as a relevant event, accompanied by a declaration about the eventual existence of disagreements with the outgoing auditor and, if this were the case, their content. The Committee must also ensure that the Company and the auditor respect the rules in effect regarding the provision of services other than auditing services, the concentration limits of the auditing business and, in general, all other rules established to ensure the Independence of auditors, and, in the event of the resignation of the external auditor, examine the circumstances that have given rise to it.

- Independence of financial analysts, investment banks and rating agencies:

Article 9.2 of the Internal Regulations on Behaviour in Securities Markets establishes that general meetings with analysts, investors or the media must be previously planned such that the people taking part in them do not reveal privileged information that has not previously been disclosed to the market.

The investor relations department will channel communications with institutional shareholders and financial analysts covering the Company's share, taking care to ensure that they are not given information that could represent a privilege or an advantage for them, compared with other shareholders, and thus also complying with article 11 of the Internal Rules of Conduct in Securities Markets, which establishes as a prohibited behaviour recommending that third parties conduct transactions (acquisitions, transmissions or transfers of the securities affected) with Privileged Information or induce them to do so.

C.1.36 Indicate whether the Company has changed external auditor during the year. If so, identify the outgoing and incoming auditor:

Yes X No

Outgoing auditor	Incoming auditor
PricewaterhouseCoopers Auditores, S.L.	Ernst & Young S.L.

In the event of disagreements with the out-going auditor, explain their contents:

Yes No X

C.1.37 Indicate whether the firm of auditors does any other work for the Company and/or its group, other than auditing and if so, state the amount of the fees received for said work and the percentage that this represents of the fees billed to the Company and/or its group:

Yes X No

	Company	Group	Total
Sum of work other than auditing (€000s)	307	799	1,106
Sum of work other than auditing/ Total amount billed by Firm of auditors (as %)	60.57%	35.88%	40.17%

C.1.38 Indicate whether the auditor's report on last year's annual accounts presented reservations or qualifications. If so, indicate the reasons given by the chairperson of the audit committee to explain the content and scope of such reservations or qualifications.

Yes No X

C.1.39 Indicate the number of years that the current firm of auditors has been auditing the Company and/or its group's annual accounts without interruption. Indicate also the percentage the number of years the accounts have been audited by the current firm represents of the total number of years in which the annual accounts have been audited:

	Company	Group
Number of years without interruption	1	1
Number of years audited by current firm of auditors/ number of years the company has been audited (as %)	61.11%	61.11%

C.1.40 Indicate whether there is a procedure to provide directors with external advisory services, and if so, provide details:

Yes X No

Details of the procedure

By virtue of article 5.1 of the Codere, S.A. Board of Directors Regulations, apart from having access to the company's services and to be able to compile the information and advice they may need to perform their duties, they will have the power to propose to the Board of Directors the hiring of external advisors, be they financial, legal, commercial or any other kind they may consider necessary for the interests of the company. External advice shall be sought if a majority of the Independent Directors agree in deeming it necessary.

Pursuant to article 13.6 of the previously mentioned Regulations, the Committees may propose external advisory services, apart from the assistance and collaboration of the senior managers and employees of the Company, and the Chairperson of the Board will be required to hire them. Senior managers, employees and external advisors will present their reports directly to the Committee that had asked for them.

C.1.41 Indicate whether there is a procedure to ensure that directors have the necessary information to prepare the meetings of the administration bodies in time:

Yes X No

Details of the procedure

Article 12 of the Codere S.A. Board Regulations establishes that ordinary meetings will be convened by letter, fax, telegram or electronic mail, and this will be authorised by the signature of the Chairperson or the Secretary or Deputy Secretary on the orders of the Chair. The meeting notice will be sent out with sufficient notice for all Directors to receive it no later than five days before the date of the meeting. The meeting notice will always include the agenda for the meeting and it will be accompanied by whatever written information is suitable in accordance with the Regulations. Exceptionally, when for reasons of urgency, the chairperson wishes to put decisions or resolutions that do not appear on the agenda to the board for approval, the express and prior consent of a majority of the directors present will be required, and this fact will be recorded in the minutes.

However, if, in the opinion of the Chair, exceptional circumstances so require, a Board meeting can be convened by telephone, fax or electronic mail, without observing the aforementioned notice period (but at least 24 hours' notice shall be given) and this will not be accompanied by the aforesaid information, having advised Directors of the possibility of examining it in the office.

Notwithstanding the above, for Board meetings dealing with modifications to the Regulations, article 18 increases the aforementioned notice period, indicating that any proposal to modify the Regulations of the Board of Directors must be included in the meeting agenda, which will be convened with at least ten days' notice to facilitate their study and appraisal.

C.1.42 Indicate whether the Company has established rules obliging directors to report and resign in circumstances that may bring the credit and reputation of the Company into disrepute, and if so, provide details:

Yes X No

Explain the rules

Article 3.6 of the Board Regulations indicates that Directors are obliged to resign in situations that may bring the Company's credit and reputation into disrepute, and they are required to inform the Board of any criminal cases they are involved in as defendants and of all and any later vicissitudes in these actions. Should a Director be tried or a court order against him be handed down for a court hearing to be held concerning any of the offences listed in article 213 of the Capital Enterprises Act, the Board will examine the case as soon as possible and, in light of the specific circumstances, will decide whether or not it is fitting that the Director continue in office. The Board will explain all of this in a reasoned manner, in the Annual Corporate Governance Report.

C.1.43 Indicate whether any member of the board of directors has informed the Company that he or she has been indicted or tried for any of the offences indicated in article 213 of the Capital Enterprises Act:

Yes No X

Indicate whether the board of directors has analysed the case. If the answer is affirmative, explain, with grounds, the decision taken as to whether or not it is fitting for the director to continue in office, or explain that actions taken by the board of directors up to the date of this report, or the actions they propose taking.

C.1.44 List the significant agreements signed by the Company that come into effect, are modified or conclude in the event of a change of control over the Company due to a take-over bid, and their effects.

1. Super senior revolving facilities agreement of the 24th of October 2016 amounting to EUR 95,000,000. In the event of a change in Control, any of the lenders can cancel their financing commitments under the credit contract, within certain deadlines, and declare due all their loans and down payments, along with the interest accrued, and

any other amounts accrued that they may be entitled to under the agreement. The Company will be entitled to replace any lender who opts to cancel its financing commitments under the agreement and declare due all amounts described above provided that it complies with a series of deadlines and requisites.

2. Bond issue of the 8th of November 2016 in US dollars maturing in 2021 at an annual interest of 7.625% amounting to 300 million, and in Euros maturing in 2021 at an annual interest of 6.75% amounting to 500 million. In the event of a change in control, each bond holder would be entitled to require Issuer Codere Finance 2 Luxembourg SA (or the Guarantor Codere S.A. in the event of this Company making the buy-back offer mentioned below) to buy-back all or part thereof (in the bonds denominated in dollars equal to $200,000 or any multiple of $1,000 in excess of said sum, in the bonds in euros equal to €100,000 or any multiple of €1,000 in excess of said sum) of the series of Bonds that correspond to said holder in accordance with an offer (a "Change of Control Offer") under the terms of the issue contract. In the Change of Control Offer, the Issuer or Guarantor will offer a payment in cash equivalent to 101% of the total sum of the corresponding series of re-purchased Bonds, plus the interest accrued and not paid and other additional amounts, if any, up to the date of purchase. The Issuer and the Guarantor will not be obliged to make a Change of Control Offer in the event of a change of control (i) if this is made by a third party in its place, provided that the offer is made in accordance with the terms of the issue contract and said third party buys all the Bonds duly offered and not withdrawn under the Change of Control Offer, or (ii) if, prior to the change of control, the Issuer notified the amortisation of all the Bonds in accordance with the terms of the issue contract and then amortises all the Bonds in accordance with said notification.

Furthermore, there is a series of contracts with service providers that contemplate their termination in advance in the event of a change in control of ownership of Codere S.A. (or of the provider) without the prior consent in writing of the other party, although we consider the importance of these agreements to be relative.

C.1.45 Identify in an aggregated fashion and indicate, in detail, the agreements between the Company and its administrative officers and senior management and employees who have compensation, guarantee or ring-fenced clauses, if they resign or are dismissed unfairly or if the contractual relationship comes to an end because of a take-over bid or other kind of operation.

Number of beneficiaries: 4

Kind of beneficiary:

Executives

Description of the Agreement:

In three contracts, the ring fencing consists of paying compensation for dismissal of one year's salary. In the last case, the compensation for dismissal is 18 months.

Indicate whether these contracts have to be reported to and/or approved by the bodies of the Company or its group:

	Board of directors	**General meeting**
Body that authorises the clauses	Yes	No

	Yes	**No**
Is the general meeting informed of the clauses?		**X**

C.2 Board of director committees

C.2.1 List all the board of director committees, their members and the proportion of executive, proprietary, independent and other external directors comprising them:

COMPLIANCE COMMITTEE

Name	Office	Category
MR JOSEPH ZAPPALA	CHAIRMAN	Independent
MASAMPE, S.L.	MEMBER	Proprietary
MR MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ	MEMBER	Proprietary

% of proprietary directors	66.67%
% of independent directors	33.33%
% of other externals	0.00%

Explain the functions assigned to this committee, describe the procedures and rules of organisation and how it works and summarise its most important actions during the year.

The functions of this Committee are set out in article 15 of the Board Regulations. Notwithstanding any other duty that may be assigned by the Board of Directors, the Compliance Committee will have the following competences:

(a) To monitor compliance of the Company and the Group with domestic and foreign regulations that are applicable in the area of gaming.

(b) Assess the internal control systems of the Company and the Group, regarding their reporting and transparency obligations in the area of gaming, and make proposals to put in place and improve whatever they may deem necessary or advisable.

(c) To monitor compliance by the Company and the Group of the regulations on money laundering and their control systems and propose putting in place and improving whatever it may deem necessary or advisable.

(d) Establish and supervise a mechanism that allows employees, customers, suppliers and other third parties with contractual relations to communicate confidentially and anonymously if they consider this appropriate, any irregularities of potential importance, especially financial and accounting irregularities, which they see within the company.

(e) To monitor the security systems and measures applied in doing the business of the Company and its Group, and it will be informed periodically by the executives responsible for these matters.

The Compliance Committee will be comprised of a minimum of three and a maximum of six members designated by the Board of Directors. Most of the members of this Committee must be external Directors.

Every effort will be made to ensure that the Chairperson of the Compliance Committee is an Independent Director. If a Director that was not an Independent Director be designated Chairperson, the Annual Corporate Governance Report will include a section explaining the specific reasons for this situation.

Operation: The Compliance Committee will meet every time that the Board of Directors asks for a report or the approval of a proposal in the area of its competences and provided that, in the opinion of the Chairperson of the Committee, it is advisable for attaining its purposes.

The most important actions taken during 2016 include the work done to approve a new General Compliance Plan for the Group (which is set to be adopted in early 2017), actions to improve and up-date the Group's Code of Ethics and Conduct and the analysis of the measures adopted to reinforce compliance processes in the area of Prevention of Money Laundering and the Financing of Terrorism.

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

Name	Office	Category
MR NORMAN RAUL SORENSEN VALDEZ	CHAIRMAN	Independent
MR MATTHEW CHARLES TURNER	MEMBER	Independent
MR DAVID ANTHONY REGANATO	MEMBER	Proprietary
MASAMPE, S.L.	MEMBER	Proprietary

% of proprietary directors	50.00%
% of independent directors	50.00%
% of other externals	0.00%

Explain the functions assigned to this committee, describe the procedures and rules of organisation and how it works and summarise its most important actions during the year.

Notwithstanding any others that may be assigned to it by the Board, the functions of this Committee are set out in article 16 of the Regulations of the Board of Directors as follows:

(a) To examine compliance of the Internal Regulation on Conduct with respect to Securities Markets and to make the necessary proposals to improve them and to supervise compliance of the applicable rules of corporate governance in said matters.
(b) To put reports and proposals to the Board about what decisions to adopt in the event of conflicts of interest.
(c) To put the Annual Corporate Governance Report to the Board for its approval, along with the Report on the Policy of Remunerating Administrators.
(d) To make the proposals provided for in these Regulations regarding the remuneration of the members of the Board of Directors.
(e) To assess the competences, knowledge and experience necessary on the Board, and consequently, define the functions and skills necessary in candidates to cover each vacancy and assess the time and dedication necessary to perform their duties properly; to periodically assess the suitability of the Company corporate governance system, paying attention to promoting the corporate interest and considering the legitimate interests of the different stakeholders.
(f) To make proposals to the Board with respect to its functions – appointments or proposals – concerning the composition of the Board and its Committees, and specifically, propose appointments of independent directors to be designated by co-optation, or to be put to the General Meeting of Shareholders for a decision, together with proposals for re-election or removal of said directors by the General Meeting of shareholders; Inform of the appointment of the other directors, to be designated by co-optation or to put the decision to the general meeting of shareholders, together with proposals for their re-election or removal by the general meeting of shareholders.
(g) To inform of appointments and terminations of senior executives that the first executive proposes to the Board.
(h) To inform the Board, when fitting, about issues of gender diversity set out in article 1.12.
(i) To put proposals to the Board of Directors regarding the remuneration of the Executive Chairperson as the company's first executive officer, or of the other executive directors, irrespective of the remuneration they receive as Directors pursuant to the By-Laws, and regarding all other conditions of their contracts; to examine and organise the succession of the Chairperson of the Board of Directors and of the Company's first executive, and propose a succession plan to the Board of Directors that ensures that it will unfold in an orderly fashion.
(j) Propose a general policy for the remuneration of senior management of the Company and its subsidiary and portfolio companies to the Board, along with the basic conditions of the contracts of the senior management.
(k) Establish guidelines and supervise actions taken regarding the appointment, selection, career path, promotion, dismissal of executives, so that the Company has the highly qualified staff that it needs for its management.
(l) To put proposals to the Board and prepare the examination of the issues that this must know about, in areas that are not the specific competence of one of the other Committees, provided that this is deemed necessary.
(m) Set a representation target for the least-represented sex on the board of directors and draft guidelines on how to attain the target.
(n) Propose the remuneration policy for directors and general managers, or whosoever may be responsible for their senior management duties, reporting directly to the board or C.E.O. to the board of directors and covering the individual remuneration and other contractual conditions of executive directors and ensure these are observed.
(o) To supervise and revise the corporate social responsibility policy and practises of the Company, and propose the necessary modifications to its structure and implementation to the Board of Directors, to ensure its orientation and value creation; periodically assess the degree of compliance of said policy and practises.
(p) To co-ordinate the process of financial and non-financial reporting and on diversity and, in general, any kind not expressly assigned to other Committees.

The Appointments, Remunerations and Corporate Governance Committee, which also integrates the character and functions that the Unified Code of Good Governance of listed companies recommends for the Appointments and Remuneration Committee, will be comprised of a minimum of three and a maximum of six members designated by the Board of Directors. All the members of said Committee must be external Directors and at least two must be Independent Directors.

The Chairperson of the Appointments, Remuneration and Corporate Governance Committee shall be designated from among the Independent Directors.

The most important actions over the year can be summarised in five areas: proposals put to the Board regarding the composition of the Board and its Committees; annual assessment of how the Board, its Committees and the Chairperson of the Board work, and proposing and monitoring an Action Plan to correct any deficiencies detected; put proposals to the Board concerning the Securities Markets with respect to remuneration of the members of the Board; to examine compliance of the Internal Rules of Conduct concerning Securities Markets and make the necessary proposals for improvement, and put proposals to the Board for adopting the Corporate Social Responsibility Policy.

AUDIT COMMITTEE

Name	Office	Category
MR MATTHEW CHARLES TURNER	CHAIRMAN	Independent
MR NORMAL RAUL SORENSEN VALDEZ	MEMBER	Independent
MR TIMOTHY PAUL LAVELLE	MEMBER	Proprietary

% of proprietary directors	33.33%
% of independent directors	66.67%
% of other externals	0.00%

Explain the functions attributed to this committee, describe the organisation procedures and rules and how it works and summarise its most important actions during the year.

The competences of the Committee are set out in article 14 of the Regulations of the Board of Directors. By way of a summary, some of these are as follows:
(a) To inform the general meeting of shareholders about issues brought up by shareholders in the area of competence of the Audit Committee
(b) To propose to the Board of Directors, the appointment of external auditors, for the Board to put these to the general meeting of shareholders
(c) To supervise the internal audit services.
(d) To know the financial reporting process and the internal control systems.
(e) To maintain relations with the external auditor to receive information about issues that could put said auditor's Independence at risk, and any other issues relating to the implementation of the audit process, and to receive information and maintain the communications with the auditor established in the legislation.
(f) To inform about the annual accounts and about the issue brochures and about periodic quarterly or six-monthly financial reporting that must be filed with the regulating bodies, paying special attention to compliance with legal requirements and the correct application of generally-accepted accounting principles, and to the existence of internal control systems and their monitoring and compliance of internal audit.
(g) Once a year, draft a succinct report on the activities carried out by the Committee
(h) The supervision of the communications strategy and relations with shareholders and investors, including small and medium-sized shareholders.
(i) The supervision and assessment of the processes of relations with the different stakeholders.

Furthermore, the Committee has a range of competences relating to information and internal control systems, external audit and information provided to the Board, after this has adopted the resolutions reserved for it pursuant to article 7.17 of the Regulations.

The Audit Committee will be comprised of a minimum of three and a maximum of six members designated by the Board of Directors. All the members of this Committee must be external Directors, and at least two of them must be independent directors.

Its members, and especially the Chairperson, will be designated bearing in mind his or her knowledge and experience in accounting, auditing and risk management.

The Chair of the Audit Committee must be an Independent Director, and must be replaced every two years, and may be re-elected one year after stepping down from his or her term in office.

Identify the member of the audit committee designated bearing in mind his/her knowledge and experience in accounting, auditing or both and report the number of years that the Chairperson of this committee has held the office.

Name of director with experience	MR MATTHEW CHARLES TURNER
No of years chair in office	

C.2.2 Complete the following table with information on the number of female directors on the board of directors' committees in the last four years:

	Number of female directors							
	2016		2015		2014		2013	
	Number	%	Number	%	Number	%	Number	%
COMPLIANCE COMMITTEE	0	0.00%	1	20.00%	0	0.00%	0	0.00%
APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	0	0.00%	1	20.00%	0	0.00%	0	0.00%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section repealed

C.2.4 Section repealed

C.2.5 Indicate the existence of Board Committee regulations, if any, where they are available for consultation and the changes made to them during the year. State also if an annual report has been drawn voluntarily about the activities of each committee.

AUDIT COMMITTEE:

The organization and operation of the Audit Committee is regulated in detail in article 14 of the Board of Directors Regulation, and in article 26 of the Articles of Association. During 2016, the Board Regulations have been modified, including new roles for the Audit Committee. (The supervision of the communication strategy with shareholders and investors and the supervision and evaluation of the relations with the different stakeholders). These regulatory texts are available at the Codere website (www.codere.com).

The Audit Committee prepares an annual report on the activities carried out during the year, and it is made available to shareholders at the General Shareholders' Meeting.

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

The organization and operation of the Appointment, Remuneration and Corporate Governance Committee is detailed in article 16 of the Board Regulations. The Board Regulation was modified during 2016, and regarding this Committee, not only its name was changed (formerly Corporate Governance Committee), but it took on new competences to adapt them to those indicated in the Law on Corporations (such as the periodic evaluation of the corporate governance system of the Company, or the examination and organization of the succession of the Chairman of the Board and the Company's CEO). The Board Regulation is available at the Codere website (www.codere.com).

The Appointment, Remuneration and Corporate Governance Committee prepares an annual report on the activities carried out during the year, which is made available to shareholders at the General Shareholders' Meeting.

COMPLIANCE COMMITTEE:

The organization and operation of the Compliance Committee is regulated in detail on article 15 of the Board Regulation. This article has not been amended during 2016 and is available at the Codere website (www.codere.com).

The Compliance Committee prepares an annual report on the activities carried out during the year, which is made available to shareholders at the General Shareholder's Meeting.

C.2.6 Section repealed.

D RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain, if applicable, the procedure for the approval of related party and intra-group transactions.

Procedure for reporting the authorization of related party transactions

Article 7 of the Board Regulations of Codere S.A. provides that the Board will be responsible for approving related party transactions, after receiving a favorable report from the Audit Committee (Art. 14.3.3º.c). The Directors affected by these transactions must not exercise or delegate their right to vote, and must leave the meeting room while the Board deliberates and takes a vote on these transactions.

However, the authorization of the Board will not be required for the related party transactions that meet all three conditions:

(i) That are conducted according to contracts with standardized clauses and are applied indiscriminately to many clients;
(ii) That are conducted at prices or rates established generally by the supplier of the good or service in question;
(iii) Whose amount does not exceed 1% of the annual revenues of the Company.

D.2 Detail the most significant transactions carried out, whether for their amount or their materiality, between the company or entities of its group, and the core shareholders of the company:

Name or corporate name of the core shareholder	Name or corporate name of the company or entity of the group	Nature of the relationship	Type of transactions	Amount (thousand Euro)
SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	CODERE NEWCO S.A.U.	Contractual	Others	457
SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	CODERE FINANCE (LUXEMBOURG) S.A.	Contractual	Others	442

D.3 Detail the most significant transactions carried out, whether for their amount or their materiality, between the Company and entities of its group, and the directors or managers of the Company:

Name or corporate name of the directors or managers	Name or corporate name of the related party	Relationship	Nature of the transactions	Amount (thousand Euro)
MRS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE, S.A.	DIRECTOR	Financing agreements: loans	531
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE, S.A.	DIRECTOR	Financial agreements: loans	1,065
MR. PÍO CABANILLAS ALONSO	CODERE, S.A.	Pío Cabanillas Alonso is the private individual representing Masampe S.L., member of the Board of Directors of CODERE S.A. and	Service provision	291

		Codere Newco S.A.U.		
MR. JOSÉ RAMÓN ROMERO RODRÍGUEZ	CODERE S.A.	DIRECTOR	Service provision	22
MR. JOSÉ RAMÓN ROMERO RODRÍGUEZ	COEDER MEXICO S.A. DE C.V.	DIRECTOR	Service provision	94

D.4 Report the significant transactions carried out by the company with other entities of the group, provided that they are not deleted in the process of preparation of consolidated financial statements and are not part of the usual business of the company in their purpose or conditions.

In any case, any intra-group transactions carried out with companies established in countries or territories considered as tax havens must be reported:

D.5 State the amount of transactions carried out with other related parties.

579 (thousand Euro).

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers or significant shareholders.

Article 4 of the Board Regulations of Codere S.A. list among the duties of the Directors their loyalty to the social interest of the company and, to that end, section 4.d establishes that they must communicate to the Board of Directors any situation of conflict, either direct or indirect; they may have with the interests of the Company. In case of conflict, the Director concerned will abstain from intervening in the transaction the conflict refers to.conflict of interest situations shall be reported in the annual report.

Article 16 of said Regulations establishes the composition, operation and competences of the Appointment, Remuneration and Corporate Governance Committee must present reports and proposals to the Board about the decisions to be adopted in the alleged conflicts of interest.

Article 14.3.3º.c) of the Board Regulations establishes that it is the duty of the Audit Committee to report to the Board, before the Board adopts the decisions reserved to it according to article 7.17 on related party transactions.

Additionally, article 18 of Codere's Internal Code of Conduct in the Stock Market establishes that the persons concerned that may have access to privileged information must adapt their actions related to the conflict of interest not only to the provisions of said Regulation, but also to the Board Regulations, in as far as it is applicable.

When a situation arises that represents, or may potentially represent a conflict of interest, the person subject to the Internal Code of Conduct in the Stock Market must report it immediately to the Secretary or Under-Secretary of the Board, and provide him with all the information that they may request in order to evaluate the circumstances of the case, if applicable.

The Secretary or Under-Secretary will report to the Appointment, Remuneration and Corporate Governance Committee so that it can adopt the appropriate measures. The Appointment, Remuneration and Corporate Governance Committee must consult any doubt on the possible existence of a conflict of interest before adopting any decision that may be potentially affected by said conflict of interest.

The Secretary or Under-Secretary of the Board of Directors will report the conflict of interest to the person or persons concerned with managing the situation or adopting the decisions related to the conflict.

Anyone subject to the Regulation that is affected by a situation of conflict of interest will abstain from intervening or influencing, either directly or indirectly, in the transaction, decision or situation related to the conflict.

In case of a conflict of interests, and as a rule resulting from the duty of loyalty to the Company, the interest of the Company and its Group will prevail over that of the person concerned.

D.7 Is there more than listed Company of the Group in Spain?

Yes No X

Identify the subsidiary companies listed in Spain:

Listed subsidiary company

Indicate whether the respective areas of activity and business relations between them have been publicly defined accurately, as well as those between the listed subsidiary and the rest of the companies of the Group;

Define the business relations between the parent company of the group and the listed subsidiary, and between the latter and the rest of the companies of the group

Identify the mechanisms contemplated to resolve possible conflicts of interest between the listed subsidiary and the rest of companies of the group:

Mechanisms to resolve potential conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Describe the scope of the Risk Management System of the Company, including fiscal risks.

There is a Risk Management System at business area or project level, but it does nor consolidate information at the corporate or group level.

During 2012, the Board of Directors adopted the Risks Control and Management Policy, and the Risk Tolerance Document.

The Risk Control and Management Policy of the Codere Group seeks to establish the basic principles and the framework for action for the control and management of all the types of risks that the Group faces.

All the actions aimed at controlling and mitigating risks must respond at all times to some basic action principles, such as the integration of a risk-opportunity vision; operational segregation of the risk-taking areas and the areas responsible for their analysis, control and supervision; the guarantee of an appropriate use of the risk hedging instruments and the assurance of the correct compliance of the corporate governance rules and the values defined by the company in its Ethical Code.

The risk management and control policy and its basic principles are materialized through a risk control and management system, supported by a definition and assignment of roles and duties at operational level, and procedures and methodologies appropriate to the different phases and activities of the system. The main phases and activities include, among others:

a. Definition of risk tolerance by the Board of Directors.
b. Annual identification and analysis of relevant risks carried out by the heads of every Business Unit and/or department.
c. Report of the main risks, especially those above the limits established by the Board of Directors.
d. Implementation and compliance control of policies, guidelines and limits, through the appropriate procedures and systems necessary to mitigate the impact of the materialization of risks.
e. Evaluation and periodic communication, at least annually, of the results of the monitoring of the risk control and management.
f. System audit conducted by the Internal Audit Department.

Regarding the fiscal risk management system, the Board of Directors of the Group adopted on June 29 2015 the Corporate Fiscal Policy of the Codere Group. Through this policy, the fiscal policies that govern the course of action of the Group, adopting specific management measures to manage tax risk and an appropriate internal control system on fiscal issues.

Additionally, a specific procedure manual has been drafted for the control and management of fiscal risks, and for the monitoring of the internal fiscal information and control systems of the Group.

Close collaboration is established with the Internal Audit Department so that all necessary controls for the supervision of compliance with the monitoring and control of fiscal risks are incorporated to their action plans every year.

E.2 Identify the bodies of the company responsible for the preparation and implementation of the Risk Management System, including fiscal risks.

Article 7 of the Board Regulations of Codere S.A. establishes a number of competences that the Board of Directors reserves for itself, including the risk management and control policy, including fiscal risks, and the periodic monitoring of the internal information and control systems.

Article 26 of the Corporate By-Laws establishes that the Audit Committee will be responsible, among other duties, of supervising the efficacy of the company's internal control, internal audit and, if applicable, risk management systems. Furthermore, article 14.3 of the Board Regulations establishes that it is the duty of the Audit Committee especially to review periodically the internal risk management and control systems, including fiscal risks, so that the main risks can be identified, managed and reported appropriately. Finally, the Board of Directors has granted the Audit Committee (which in turn has delegated on to the Internal Audit Committee) the responsibility of reviewing periodically the internal risk control and management systems, so that the main risks are identified, managed and reported appropriately. Additionally, at least once a year, the Audit Committee must report to the Board of Directors on matters related to risk control and the deficiencies detected, if any, by the internal audit reports or during the performance of their duties.

Additionally, during 2015, the Board of Directors adopted the Corporate Fiscal Policy of the Codere Group, which included the duty of the Board to ensure compliance of the principles and rules contained in said Policy. Furthermore, it established that the monitoring of said tax principles and good practices is the duty of the Chairman of the Board, CEO and Senior Managers, with the support of the Audit Committee, who will supervise the efficiency of the fiscal risk management and control systems, and will report periodically to the Board on some specific aspects of the policy.

E.3 Indicate the main risks, including financial risks, which may affect the achievement of the business goals.

The Risk Control and Management Policy includes an identification and definition of the types of risks relevant for the Group, which are generally those listed below:

- Corporate Governance Risks: The Company assumes the strategy of maximizing in a sustained manner the economic value of the Company and its long-term goals, taking into account the legitimate interests, public or private, of the different stakeholders, communities and territories where the Group operates, and of its employees. To this end, it is essential to comply with the corporate governance systems of the Group inspired by the good governance recommendations generally recognized in financial markets.
- Operational and Loss of Income Risks: these are defined as the uncertainty about the behavior of key business variables, and those referred to direct or indirect economic losses caused by inappropriate internal processes, technological failures, human errors or errors resulting from external events, including their economic, social and reputational impact.
- Regulatory and Institutional Relations Risks: these are the risks stemming from regulatory changes established by the different regulators where the Group has a presence, mainly related to the conditions for the operation of the licenses granted, and which may have a negative effect on expected revenues. They also include risks resulting from delays, complications, and even the impossibility of undertaking projects, improvements, new product offerings, etc. due to difficulties in the relations with regulatory bodies.
- Fiscal Risks: derived from the different interpretations regulators may make of the fiscal criteria followed by the Group, in case of a tax inspection.
- Indebtedness Risk: Because of the size and characteristics of the indebtedness, the debt servicing obligations may represent an obstacle for the growth of the operations of the Group and restrain its evolution. Because of the obligations entered into in indebtedness operations, there are limits to additional indebtedness, possibility to grant new guarantees, to invest in some goods or to dispose of them, and the obligation to meet certain ratios and covenants.
- Country Risk: Risks stemming from the social and political situation of the countries in which it operates, especially in Latin American countries. This category also includes the risks derived mainly from the fluctuation of exchange rates against the Euro of the local currencies in the countries where the Group operates.
- Technological Risk: they refer to the negative impact to the Group of losses due to interruption, failure or damage of the IT and technological gambling platforms.
- Reputational Risk: Potential negative impact on the Group's value resulting from poor performance of the company, below the expectations generated by the different stakeholders.

E.4 Identify whether the Company has a risk tolerance level, including fiscal risks.

The risks management and control policy of the Codere Group establishes that the Board of Directors of Codere, S.A. is responsible for the definition of the risk tolerance of the Group.

The definitions of the risk tolerance and risk level are updated periodically and communicated to the rest of the organization through the establishment of a structure of policies, guidelines and restrictions, and the corresponding mechanisms for their approval, which allows for an efficient risk management according to the risk tolerance of the Company.

To this end, a scale with five levels of risk tolerance has been established. Each of the types of risk that the Group is subject to is assigned a value in this scale, thus establishing the tolerance for each risk type.

On the other hand, it is the duty of the Board of Directors of Codere SA to authorize transactions of special fiscal relevance, i.e. those that due to their special characteristics, their strategic nature or their level of materiality may represent a significant fiscal risk for the Codere Group.

Risk analysis is decentralized to the heads of each Business Unit and/or department, who are responsible to know and manage each of the risks that affect them. According to these analyses, the main risks must be reported, especially those above the limits established by the Board of Directors.

E.5 Indicate which risks, including fiscal risks, have materialized during the year.

Operational risks:

Circumstances that caused them: These are intrinsic risks to the business model, the Group's activity and the markets in which it operates; therefore, they exist and materialize during the fiscal year.

Operation of the control systems: The internal control systems established by the Group have operated during the year, and as a result, these risks have had no significant impact on the Group's financial statements.

Regulatory risks:

Circumstances that caused them: During the year, several exceptional factors have taken place, due to regulatory changes established by different regulators or by different administrative bodies in the countries where the Group is present. These include higher income taxes on gambling in some jurisdictions where the Group operates (Argentina, Italy, Colombia, Panama, etc.).

Operation of the control systems: As soon as these risks and threats are detected, the appropriate mitigation plans are implemented, either through the participation of the Group in the sectoral associations, or through institutional relations, and through the establishment of process optimization and improved operational efficiency plans in order to recover the margin levels expected.

Fiscal risks:
Circumstances that caused them: During 2016, concluded the tax inspection of the Mexican company Codere México and one of its subsidiaries for the years 2008 and 2009. As a result, the Mexican companies filed supplementary tax returns for those years for an amount of 59.5 Million Mexican Pesos. Additionally, due to a different interpretation of the tax rule, tax authorities filed a tax inspection for an amount of 66.7 Million Mexican Pesos, that the company will appeal against in court.

Finally, during 2016 the appeals filed by the Mexican subsidiaries (Codere México and Operadora de Espectáculos Deportivos) were resolved in favor of the subsidiaries. Nonetheless, new appeals have been lodged against the competent Court for a final defense of the Group's arguments against the tax assessments opened by Comercio Exterior in the case of Codere México and IEPS in the case of Operadora de Espectáculos Deportivos. As to Codere México's appeal of the 2008 Corporate Tax, the process is still ongoing, and the expert evidence was filed with the Court during 2016.

On the other hand, in the Appeal lodged by Impuestos Estatales de Distrito Federal in the case of Operadora Cantabria, the Court decided in favor of our subsidiary and the tax assessment report was declared void.

Operation of the control systems: The control mechanisms established had identified the main risks and contingencies existing, which allowed applying the corrective mechanisms contemplated.

Indebtedness Risk:

Circumstances that caused it: Due to the cash-flow tensions, the Group has suffered during the year, and due to several factors, the Group has found itself in a cash deficit situation, and was unable to pay the coupons of the bonds issued by the company, or the maturity of the senior SFA credit line.

Operation of the control systems: On 23 September 2014, a Lock-up agreement was entered into between Codere S.A., Codere Finance Luxembourg S.A. and some companies of the Codere Group with the holders, for approximately 96.45% of the Euro bonds and 97.47% of Dollar bonds.

During April 2016, the process of financial restructuring of the Codere Group was completed, during which the bonds issued so far were refinanced.

Later, in November 2016, the bonds restructured in April 2016 were refinanced. This refinancing entailed the issue of 500 Million Euros of total aggregated principal amount of senior covered bonds maturing on 1 November 2021, and 300 Million US Dollars of total aggregated principal amount of senior covered bonds maturing on 1 November 2021. Additionally, Codere S.A. as guarantor parent company and Codere Newco S.A.U. as borrower, among others, entered on 24 October 2016 a revolving super senior multicurrency loan agreement for 95 M€.

Country Risk:

Circumstances that caused it: The existing sociopolitical instability on Argentina created difficulties and restrictions to the repatriation of funds back to Spain; the impact of inflation and currency devaluation versus Euro.

Operation of control systems: Once the restrictions are identified, risk was managed through institutional relations and the search for alternative funding sources.

E.6 Describe the response and oversight plans for the main risks of the Company, including fiscal risks.

At least once a year, at the start of the budgeting period, the heads of every Business Unit and/or department identify and report the main risks they are exposed to which prevent the fulfilment of the strategic goals defined by the Group.

On the other hand, the different Business Units prepare annually their Main Risk Maps, evaluating their likelihood of occurrence and the potential impact. These maps are consolidated and approved by the Audit Committee before their presentation to the Board.

Finally, the Fiscal Risk Map is also drawn up and reported to the Board of Directors.

Based on the information on risks received by the Board, it establishes different measures aimed at mitigating the impact of risks materializing.

Additionally, depending on whether the risks materialize, the appearance of new risks or changes in their likelihood or impact, Internal Audit plans are modified to adapt to these risks.

F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS RELATED TO THE PROCESS OF ISSUANCE OF FINANCIAL INFORMATION (SCIIF)

Describe the mechanisms that compose your risk management and control systems related to the process of issuance of financial information in your company.

F.1 Control environmental of the entity

Indicate, listing their main characteristics, at least:

F.1.1 What are the bodies and/or functions responsible for (i) the existence and maintenance of a financial information control system; (ii) its implementation; and (iii) its supervision.

(i) The Board of Directors is responsible for the approval of the Risk Control and Management Policy, and for the periodic follow-up of the internal information and control systems, as provided on article 7 of the Board Regulations.

(ii) The implementation and maintenance of the Financial Information Internal Control System is the responsibility of the Corporate Economic Financial Senior Management, and the Economic and Financial Senior Management of the different Business Units. Furthermore, the different General Directorates are responsible for its effective implementation in their respective areas of activity.

(iii) The Audit Committee is responsible for the supervision of the Internal Control System. Its duties as a Committee of the Board of Directors, include the following:

(a) Supervise the process of preparation and the integrity of the financial information of the Company or the group, where applicable, reviewing compliance of regulatory requirements, the correct definition of the consolidation perimeter and the appropriate application of accounting criteria.
(b) Review periodically the internal risk control and management system, so that the main risks can be identified, managed and reported appropriately, including fiscal risks.
(c) Protect the independence and efficacy of the internal audit function; to propose the selection, appointment, re-election and dismissal of the head of internal audit; to propose the budget for this service; to receive information periodically about is activities; and to check that the senior management takes into consideration the conclusions and recommendations included in their reports.
(d) Report at least once a year to the Board of Directors on risk control issues and the deficiencies detected, if any, in the internal audit report or in the performance of the previously mentioned functions.

F.1.2 Are the following elements present, especially in relation to the process of preparation of financial information:

- Departments and/or mechanisms responsible: (i) for the design and review of the organizational structure, (ii) to define clearly the lines of responsibility and authority, with the right distribution of tasks and functions; and (iii) to see to it that there are enough procedures for their appropriate dissemination through the entity.

  The Company has an organization structure that has developed the main lines of responsibility and authority in the different processes, for each business unit and each of the relevant geographic areas of the Group. The Human Resources Senior Management and the Operational Heads participate in their design and review. These lines of responsibility and authority are communicated at the required levels with different levels of formalization. Furthermore, the Company has a clear and up to date power policy that represents the highest expression of the lines of authority.

  The Board of Directors, under proposal by the CEO of the Company, reserves itself the competence for the appointment and dismissal of the Senior Managers, while the Appointment, Remuneration and Corporate Governance Committee is additionally charged with reporting appointments and dismissals of senior managers proposed by the CEO to the Board, and to establish the guidelines and to supervise the actions related to the appointment, selection, career development, promotion and dismissals of managers (in order for the company to have the highly-qualified staff required for its management).

- Code of conduct, approving body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions to the record of transactions and the preparation of financial information), body in charge of analyzing non-compliances and to propose corrective actions and penalties.

  The internal regulation of the Group regarding Conduct is summarized as follows:

  1) Ethical and Conduct Code that includes corporate ethics and transparency principles in all areas of action (approved by the Board of Directors of Codere, S.A. in its 27 January 2011 session).

     The Ethical and Conduct Code has been disseminated and communicated to the whole Group, and is available at the corporate website www.codere.com. Additionally, the local HR department in each country is responsible to facilitate a copy of the Ethical Code to every new employee joining the Codere Group.

     Among the values described in the Ethical and Conduct Code, regarding those related to the Codere Group Environment (Section V of "The Codere Group Environment"), article 5.2 "Accurate, adequate and useful information", describes how the Codere Group must inform accurately, adequately and usefully of its policies and actions. Specifically, regarding the economic financial information, especially the Annual Statements, must reflect the economic, financial and equity reality, according to generally accepted accounting principles, and the applicable international financial information standards. To this end, no professional will conceal or distort the information in the accounting records and reports of the Codere Group.

Lack of honesty regarding the financial information is contrary to the Ethical and Conduct Code, and the delivery of incorrect information, the wrongful organization of information or the attempt to confuse the persons receiving the information is considered as dishonest.

The Board of Directors is the body responsible for the approval and dissemination of the Ethical Code, and the Corporate Security and Compliance Department is the area in charge of its compliance, and proposes corrective actions and the corresponding penalties.

When it is determined that a professional of the Codere Group has undertaken activities that violates the provisions of the Law or the Ethical Code, the appropriate disciplinary measures will be adopted according to the penalty system contemplated in the Collective Agreement of the Company they belong to and the applicable labor legislation. The bodies responsible in the Group's companies will adopt additionally whatever measures are appropriate to rectify the situation back to a full compliance with the law and the values, rules and criteria of the Ethical Code.

2) An Internal Code of Conduct related to stock markets that determines the criteria for the conduct to be followed in stock market transactions, in order to contribute to their transparency and investor protection. The Internal Code of Conduct in Stock Markets was favorably reported by the Appointment, Remuneration and Corporate Governance Committee in its session held on 8 November 2016, and later approved by the Board of Directors of Codere S.A. in its session held on 10 November 2016.

The Internal Code of Conduct includes the rules of conduct related to the transactions that managers conduct on the stock and financial instruments of the Company; rules of conduct related to Privileged Information; rules of conduct to avoid market manipulation; and rules about conflicts of interest

- Whistleblowing channel, that allows the communication to the audit committee of financial and accounting irregularities, and potential violations of the code of conduct and irregular activities in the organization, reporting them if they are of a confidential nature.

Article 15.2.d) of the Board Regulations grants the Compliance Committee the power to establish and supervise a mechanism that allows employees, clients, suppliers and other third parties with which contractual relations exist, to communicate in a confidential manner and, if appropriate, anonymous manner, violations of the ethical code of conduct and irregular activities in the organization.

In case of potentially relevant irregularities, especially of financial and accounting nature, detected in the Company, the professionals of the Codere Group can report them directly to the Audit Committee and the Compliance Committee through the procedures established for that purpose.

In application of the above, the Company established and offers a confidential Whistleblowing channel, available through an email address, regular post and a free telephone line. This channel has been communicated to the employees together with the Ethical Code and Code of Conduct of the Group.

The Whistleblowing channel has been implemented in all geographic areas, under the name of "Ethical Line", with the same standards and operability of the corporate whistleblowing channel. These channels are confidential and open to employees, clients and suppliers or other third parties with which there are commercial or business relations with, are exclusively operated by the local Compliance Offices, under the permanent supervision of the Corporate Compliance Department.

The body responsible for its operation is the Corporate Security and Compliance Department, which is in charge of analyzing the complaints received confidentially, to propose corrective actions and, where appropriate, the corresponding penalties. It will also report to the Compliance Committee so that the latter can perform its supervisory function.

- Training and refreshment programs for the personnel involved in the preparation and review of financial information, and the evaluation of the Internal Financial Information Control System, that cover at least accounting rules, audit, internal control and risk management.

The staff involved in the preparation and review of financial information, and the evaluation of the internal financial information control system will receive, according to their duties, periodic training on accounting standards, audit and internal control.

According to the organization structure of the Group, the Internal Audit and Economic-Financial Departments are directly related to these functions.

F.2 Financial information risk evaluation

Report, at least:

F.2.1 What are the main characteristics of the risk identification process, including error or fraud risks, reporting:

- If the process exists and is documented.

The Codere Group has a process for the identification of the main risks that may affect the Group, including the specific risks related to financial information. The result of this process is a Risk Map that shows the residual risks with the greatest impact and likelihood in the Codere Group. This Map is updated annually, reviewed by the Audit Committee, and reported to the next session of the Board of Directors.

For critical processes and significant companies, taking into account that the processes in different units or locations must be assessed individually, there are risk and control matrices that document the critical processes, identifying the main risks affecting these processes, and the key controls existing to mitigate material risks that affect financial information.

- If the process covers all the objectives of financial information (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how frequently.

In the process of Financial Information risk identification, in order to ensure the reliability and accuracy of financial information, the potential impact on the following categories is assessed:

- Existence and occurrence: The transactions, facts and other events exist and have been recorded in due time.
- Integrity: The information reflects all the transactions, facts and events of which the entity is a party.
- Assessment: Transactions, facts and other events are recorded and assessed according to the applicable regulation.
- Cut-off of transactions: Transactions are recorded in the appropriate period, according to their accrual.
- Presentation, breakdown and comparability; Transactions, facts and other events are classified, presented and revealed in the financial information in accordance with the applicable regulation.
- Rights and obligations: Financial information reflects the rights and obligations, as of the corresponding date, through the corresponding assets and liabilities.

The purpose is to determine the possibility of a given risk occurring and in this case, the impact on the financial statements, so that they can be prioritized and the mitigation plan can be prepared.

This process allows the improvement of the design and efficiency of controls, and minimizes the risks related to the financial report. The process of financial information risk identification is periodically reviewed and updated.

- The existence of a process of identification of the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, or special purpose entities.

The consolidation perimeter of the Company is clearly identified and updated monthly, which makes possible to know all the subsidiaries of the Codere Group, their percentage of effective ownership and their degree of influence.

Any changes is the structure of the Group are communicated monthly to all the parties involved in the process of preparation of the financial information that need to know.

- If the process takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, etc.) in as far as they affect the financial statements.

The Risk Control and Management Policy of the Codere Group includes an identification and definition of the different types of risks that it faces and are considered as relevant for the Group, and is composed of:

- Corporate Governance Risks
- Operational and Loss of Income Risks
- Regulatory and Relation with Institutions Risks
- Fiscal Risks
- Indebtedness Risk
- Country Risk
- Technological Risk

• What is the body of the entity that oversees the process?

- Eventually, it is the Board of Directors, which, through the Audit Committee, as provided in article 14 of its Regulations, has the duty to "review periodically the internal risk control and management systems, including fiscal risks, so that the main risks are identified, managed and adequately reported".

- The Audit Committee is responsible for the management of the Risk Control and Management Policy, which will identify at least the different types of risks, the measures contemplated to mitigate the impact of the identified risks in case they materialize, and the information and internal control systems that will be used to control and managed them, including the contingent liabilities or off-balance risks.

F.3 Control activities

Report, indicating their main characteristics, if there are at least:

F.3.1 Procedures for the review and authorization of the financial information and description of the financial information internal control system to be published in stock markets, indicating the persons responsible, and descriptive documentation on the flows of activities and controls (including those related to fraud risk) of the different types of transactions which may have material impact on financial statements, including the procedure of closing of accounts and the specific review of judgements, estimates, valuations and relevant forecasts.

The company has review and approval procedures of the financial information to be published at the stock markets. These procedures refer to:

- Procedures for the review and approval of individual financial statements of every subsidiary in the Group.
- Procedures for the review and approval of the consolidated financial statements.
- Procedure for the review and preparation of the information submitted to stock markets.
- For each significant process, there is descriptive documentation of the flow of activities carried out, produced by the Economic Financial Management and the rest of the areas involved in the financial information.

These processes of financial information review and approval include those related to the reviews of judgements, estimates, valuations and relevant forecasts that are part of the monthly closure procedure applied by the Codere Group.

F.3.2. Internal control policies and procedures on information systems (including, among others, on Access security, change control, their operation, operational continuity and segregation of functions) supported by the relevant processes of the entity related to the preparation and publication of financial information.

The Company has guidelines and rules of action to manage information security. These guidelines are applied to the systems involved in the production of financial information and refer to the use of IT resources, access to systems and user management, network protection, systems, databases and applications and the management of back-ups.

The IT Management is responsible for the definition and proposal of security policies, except in respect to the physical security of the Data Process Center, which is the responsibility of the Security and Compliance Management.

F.3.3. Internal control policies and procedures aimed at supervising the management of activities outsourced to third parties, as well as those aspects related to evaluation, calculation or valuation commissioned to independent experts, which may have a material impact on financial statements.

There are no relevant areas of activity outsourced to third parties that may affect the financial information, and therefore it has not been deemed necessary to draft a selection procedure for the selection on these activities.

However, in the case of outsourcing of some IT services, the contract with the supplier sets forth the service levels, which are supervised by IT Management.

F.4 Information and communication

Report, indicating their main characteristics, if there is at least:

F.4.1. An specific function in charge of defining and updating accounting policies (account policy area or department) and resolving queries or conflicts resulting from their interpretation, maintaining a smooth communication with the persons in charge of operations in the organization, and an updated accounting policy manual that is communicated to the units through which the entity operates.

Within the Economic Financial Division, there is a specific function in charge of responding to all queries related to the interpretation of the rules. There is an Accounting Policy Manual for the whole Group applicable to all Business Units. This Manual is periodically reviewed and updated.

F.4.2. Mechanisms for the acquisition and preparation of the financial information in standard formats, applicable and used by all the units of the Company or group, supporting the main financial statements and their notes, as well as the information detailed on the Financial Information Internal Control System.

The Company has a standard financial information report for all the units of the Group that allows the Company to perform full monthly closures. This report contains all the necessary information to prepare the main financial statements and their notes. Additionally, a high percentage of the financial information of the Group is incorporated into the Corporate Information Systems.

F.5 Supervision of the system operation

Report, indicating its main characteristics, at least:

F.5.1. The Financial Information Internal Control System supervisory activities performed by the Audit Committee, and whether the company has an internal audit unit that includes among its competences supporting the committee in its internal control supervisory role, including the Financial Information Internal Control System. Additionally, the scope of the Financial Information Internal Control System conducted during the year will be reported, as well as the procedure used by the person responsible for the evaluation to communicate the results, whether the company has an action plan detailing possible corrective measures, and whether its impact on the financial information has been considered.

According to article 14 of the Board Regulations, the Audit Committee has the following duties, among others:

- Supervise the internal audit services and monitor the independence and efficacy of the internal audit function; to propose the selection, appointment, re-election and dismissal of the head of internal audit service; to propose the budget for this service; to receive information periodically about its activities; and to check that the senior management takes into consideration its conclusions and recommendations.
- Review periodically the internal risk management and control systems, so that the main risks are identified, managed and reported appropriately.
- Supervise the process of preparation, presentation and the integrity of the financial information of the Company or the group, when applicable, reviewing compliance with the regulatory requirements, the appropriate demarcation of the consolidation perimeter and the correct application of accounting criteria.
- Report at least once a year to the Board on the subject of risk control and the deficiencies detected, if any, in the internal audit reports or during the performance of the duties described above.
- Draft an annual report containing the activities carried out by the Committee.

A. Internal Audit Function

The Codere Group has an Internal Audit Division reporting directly to the Board of Directors through the Audit Committee, which supervises the internal audit function.

The duties of the Audit Division include the supervision of the compliance, efficacy and efficiency of the internal control systems, as well as the reliability and quality of the financial and operational information.

This is a corporate Division and is present in all the main countries where the Group operates. Its entire staff is full-time, and do not perform any other functions other than those corresponding to internal audit.

The Audit Committee approves annually the audit plans submitted by the Audit Division, and at least once a year, is informed about the result of the work done. In the performance of its duties, the Audit Committee is periodically informed about the internal audit activities and checks that the Senior Management takes the recommendations and conclusions of its reports into consideration.

B. Scope of evaluation of the Financial Information Internal Control System.

The Internal Audit Department, according to its Annual Plan approved by the Audit Committee, performs a continuous supervision of the Codere Group's internal control system, to ensure control over the reliability of financial information and operational procedures.

The Internal Audit Department has a multi-annual supervision plan approved by the Audit Committee. This plan contemplates the review of all critical business processes in all companies and geographic locations of the Group (including IT systems) during a three-year period, with the exception of some areas and processes that are reviewed annually, due to their special relevance.

Additionally, an Action plan has been designed to evaluate the operation and effectiveness of the controls identified, that can help supervise the entire Financial Information Internal Control System.

C. Communication of results and corrective measures action plans.

The Audit Committee is informed quarterly of the main conclusions and recommendations of the Internal Audit Department reports, and of the corrective measures action plans committed. It is also informed about the compliance with these action plans.

F.5.2. Whether a discussion process exists through which the account auditor (according to the requirements of the NTA), the internal audit function and other experts can communicate to the senior management, the audit committee or the directors of the entity the significant internal control weaknesses identified during the processes of revision of annual accounts, or any other processes they have been commissioned to perform. Additionally, it will inform whether it has an action plan that attempts to correct or mitigate the weaknesses observed.

The Audit Committee meets a minimum of once every three months (before the publication of regulated information) in order to procure and analyze the information required to comply with their duties. During these meetings, the Annual and Half-Yearly Accounts are reviewed, as well as the quarterly accounts of the Group, and the rest of the information made available to the market.

Also attending these meetings are the Economic and Financial Division (responsible for the preparation of financial information), the Internal Audit Division (with the periodic information about its activities), and the external auditor that presents the result of their work and is consulted about any aspect related to the preparation of financial information, for the purpose of ensuring the correct enforcement of the applicable accounting standards and the reliability of the financial information.

In all cases, and always before the end of the year, the external auditor holds a meeting with the Audit Committee to discuss the main issues of interest identified and all the issues detected by the auditor before year-end.

The account auditor of the Group, in turn, has a direct access to the Senior Management of the Group, and holds periodic meetings to acquire the necessary information to perform their work and to communicate the control weaknesses detected. Regarding the latter, the external auditor presents annually a report to the Audit Committee detailing the internal control weaknesses detected. This report includes the comments from the Group's Senior Management and the action plans, if any, initiated to correct the internal control deficiencies detected.

F.6 Additional relevant information

The relevant information has been provided in the previous paragraphs.

F.7 External auditor report

Report whether:

F.7.1. The Financial Information Internal Control System sent to the markets has been subject to review by the external auditor, in which case the entity must include the corresponding report as an attachment. Otherwise, explain the reasons why it was not included.

The Codere Group has not requested a specific report from the external auditors about the Financial Information Internal Control Systems sent to the markets, since it considers that the internal control function has already performed an internal control review, conducted according to technical audit rules, during the process of account audit review.

G DEGREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance of the Company of the Good Governance Code recommendations of listed companies.

In case one of the recommendations is not followed or partially followed, a detailed explanation of the reasons must be included, so that the shareholders, investors and the market in general have sufficient information to value the performance of the company. General explanations will not be accepted.

1. The Corporate By-Laws of listed companies do not limit the maximum number of votes that one shareholder can cast, or contain any other restrictions that hinder the takeover of the Company through the acquisition of its shares in the market.

Compliant Explain X

As a consequence of the financial restructuring process undertaken by the Company during recent years, and in order to ensure its continuity, the Company accepted some conditions, including, among others, the amendment of its By-Laws, in order to include the condition that in no case the same shareholder, the companies belonging to the same group or anyone acting in coordination with them, can cast in a General Meeting a number of votes higher than that corresponding to shares representing a percentage of 44% of the share capital, even when the number of shares they own is higher than the aforementioned percentage of share capital, notwithstanding the provisions of article 527 of the Corporations Law.

This limitation does not affect the votes corresponding to the shares represented by a shareholder as a consequence of the provisions of article 13 of the Articles of Association; however, the limitation described above will also apply in relation to the number of votes corresponding to the shares of each shareholder represented.

2. In case the parent Company and one subsidiary are listed companies, both of them must publicly define accurately:

a) Their respective areas of activity and business relations between them, as well as those of the listed subsidiary with the rest of the companies of the group.

b) The mechanisms contemplated to resolver potential conflicts of interest that may arise.

Compliant Partially compliant Explain N/A X

3. During the general shareholder's meeting, as a complement to the publication of the annual corporate governance report, the Chairman of the Board verbally reports to shareholders with sufficient detail of the most relevant aspects of the corporate governance of the company, and especially:

a) The changes that have taken place since the previous general meeting.
b) The specific reasons why the Company does not follow any of the recommendations of the Corporate Governance Code and of the alternative rules applied in this area, if any.

Compliant Partially compliant Explain X

The Company plans to disclose all the information referred to in this Recommendation during the next general shareholders' meeting to be held in June 2017.

4. The Company defines and promotes a communication policy and contacts with shareholders, institutional investors and voting advisors that is fully respectful with the rules against market abuse and provides equal treatment to shareholders in the same situation.

The Company must publish this policy in its website, including information about how it has been implemented and identifying the interlocutors or individuals responsible for its implementation.

Compliant Partially compliant X Explain

Even though the Company currently has no explicit communication and relation with shareholders policy, it has developed a communication line with them that meets all the market abuse prevention rules and promotes equal treatment for all shareholders. This communication line covers several areas, such as public telephone calls that any investor can connect to (details of this connection are previously published at the company website and sent to investors in our mailing list), and the phone communication with both institutional and individual shareholders, or the email address created for that purpose inversor@codere.com, that can be found at the website. Similarly, the presentations used in meetings with investors and all public information shared with any investor are published at the website.

Even though there is no communication policy with shareholders in our corporate website, this includes both the media (email or phone number) to communicate with the Investor Relations department, such as the department identified as the right interlocutor, as well as all the public financial information of the company (results, relevant events, presentations, guidance). Similarly, before General Shareholders' Meetings, the Electronic Shareholders Forum is made available to shareholders so that they can exercise their rights as shareholders and ask questions to the company. Additionally, the website includes a link to the "Corporate Governance" information that includes several documents on this topic, such as the texts of the Articles of Association, the Board Regulations, the General Shareholders' Meeting Regulations, the Ethical Code and Code of Conduct, the Internal Code of Conduct in Stock Markets, information about each and every one of the General Shareholders' Meetings held by the company since its initial listing, or information about the members of the Board of Directors and the members of the different committees of the Board.

5. The board of directors must not submit to the general meeting a proposal for the delegation of powers, to issue shares or convertible bonds excluding preferential subscription rights, for an amount higher than 20% of the share capital at the time of delegation.

Additionally, when the board of directors approves any issuance of shares or convertible bonds excluding preferential subscription rights, the Company must publish immediately on its website the reports on said exclusion referred to in mercantile law.

Compliant X | Partially compliant | Explain

6. Listed companies that draft the following reports, either mandatorily or voluntarily must publish them on their website well in advance of the general shareholders' meeting, even if their dissemination is not mandatory:

a) Report on the auditor's independence.

b) Reports on the performance of the audit committee and the appointment and remuneration committee.

c) Audit committee's report on related party transactions.

d) Corporate responsibility policy report.

Compliant | Partially compliant X | Explain

On the General Shareholders' Meeting of 30 June 2016, the company published on its corporate webpage at the time of the call, the Reports of the Audit, Corporate Governance (currently Appointment, Remuneration and Corporate Governance Committee) and Compliance Committees, as well as the auditor's independence report published annually by the Audit Committee.

During 2016, the Board of Directors approved the Corporate Social Responsibility Policy, whose report will be published coinciding with the General Shareholders' Meeting to be held in 2017.

Regarding the report from the audit committee on related party transactions, this has been issued for the first time in 2017, and will be disclosed on the General Shareholders' Meeting of 2017.

7. The Company broadcasts the general shareholders' meeting live on its website.

Compliant | Explain X

The percentage of shareholders present or represented at the General Shareholders' Meeting held during 2016 (3) ranged between a minimum of 83.84% and a maximum of 92.127%, the average participation for the year being 88.48%.

The company believes that, given its size, its economic and financial capacity, and the high participation of shareholders in General Meetings, it is not necessary to broadcast its general meetings through its website.

8. The audit committee must ensure that the board of directors submits the accounts to the general shareholders' meeting without limitations or qualifications in the audit report and that, in the exceptional cases where there are qualifications, both the chairman of

the audit committee and the auditors explain clearly to the shareholders the content and scope of said limitations or qualifications.

Compliant X Partially compliant Explain

9. The Company must publish permanently on its website the requirements and procedures accepted to certify share ownership, the right of attendance to the general shareholders' meeting and the exercise or delegation of the voting rights.

Such requirements and procedures must promote the attendance and the exercise of their rights to shareholders and are applied in a non-discriminatory manner.

Compliant X Partially compliant Explain

10. When an entitled shareholder has exercised before the general shareholders' meeting, the right to propose new items to the agenda or submit new proposals for agreement, the company:

a) Must immediately disseminate the additional items and new proposals for agreement.

b) Publishes the attendance card form of proxy form or distance vote form with the corresponding modifications so that the new items and alternative proposals can be vote don the same terms than those proposed by the board of directors.

c) Submits all these items or alternative proposals to a vote and applies to them the same voting rules as those formulated by the board of directors including, especially, the assumptions or deductions about the sense of the vote.

d) After the general shareholders' meeting, it must communicate the breakdown of votes on those additional items or alternative proposals.

Compliant Partially compliant Explain N/A X

11. In case the company plans to pay meeting attendance premiums at the general shareholders' meeting, it must establish beforehand a general policy on these premiums and that policy must be stable.

Compliant Partially compliant Explain N/A X

12. The board of directors must perform its duties with unity of purpose and independent judgement, treat all shareholders in the same situation equally and be guided by the interest of the company, that being understood as the achievement of a profitable a long-term sustainable business, and to maximize the economic value of the company on an ongoing basis.

In the pursuance of its interests, the company, apart from respecting the law and regulations and a behavior based on good faith, ethics, and respect for commonly accepted uses and good practices, must conciliate its own interests with the legitimate interests of its employees, suppliers, clients and the rest of stakeholders that may be affected, as well as the impact of its activities on the community and the environment.

Compliant X	Partially compliant	Explain

13. In the interest of maximum efficiency and participation, the board of directors should ideally be comprised of no less than five and no more than fifteen members.

Compliant X	Explain

14. The board of directors must approve a selection policy for directors that:

a) Is concrete and verifiable.

b) Ensures that proposals for appointment or re-election are based on a prior analysis of the needs of the board of directors.

c) Promotes the diversity of knowledge, expertise and gender.

That the result of the prior analysis of the needs of the board of directors is included in the appointment committee report published at the time of calling the general shareholders' meeting to which the ratification, appointment or re-election of each director is submitted.

The directors' selection policy promotes the goal that by 2020, the number of female directors represents a minimum of 30% of the total number of members of the board of directors.

The appointments committee will annually verify the compliance with the director selection policy and will report it in the annual corporate governance report.

Compliant	Partially compliant X	Explain

At the end of 2016, the Board of Directors approved a Directors Selection Policy that meets this Recommendation.

However, since no appointment, ratification or re-election has occurred since then, no analysis has been performed or published.

15. Proprietary or independent directors must represent a great majority of the board, and the number of executive directors should be the minimum necessary, taking into account the complexity of the corporate group and the percentage of participation of executive directors in the company's capital.

Compliant X	Partially compliant	Explain

16. The percentage of proprietary directors over the total of non-executive directors must not be higher than the proportion existing between the capital of the company represented by those directors and the rest of the capital.

This criterion can be reduced:

a) In highly capitalized companies with few stockholders holding significant stakes, according to the legal definition of a significant stake.

b) In case of companies in which there are many shareholders represented in the board of directors with no links between them.

Compliant X	Explain

17. The number of independent directors represents a minimum of one-half of the total number of directors.

However, when the Company is not highly capitalized or even in that case, it has one or several shareholders who act in concert, who control more than 30% of the capital, the number of independent directors represents at least one third of the total number of directors.

Compliant X Explain

18. The companies must publish in their website, and keep up to date, the following information about its directors:

a) Personal and professional profiles.

b) Other boards of directors they are members of, irrespective of whether they are listed companies or not, and other remunerated activities that they perform, whatever their nature.

c) Their category of director; in the case of proprietary directors, mentioning the shareholder they represent or are related to.

d) Date of their first appointment as director of the Company, and dates of subsequent re-appointments.

e) Shares of the company, and stock options, that they hold.

Compliant X Partially compliant Explain

19. The annual corporate governance report, after its verification by the appointment committee, explains the reasons why proprietary directors have been appointed at the request of shareholders whose shareholding stake is lower than 3% of the capital; also, the reasons must be explained for not attending to formal requests for board membership from shareholders whose stake is equal or higher than that of others at whose request proprietary directors have been appointed.

Compliant Partially compliant Explain N/A X

20. Proprietary directors must resign when the shareholder they represent transfers its shareholding stake in full. They must also resign when said shareholder reduces its stake down to a level that requires the reduction in the number of proprietary directors.

Compliant Partially compliant Explain N/A X

21. The board of directors should not propose the removal of any independent director before the completion of the term of office specified in the bylaws for which the director was appointed, except when the board finds that there is just cause after a report from the appointment committee. Specifically, a just cause exists when the director takes on new positions or acquires new obligations that prevent him from dedicating enough time to perform his duties as a director, fails to perform the duties inherent to his position, or incurs in any of the circumstances that would make him lose his independence, according to the provisions of the applicable legislation.

It is also possible to propose the removal of independent directors as a result of takeover bids, mergers or similar corporate operations that entail a change in the capital structure of the company, when such changes in the structure of the board of directors are a result of the proportionality criterion described in recommendation 16.

Compliant X Explain

22. The companies should establish rules that make it mandatory for directors to inform and, if applicable, to resign in the cases in which they can harm the credit and reputation of the Company and especially, obliges them to report to the board of directors of any criminal charges brought against them, and of any subsequent court or legal proceedings.

If a director is indicted or tried for any of the crimes indicated in the Corporations Act, the board should examine the matter as soon as possible and in view of the particular circumstances, decide whether he should resign. The board should report all this in a reasoned manner in the annual corporate governance report.

Compliant X Partially compliant Explain

23. All directors clearly express their opposition when they feel that any proposed resolution submitted to the board might be contrary to the best interest of the company. Independent directors and directors not affected by the potential conflict of interests should do the same in the case of decisions that might be contrary to the shareholders not represented in the board.

When the board adopts significant or repeated decisions about which the director has expressed serious reservations, the director must draw the appropriate conclusions and if he decides to resign, he should explain the reasons in the letter to which the following recommendation refers.

This recommendation is applicable to the secretary of the board, even if he is not a director.

Compliant X Partially compliant Explain N/A

24. Directors who give up their positions before their tenure expires, through resignation or otherwise, should explain their reasons in a letter to all the members of the board. Without prejudice to such withdrawal being communicated as a relevant fact, the reason for the resignation is explained in the annual corporate governance report.

Compliant X Partially compliant Explain N/A

25. The appointment committee must ensure that non-executive directors have enough time available for the correct performance of their duties.

The board regulations should establish the maximum number of corporate boards of which their directors can be members.

Compliant X Partially compliant Explain

26. The board should meet as frequently as needed to carry out its functions properly and a minimum of eight times a year, following a pre-established schedule of meetings and issues drawn up at the beginning of the year, allowing each director to propose the inclusion of initially unforeseen items on the agenda.

Compliant Partially compliant X Explain

The Board meets more than eight times a year, and normally tries to follow the pre-established Schedule of meetings drawn up at the beginning of the year. However, the restructuring process carried out over the last two years has led to the holding of meetings initially unforeseen.

Moreover, the situation described made it difficult to establish a list of issues for discussion during the year.

Notwithstanding the above, a schedule of meetings and issues to discuss in 2017 was drawn up in December 2016.

27. Director absences should be kept to a minimum and quantified in the annual corporate governance report. When they occur, proxies with instructions should be granted.

Compliant Partially compliant X Explain

The percentage of director absences during the year was quite low (5). In one of these five occasions, a proxy with instructions was granted.

28. Whenever the Secretary or directors express concerns about a specific proposal or, in the case of directors, on the progress of the Company and such concerns are not resolved within the board, the person expressing them may request that they be recorded in the minutes.

Compliant X Partially compliant Explain N/A

29. The Company provides suitable channels for the directors to seek advice on the performance of their duties including, in special circumstances, may include external advice at the company's expense.

Compliant X Partially compliant Explain

30. Regardless of the knowledge demanded from directors to perform their functions, companies must also offer their directors knowledge refreshment courses when the circumstances warrant it.

Compliant X Explain N/A

31. The agenda of the sessions must clearly indicate the items on which the board must make a decision or an agreement, so that directors can study them or gather the necessary information for their adoption in advance.

Whenever exceptionally for reasons of urgency, the chairman wants to submit to the approval of the board decisions or agreements not included in the agenda, it will be necessary to have the prior explicit consent of the majority of the directors present, which must be duly recorded in the minutes.

Compliant Partially compliant X Explain

While it is true that the agenda does not identify or distinguish explicitly the items of a purely informative nature from those on which the board must adopt a decision or an agreement, normally the agenda is drafted with sufficient clarity and is accompanied by enough documentation for the directors to know what items will be subject to a vote.

The Board Regulations were modified in 2016 to include the requirement of a prior explicit consent from the majority of directors present so that, exceptionally, the chairperson may subject to the approval of the board agreements not included in the agenda.

32. Directors should be periodically informed about the movements in the shareholding structure and the opinion that significant shareholders and rating agencies have on the Company and its group.

Compliant   Partially compliant   Explain X

In 2016, the shareholding structure of Codere S.A. has changed substantially, and since then some movements in that structure have taken place that had not occurred before.

The company plans to fulfil this Recommendation during 2017.

33. The chairman, as the person responsible for the effective operation of the board, apart from performing the duties attributed to him by the law and the bylaws, must prepare and submit to the board a Schedule of dates and issues to discuss; organize and coordinate the periodic evaluation of the board and, where applicable, of the chief executive officer of the Company; is responsible for the management of the board and its effective operation; ensures that enough time for discussion is allocated to strategic issues, and agrees and reviews the knowledge refreshment programs for each director, when the circumstances warrant it.

Compliant   Partially compliant X   Explain

The Coordinating Director and Chairman of the Appointment, Remuneration and Corporate Governance Committee is responsible for the organization and coordination of the periodic evaluation of the board and the chief executive officer of the company.

34. Whenever there is a coordinating director, the bylaws or the board regulations, apart from the powers invested on him by law, should grant him the following powers: to chair the board in absence of the chairman or vice chairmen, if any; to convey the concerns of non-executive directors; to hold contacts with shareholders and investors to find out their views in order to be aware of their concerns, especially regarding the corporate governance of the company; and to coordinate the chairman’s succession plan.

Compliant X   Partially compliant   Explain   N/A

35. The secretary of the board must ensure that the actions and decisions of the board reflect the good governance recommendations included in this code of good governance applicable to the company.

Compliant X   Explain

36. The full board must evaluate once a year and, where applicable, adopt an action plan that corrects the deficiencies detected related to:

a) The quality and efficiency of the operation of the board.

b) The operation and composition of its committees.

c) The diversity in the composition and competencies of the board.

d) The performance of the chairperson of the board and of the chief executive officer of the company.

e) The performance and contribution of each director, paying special attention to the chairpersons of the different committees of the board.

The basis for the evaluation of the different committees will be the report these committees submit to the board. In the case of the board evaluation, the basis shall be the report submitted by the appointment committee.

Every three years, the board will be assisted by an external consultant in this evaluation, whose Independence will be verified by the appointment committee.

The business relations that the consultant or any of the companies of its group holds with the Company or any of the companies of its group must be described in detail in the annual corporate governance report.

The evaluation process and the areas evaluated will be described in the annual corporate governance report.

Compliant Partially compliant X Explain

No external consultants have participated in this annual evaluation.

The evaluation process is carried out sending each of the directors a questionnaire that they respond to anonymously, about the deficiencies detected on issues related to the topics described on paragraphs a. b. d. and e. The Appointment, Remuneration and Corporate Governance Committee analyses (and modifies if necessary) the questionnaire before it is sent to the directors. Later, once the directors have sent their answers to the Secretary or vice-secretary, a report is drafted with the result of the evaluation, as well as the Improvement Plan on the deficiencies identified, which is analyzed in a meeting of the committee and, where applicable, submitted to the board for approval.

Regarding the content of the questionnaire, it analyses the following subjects: directors must respond to 13 questions on the quality and efficiency of the operation of the board; 4 questions on the operation and composition of their committees; 8 questions on the performance of the chairman and the chief executive officer; and 7 questions on the performance and contribution from every director.

Additionally, there is a section in the questionnaire containing 4 questions related to the performance of the secretary of the board, and 2 more questions (included in the section on the operation of the board and its committees) related to the diversity and suitability of the composition of the board and the committees.

37. When there is an executive committee, the structure of participation of the different categories of directors must be similar to that of the board itself, and the secretary of such committee must be the secretary of the board.

Compliant Partially compliant Explain N/A X

38. The board must be informed at all times of the matters discussed and the decisions adopted by the executive committee, and all the board members must receive a copy of the minutes of the executive committee sessions.

Compliant Partially compliant Explain N/A

39. The members of the audit committee, especially its chairperson, are appointed taking into consideration their knowledge and expertise in the areas of accounting, audit or risk

management, and most of the members must be independent directors.

Compliant X Partially compliant Explain

40. Under supervision from the audit committee, a unit must exist that takes on the internal audit function that ensures the good operation of the information and internal control system and that reports functionally to the non-executive chairperson of the board or the chairperson of the audit committee.

Compliant X Partially compliant Explain

41. The head of the unit that takes on the internal audit function must submit its annual action plan to the audit committee, reports directly the incidences that occur and submits an activity report at the end of each year.

Compliant X Partially compliant Explain N/A

42. Apart from those contemplated by law, the audit committee must have the following functions:

1. Regarding the information and internal control systems:

a) Supervise the process of preparation and the integrity of the financial information of the Company and, where applicable, the group, reviewing the compliance with regulatory requirements, the correct demarcation of the consolidation perimeter and the correct application of accounting standards.

b) Ensure the Independence of the internal audit unit; to propose the selection, appointment, re-election and dismissal of the head of the internal audit service; to propose the budget for this service; to approve its approach and working plans, making sure that its activity is mainly focused on the relevant risks for the company; to receive information periodically about its activities; and to check that the senior management takes into account the conclusions and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees to communicate confidentially and, if possible and considered as appropriate, anonymous, potentially relevant irregularities detected in the company, especially of an accounting or financial nature.

2. Regarding the external auditor:

a) In case of resignation of the external auditor, to examine the circumstances that prompted it.

b) To ensure that the remuneration of the external auditor for his work does not compromise its quality or its independence.

c) To monitor that the Company communicates to the CNMV (Stock Market Authority) as a relevant event the change of auditor, accompanied by a statement on the existing disagreements with the outgoing auditor, if any, and on its content.

d) To ensure that the external auditor holds an annual meeting with the full board to report on the work carried out and the evolution of the situation of the company in the areas of accounting and risk.

e) To ensure that the Company and the external auditor follow the applicable rules on the provision of services other than audit, limits to the auditor's business concentration and, in general, the rest of the rules about the Independence of auditors.

Compliant Partially compliant X Explain

Regarding the establishment and supervision of a mechanism that allows employees confidentially and, if possible and appropriate, anonymously, potentially relevant irregularities detected within the Company, especially accounting and financial, in Codere S.A. this function is assigned to the Compliance Committee (article 15 of the Board Regulations), with the system known as “Whistleblowing channel” (national and international), which is reported to the Committee periodically.

The Board Regulations of Codere S.A. do not include ensuring that the external auditor holds an annual meeting with the full board to report on the work done and the evolution of accounting and Company risks as one of the functions of the Audit Committee. Notwithstanding the above, in each of the cases in which the external auditor appears before the Audit Committee, the chair of the committee reports its conclusions to the Board at the next Board meeting.

43. The audit committee may call upon any employee or manager of the company, or even arrange for their appearance without any other manager present.

Compliant X Partially compliant Explain

44. The audit committee must be informed about the corporate and structural modification operations planned by the Company for their analysis and report to the board of its economic conditions and accounting impact and especially, where applicable, about the proposed exchange ratio.

Compliant X Partially compliant Explain N/A

45. The risk control and management policy must identify at least:

a) The different types of risks, financial and non-financial (among others, operational, technological, legal, social, environmental, political and reputational) that the company faces, including contingent liabilities and other off-balance risks among the economic or financial risks.

b) The establishment of the risk level considered as acceptable by the company.

c) The measures planned to mitigate the impact of the risks identified, in case they materialize.

d) The information and internal control systems used to control and manage these risks, including contingent liabilities or off-balance risks.

Compliant X Partially compliant Explain

46. Under the direct supervision of the audit committee or, where applicable, a specialized board committee, there must be an internal risks control and management function fulfilled by an internal unit or department of the company that has the following functions assigned:

a) Ensure the good operation of the risk control and management systems and, especially ensures that all the main risks affecting the Company are properly identified, managed and quantified.

b) Participate actively in the drawing up of the risk strategy and the relevant decisions on its management.

c) Ensure that the risk control and management systems mitigate risks adequately within the framework of the risk policy defined by the board.

Compliant X Partially compliant Explain

47. The members of the appointment and remuneration committee (or the

appointment committee and the remuneration committee, if the functions are split) are appointed taking care that they have the right knowledge, skills and expertise for the functions they must fulfil and that most of the members are independent directors.

Compliant X Partially compliant Explain

48. Companies with high capitalization must have an appointment committee and one separate remuneration committee.

Compliant Explain N/A X

49. The appointment committee must consult with the chairperson of the board and the chief executive officer of the Company, especially in matters related to executive directors.

Any director may request from the appointment committee to consider potential candidates to fill director vacancies, to decide whether they are suited for the position.

Compliant X Partially compliant Explain

50. The remuneration committee must perform their functions with Independence and, apart from the functions assigned to it by law, should have the following duties:

a) Propose to the board the basic conditions of the senior management contracts.

b) Check the compliance with the remuneration policy established by the company.

c) Periodically review the remuneration policy applied to directors and senior managers, including stock remuneration systems and their application, and to ensure that their individual remuneration is proportional to that paid to the rest of directors and senior managers of the company.

d) Ensure that potential conflicts of interest do not harm the independence of the external advice provided to the committee.

e) Verify the information about the remuneration of directors and senior managers contained in the different corporate documents, including the annual report on directors' remuneration.

Compliant Partially compliant X Explain

As provided in article 16 of the Board Regulations, most of the functions in this Recommendation are assigned to the Appointment, Remuneration and Corporate Governance Committee.

Paragraph d) is not applicable, since as previously reported, the evaluation of the Board is conducted internally, with no external advice.

51. The remuneration committee must consult with the chairperson and the chief executive officer of the Company, especially on matters related to executive directors and senior managers.

Compliant X Partially compliant Explain

52. The rules of composition and operation of the supervision and control committees must be described in the board regulations, and must be consistent with those applicable

to the mandatory committees, according to the previous recommendations, including:

a) They must be composed exclusively by non-executive directors, with a majority of independent directors.

b) Their chairpersons must be independent directors.

c) The board must appoint the members of these committees taking into account the knowledge, skills and expertise of the directors and the purposes of each committee, deliberate on their proposals and reports; and reports in the first meeting of the board after their meetings, of its activity, and they vouch the work carried out.

d) The committees may seek external advice when they consider it necessary to fulfil their functions.

e) Minutes must be drawn up of its meetings and made available to all directors.

Compliant	Partially compliant	X	Explain	N/A

The Compliance Committee of Codere S.A. meets the recommendations, except in that there is not a majority of independent directors on the board.

53. Supervision of compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy is assigned or distributed among several board committees, such as the audit committee, the appointments committee, the corporate social responsibility committee, if any, or a special committee that the board decides to create for that purpose, as part of its self-organization purview, that are specifically assigned the following minimum duties:

a) Oversight of compliance of the internal codes of conduct and corporate governance rules of the Company.

b) Oversight of the communication strategy and shareholder and investor relations strategy, including small and medium shareholders.

c) Periodic evaluation of the suitability of the corporate governance system, to ensure it fulfils its purpose of promoting social interest and takes into account, as the case may be, the legitimate interests of the rest of stakeholders.

d) Reviewing the corporate responsibility policy of the Company, ensuring that it is oriented toward the generation of value.

e) Monitoring the strategy and corporate social responsibility practices and evaluating its degree of compliance.

f) Supervision and evaluation of the processes of relations with the different stakeholders.

g) Evaluation of all aspects related to non-financial risks of the company –including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordination of the process of non-financial information reporting and diversity, according to the applicable legislation and internationally accepted standards.

Compliant	Partially compliant	X	Explain

The Company has assigned the Appointment, Remuneration and Corporate Governance Committee the functions described in paragraphs a), d) and e). The Audit Committee is responsible for the functions described in paragraphs b), f) and g).

As to the rest of the functions described in the remaining paragraphs, these have not been assigned explicitly to any of the Committees of the Board. However, the body responsible would be the Appointment, Remuneration and Corporate Governance Committee, according to article 16.2.j) which states that this Committee is responsible for "formulating proposals to the Board and the preparation of the review of the matters that the Board must review, in the subjects that are not the specific competence of another Committee, whenever it is deemed necessary".

54. The corporate social responsibility must include the principles or commitments voluntarily assumed by the Company in its relations with the different stakeholders, and must identify at least:

a) The goals of the corporate social responsibility and the development of supporting instruments.
b) The corporate strategy on sustainability, the environment and social issues.

c) Specific practices on issues related to: shareholders, employees, clients, suppliers, social issues, environment, diversity, fiscal accountability, respect for human rights and prevention of illegal practices.

d) The methods or systems for monitoring the results of the application of the specific practices listed on the previous paragraph, the associated risks and their management.

e) The supervision mechanisms of the non-financial risk, ethics and corporate conduct.

f) The channels for communication, participation and dialog with stakeholders.

g) The responsible communication practices that avoid manipulation of information and protect integrity and honor.

Compliant   Partially compliant X   Explain

During 2016, the Board of Directors, on the motion of the Appointment, Remuneration and Corporate Governance Committee, approved a Corporate Social Responsibility that identifies:

- Its purposes.
- The specific principles of action.

- The principles of action related to: Shareholders and Investors; Clients; Employees; the Communities; Suppliers; and the Environment.

55. The Company must report, in a separate document or in the management report, on some matters related to corporate social responsibility, using some of the internationally accepted methodologies.

Compliant   Partially compliant   Explain X

Given that the Corporate Social Responsibility was approved in 2016, the first report on this issue is scheduled to be drawn up in 2017, and distributed to shareholders before the General Shareholders' Meeting.

56. The remuneration of directors must be adequate to attract and retain the directors with the profile desired and to remunerate their dedication, qualifications and the responsibility of the position, but not as high to compromise the independent judgement of non-executive directors.

Compliant X   Explain

57. Performance-related and personal performance-related variable remuneration should be limited to executive directors; this also applies to remuneration through

company stock, stock options or instruments referenced to share value, and long-term savings schemes such as pension schemes, retirement schemes or other social security systems.

Shares can be used as remuneration to non-executive directors when subject to the condition that they keep them until the end of their term as directors. This will not apply to the shares that the director may need to sell to pay the costs of their acquisition.

Compliant X	Partially compliant	Explain

58. In the case of variable pay, remuneration policies must incorporate the necessary technical restrictions and guarantees to ensure that variable pay is related to the professional performance of its beneficiaries and not just to the general evolution of the markets or the sector of activity of the company or other similar circumstances.

Specifically, the variable component of remuneration must:

a) Be linked to pre-determined and measurable performance criteria; these criteria must take into account the risk taken to obtain a result.

b) Promote the sustainability of the Company and include non-financial criteria adequate to long-term value creation, such as compliance with the internal rules and procedures of the Company and its risks management and control policies.

c) Is calculated on the basis of a balance between the short, medium and long-term fulfilment of objectives, that allow to compensate for a continuous performance during a long enough period of time to appreciate its contribution to sustainable value creation, so that the criteria to measure this performance does not rely solely on one-off, occasional or extraordinary events.

Compliant	Partially compliant	Explain	N/A X

59. Payment of a relevant part of the variable components of remuneration is deferred for a minimum period in order to verify that the performance requirements previously established have been met.

Compliant	Partially compliant	Explain	N/A X

60. Remuneration linked to the company’s results must take into account the possible qualifications included in the external auditor report and reduce those results.

Compliant	Partially compliant	Explain	N/A X

61. A relevant percentage of variable remuneration of executive directors is linked to the delivery of shares or financial instruments referenced to share value.

Compliant	Partially compliant	Explain	N/A X

62. Once the shares, options or stock options have been assigned to the remuneration systems, directors cannot transfer the property of a number of shares

equivalent to twice their annual fixed remuneration, nor can they exercise their options or rights until at least three years have elapsed since their assignment.

This will not apply to the shares that the director may need to sell to pay the costs of their acquisition.

Compliant	Partially compliant	Explain	N/A X

63. Contractual arrangements must contain a clause that allows the Company to demand the refund of the variable components of remuneration when the payment has not been adjusted to performance or when it was made based on data whose inaccuracy was later proved.

Compliant	Partially compliant	Explain	N/A X

64. Payments for contract termination must not exceed a pre-established amount equivalent to two years of total annual remuneration, and are not paid until the Company has verified that the director has fulfilled the previously established performance criteria.

Compliant	Partially compliant	Explain	N/A X

H OTHER INFORMATION OF INTEREST

1. If there is a relevant aspect in the subject of corporate governance in the company or the entities of the group that has not been included in this report, but must be included for a more complete and reasoned information on the governance structure and practices in the entity or its group, please detail them briefly.

2. This section may also include any other information, clarification or qualification related to the rest of sections of this report, inasmuch as they are relevant and not repetitive.

Specifically, mention must be made if the Company is subject to a corporate governance legislation other than the Spanish, in which case the information that must provided other than that required by this report must be included.

3. The Company may also indicate if it has voluntarily signed other ethical principles or good practice international sectoral or other codes. If applicable, the corresponding code and date of signing must be identified.

Regarding section A.6., the list that includes all the parties to the covenants indicated is publicly available at the "Shareholder Agreements" section on the website www.codere.com, as well as in the Relevant Event sent to the CNMV on 15 April 2016 (Schedule 1).

Regarding section C.1.2., the date of the first appointment of Mr. Joseph Zappala reported (20/11/2002), corresponds to his first appointment as Director of Codere S.A. However, on 31 of August 2.004, Mr. Zappala resigned as a Director, and was not appointed Director again until 21 June 2005. Since that date, he has been a Director of Codere S.A. continuously.

Regarding section C.1.3., Mr. Manuel Martínez-Fidalgo Vázquez also represents Contrarian Capital Management L.L.C.

Regarding section C.1.4., two female directors were members of the Board during 4 months of 2016 (until 28 April 2016).

Regarding section C.1.29, apart from the 13 sessions mentioned, the Board adopted written agreements with no board meetings on 6 occasions.

Regarding section C.1.15., the amount indicated includes the remuneration received by Directors José Antonio Martínez, and Mr. Javier Martínez for the performance of executive functions, and the remuneration received by Mrs. Encarnación Martínez Sampedro, as executive director until her resignation.

Regarding section C.1.45., the total value of the compensations of the four contracts indicated in response to this question, if applicable, would amount as of 31 December 2015, to 1.1 million Euros. Even though the Board Regulations reserves to the Board the power to agree on compensation clauses for Senior Managers and the conditions of the contracts of Executive Directors, out of the four contracts mentioned with guarantee or ring-fenced clauses, three of them were not authorized by the Board of Directors, since they corresponded to contracts entered into before the Board Regulations came into force, whereas the fourth was duly authorized during 2011.

Regarding section C.2.3., the establishment and supervision of a mechanism that allows employees to communicate confidentially and, if considered necessary, anonymously, potentially relevant irregularities, especially financial and accounting, detected within the Company, is the duty of the Compliance Committee, according to article 15 of the Board Regulations.

Regarding section D.2 the contractual relationship arises between Silver Point Finance LLC (a Company included in the same Group as she significant shareholder Silver Point Luxembourg Platform SARL) and Companies of the Codere Group. During the restructuring process, it was agreed (and authorized by the Board of Directors on February 2nd 2016, before this Company become a significant shareholder of Codere SA), that a Monitor Committee composed by the major creditors of the Company will monitor the performance of the Company post-restructuring. For that purpose, the Monitor Committee could hire consultants and advisors. The Committee would be the responsible of paying to those consultants or advisors but Codere would be obliged to reimburse the costs to the Monitor Committee. Based in that agreement, Codere has reimbursed to Silver Point the costs that said Company payed to the consultants and advisors that the Monitor Committee has hired.

Regarding section D.3.:

1) Mrs. Encarnación Martínez Sampedro was Director until 28 of April 2016; however, the authorization of the extension of her loan contract took place when she was no longer a Director. Nonetheless, she is related to Directors Mr. José Antonio Martínez Sampedro and Mr. Luis Javier Martínez Sampedro; they are all siblings.

2) The service provision contractual relation exists between the Company of the Codere Group, Codere Newco S.A.U. and the company Pro TV S.A. of which Mr. Pío Cabanillas Alonso is a majority shareholder.

3) The service provision contractual relation between Codere S.A. and Codere México S.A. de C.V. and Mr. José Ramón Romero Rodríguez, is with the Law firm Loyra SCP Abogados, of which Mr. José Ramón Romero is one of the Partner Directors

Regarding recommendation 24, the six directors who resigned in April 2016 sent a letter stating that the reason for their resignation was to facilitate compliance with the agreements that made the financial restructuring of the Company possible.

The Board of Directors of the Company has approved this annual corporate governance report in its 27/02/2017 session.

Please indicate whether some directors voted against or abstained in the adoption of this Report.

Yes No X