CODERE, S.A. AND SUBSIDIARIES

Consolidated financial statements for the year ended December 31, 2017 and
2017 Group management report

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CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2017
(Thousands of euros)

ASSETS	**Note**	**At December 31** 2017	2016
Non-current assets		**988,760**	**1,051,309**
Intangible assets	7	342,900	376,136
Property, plant and equipment	8	338,879	358,258
Investment properties	8	49,959	56,102
Goodwill	10	185,270	190,672
Investments in equity-accounted investees	9	741	585
Non-current financial assets	11	22,316	21,474
Non-current loans		18,358	17,020
Held-to-maturity investments		3,958	4,454
Deferred tax assets	12	48,695	48,082
Current assets		**346,920**	**428,141**
Inventories	14	10,002	11,356
Accounts receivable	15	165,687	192,489
Trade receivables		42,329	41,135
Current tax assets		35,988	2,115
Sundry receivables		48,472	40,469
Accrued tax receivable		38,898	108,770
Financial assets	16	51,567	63,253
Other loans and investments		51,567	63,253
Adjustments for accruals		15,126	18,986
Cash and cash equivalents	24	104,538	142,057
TOTAL ASSETS		**1,335,680**	**1,479,450**

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, 2017
(Thousands of euros)

		At December 31	
EQUITY AND LIABILITIES	**Note**	**2017**	**2016**
Equity attributable to equity holders of the parent	17	**(78,793)**	**98,503**
Issued capital		509,715	505,943
Share premium		563,178	561,950
Legal reserve and retained earnings		(853,572)	419,066
Revaluation reserves		3,573	3,727
Translation differences		(304,423)	(266,297)
Profit/(loss) for the year attributable to equity holders of the parent		2,736	(1,125,886)
Non-controlling interests		**83,824**	**(24,822)**
Total equity		**5,031**	**73,681**
Non-current liabilities		**946,493**	**997,084**
Deferred revenue		55	14
Non-current provisions	18	31,057	30,932
Non-current financial liabilities	19	832,003	870,810
Bank borrowings		40,775	49,619
Issued notes		752,896	788,335
Other borrowings		38,332	32,856
Deferred tax liabilities	12	83,378	95,328
Current liabilities		**384,156**	**408,685**
Provisions and other	18	8,596	9,252
Bank borrowings	19	39,058	23,313
Notes and other marketable securities	19	13,028	12,223
Other non-trade payables	19	178,124	213,024
Trade payables		95,501	99,229
Current tax liabilities	19	49,849	51,644
TOTAL EQUITY AND LIABILITIES		**1,335,680**	**1,479,450**

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, 2017
(Thousands of euros)

	Note	Year ended December 31 2017	2016
Operating income		1,637,904	1,497,420
Revenue		1,628,115	1,486,287
Other income	23	9,789	11,133
Operating expenses	23	(1,506,281)	(1,411,782)
Raw materials and consumables used and other external expenses		(54,851)	(47,541)
Employee benefits expense	23.d	(259,959)	(245,506)
Depreciation and amortization	7.8	(112,988)	(102,364)
Change in provisions for bad debt		(2,197)	(5,808)
Other operating expenses	23.c	(1,076,286)	(1,024,045)
Asset impairment	7, 8, 10 & 13	-	13,482
Gain/(loss) on derecognition/disposal of assets	6	(487)	12,583
OPERATING PROFIT		**131,136**	**98,221**
Finance income		9,978	5,023
Finance costs		(79,779)	(1,190,458)
Net exchange losses		22,641	(37,076)
NET FINANCE COST	23.g	**(47,160)**	**(1,222,511)**
CONSOLIDATED PROFIT/(LOSS) BEFORE TAX		**83,976**	**(1,124,290)**
Income tax	21	(64,177)	(36,738)
Share of profits of equity-accounted investees		(59)	3,953
PROFIT/(LOSS) FOR THE PERIOD		**19,740**	**(1,157,075)**
Attributable to:			
Non-controlling interests		17,004	(31,189)
Equity holders of the parent		2,736	(1,125,886)
Basic and diluted earnings per share (euros)	23.f	**0.01**	**(0.62)**
Basic and diluted earnings per share from continuing operations attributable to equity holders of the parent (euros)	23.f	**0.01**	**(0.59)**

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, 2017
(Thousands of euros)

		Year ended December 31	
	Note	**2017**	**2016**
Profit/(loss) for the year	**17**	**19,740**	**(1,157,075)**
Actuarial gains or losses		173	-
Cash Flow hedge		32	-
Foreign currency translation differences		(65,801)	(40,004)
Other comprehensive income		**(65,596)**	**(40,004)**
Total comprehensive income for the year	**17**	**(45,856)**	**(1,197,079)**
Attributable to non-controlling interests		**12,354**	**(25,084)**
Attributable to equity holders of the parent		**(58,210)**	**(1,171,995)**

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CODERE, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017
(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, 2016	**505,943**	**561,950**	**412,349**	**6,717**	**3,727**	**(266,297)**	**(1,125,886)**	**98,503**	**(24,822)**	**73,681**
Profit/(loss) for the period	-	-	-	-	-	-	2,736	**2,736**	17,004	**19,740**
Other comprehensive income for the period	-	-	205	-	-	(61,151)	-	**(60,946)**	(4,650)	**(65,596)**
Total comprehensive income	-	-	205	-	-	**(61,151)**	**2,736**	**(58,210)**	**12,354**	**(45,856)**
Reversal of revaluation reserves	-	-	154	-	(154)	-	-	**-**	-	-
Issuance of shares (notes 3.f & 17)	3,772	1,228	(948)	-	-	-	-	**4,052**	-	**4,052**
Changes in ownership interests	-	-	-	-	-	-	-	**-**	**-**	**-**
Business combination (note 6)	-	-	-	-	-	-	-	**-**	1,657	**1,657**
Reserve for own shares (note 17)	-	-	24	-	-	-	-	**24**	-	**24**
Acquisition of non-controlling interests (note 4.h)	-	-	(148,166)	-	-	23,025	-	**(125,141)**	101,047	**(24,094)**
Share-based payments (note 4.f)	-	-	1,979	-	-	-	-	**1,979**	-	**1,979**
Gain/(loss) on trading in own shares	-	-	-	-	-	-	-	**-**	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	**-**	-	-
Dividends paid (*)	-	-	-	-	-	-	-	**-**	(6,412)	**(6,412)**
Amounts transferred to retained earnings	-	-	(1,129,839)	3,953	-	-	1,125,886	**-**	**-**	**-**
Total changes in equity	**3,772**	**1,228**	**(1,276,796)**	**3,953**	**(154)**	23,025	**1,125,886**	**(119,086)**	**96,292**	**(22,794)**
BALANCE at December 31, 2017	**509,715**	**563,178**	**(864,242)**	**10,670**	**3,573**	**(304,423)**	**2,736**	**(78,793)**	**83,824**	**5,031**

(*) 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, 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 6)	-	-	-	-	-	-	-	**-**	-	-
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 CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017 (Thousands of euros)

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Profit/(loss) before tax		83,976	(1,124,290)
Net finance (income)/cost		47,160	1,222,511
Operating profit/(loss)		131,136	98,221
Non-cash expenses		124,989	106,137
Depreciation and amortization	7 & 8	112,988	102,364
Asset impairment	7, 8, 10 & 13	-	(13,482)
Other operating expenses	24	12,001	17,255
Non-cash income	24	(3,871)	(15,896)
Changes in working capital		(13,762)	12,278
Inventories		1,355	708
Accounts receivable		(16,331)	6,730
Accounts payable		2,131	(2,394)
Other		(917)	7,234
Income tax paid		(70,856)	(48,765)
CASH FLOWS FROM OPERATING ACTIVITIES		**167,636**	**151,975**
Purchase of property, plant and equipment		(106,734)	(75,570)
Proceeds from the sale of property, plant and equipment		-	-
Loans to establishment owners: cash outflows		(19,453)	(22,545)
Loans to establishment owners: cash inflows		18,834	21,943
Payments for investments		(33,152)	(25,792)
Proceeds from disposals		1,486	930
Payments for other financial assets		-	(15,951)
Proceeds from other financial assets		4,684	-
Interest received		4,346	2,646
CASH FLOWS USED IN INVESTING ACTIVITIES		**(129,989)**	**(114,339)**
Notes issue		-	1,164,153
Redemption of notes		-	(889,298)
Drawdown of Codere's senior debt		10,000	-
Repayment of Codere's senior debt		-	(130,000)
Repayment of other borrowings		(4,098)	(356)
Change in borrowings		**5,902**	**(130,356)**
Proceeds from bank loans		27,997	1,138
Repayment of bank loans		(23,388)	(19,742)
Change in other bank loans		**4,609**	**(18,604)**
Dividend payments		**(5,823)**	**(4,619)**
Payments in respect of other financial borrowings		6,330	(12,500)
Repayment of other financial borrowings		(907)	(30,293)
Change in other financial borrowings		**5,423**	**(42,793)**
Other cash flows due to impact of exchange rates on collections and payments		**(4,942)**	**443**
Buyback of own equity instruments		(41)	-
Disposal of own equity instruments		2,111	-
Net investment in own shares		**2,070**	**-**
Interest paid		**(72,151)**	**(79,616)**
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(64,912)**	**(690)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(27,265)**	**36,946**
Reconciliation			
Cash and cash equivalents, opening balance		142,057	110,326
Net foreign exchange difference		(10,254)	(5,215)
Cash and cash equivalents, closing balance		104,538	142,057
Net (decrease)/increase in cash and cash equivalents		**(27,265)**	**36,946**

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, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of presentation

The consolidated 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 management to exercise its judgment 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

At December 31, 2017, the Group has negative working capital in the amount of 37,236 thousand euros (positive in the amount of 19,456 thousand euros at December 31, 2016), shaped primarily by liabilities owed to banks. In addition, as a result of the impact of translation differences, the Group presented negative equity in the amount of 78,793 thousand euros at year-end 2017. Note, however, that the Parent, Codere, S.A., presented positive equity at the reporting date.

The Parent's directors note that the Group currently has undrawn committed credit facilities, such as the 95 million-euro super senior multi-currency revolving facility, with which to service the payment commitments and obligations assumed by the Group and ensure business continuity. At the reporting date, the Group had drawn down 10 million euros of financial debt and 8 million dollars of guarantees under the above mentioned revolving facility. As a result, the directors have prepared the accompanying consolidated financial statements on a going concern basis: they believe that the Group's business prospects will translate into positive earnings and cash flows in the years to come and, therefore, that its assets will be realized and its liabilities settled at the amounts at which they are carried and in keeping with their classification in the financial statements.

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, 2016, except for:

Amendments to IAS 7 *Statement of cash flows. Disclosure initiative*.

The amendments to IAS 7 form part of the IASB's Disclosure Initiative and require reporters to provide relevant information that enables financial statement users to evaluate changes in liabilities arising from financing activities, distinguishing between changes that involve cash flows and changes that do not (such as foreign exchange gains or losses). Comparative information is not required in the year the amendments are first applied so that the Group has provided these disclosures for the current reporting period only (note 24).

Amendments to IAS 12 *Recognition of deferred tax assets for unrealized losses*

Application of these amendments has not had any impact on the Group's financial situation or performance as it does not have any deductible temporary differences or assets falling within the scope of the amendments.

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

The Group intends to apply the new standards, interpretations 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. Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, it estimates that their first-time application will not have a significant impact on its consolidated financial statements.

IFRS 9 *Financial instruments*

IFRS 9 *Financial instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. It introduces new rules for hedge accounting and a new financial asset impairment model. The Group has decided not to apply IFRS 9 before its mandatory application on January 1, 2018.

However, the Group has evaluated the impact effectiveness of this new standard will have on its financial statements, determining that it will not have a significant impact on the classification and measurement of its financial assets, nor on the application of new standards of hedging accounting for the following reasons:

- It does not have financial instruments classified as available for sale.
- Its equity investments at fair value through profit or loss will continue to be measured in the same manner under IFRS 9.
- Its financial instruments classified as held to maturity and measured at amortized cost meet the requirements for classification at amortized cost under IFRS 9.
- The Group does not have significant amounts of hedging derivatives.
- The Group does not have debts at amortized cost that has been modified in the past without recognizing the gain or loss in profit or loss.

Regarding the rest of its financial liabilities, the new requirements only affect those designated at fair value through profit or loss and the Group does not have any financial liabilities in this category.

The new impairment model requires reporters to recognize impairment losses using an expected credit loss model rather than the incurred loss approach taken under IAS 39. This model affects financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets within the scope of IFRS 15 *Revenue from contracts with customers*, lease receivables, loan commitments and certain financial guarantee contracts. The Group has evaluated the impact of the new impairment model and concluded that it will not have a significant impact on its loss allowance for accounts receivable as the Group's existing policy is already in line with the requirements established under IFRS 9.

IFRS 15 *Revenue from contracts with customers*

The IASB has issued a new standard governing the recognition of revenue. The new standard replaces IAS 18 which covers the accounting treatment of revenue from the sales of goods and rendering of services and IAS 11 on revenue from construction contracts.

The new standard is based on the principle that revenue should be recognized when control of a good or service is transferred to the customer.

The new standard permits a fully or modified retrospective approach to application. It is effective for the first interim reporting period within annual reporting periods beginning on or after January 1, 2018.

Management has analyzed the impact of effectiveness of IFRS 15 and believes, since the Group business is related to immediate maturity bets made in cash, there is no difference in the concept of changes in control or risk and benefit transfer, and hence it will not have a significant impact on revenue recognition at the Group, which will continue to be measured on the basis of what is known as 'gross gaming revenue', defined as the net win plus the value of free play.

IFRS 16 *Leases*

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, leases with variable lease payments and leases for which the underlying asset is of low value) in their statements of financial position.

Given the significant number of leases that currently classify as operating leases, the analysis being conducted by the Group suggests that application of the new standard 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) Comparative information

The 2016 financial statement figures are provided for comparison purposes.

In 2017, the Group reclassified 27.6 million euros of corporate income taxes paid on account to “Current tax assets” on the consolidated statement of financial position. In 2016, these balances were classified in “Accrued tax receivable”.

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 when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 interests 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 income statement.

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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

- The income and expenses for each statement of profit or loss presented are translated at the average monthly exchange rates;

- All resulting exchange differences are recognized in other comprehensive income.

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

b.4) Intangible assets

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

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

- Gaming licenses include the amounts paid to the various authorities in exchange for their concession. They are amortized over the associated concession terms.

- Exclusivity rights include the amounts paid to hospitality establishment owners to install gaming machines in their premises. They are amortized over the duration of the various contracts.

- Installation rights include the amounts paid to the various bodies for the permits to install amusement machines. They are amortized over the term of the permits.

- Computer software licenses purchased from third parties are capitalized on the basis of the costs incurred to acquire and ready the specific software for use. These costs are amortized over the assets' estimated useful lives.

- Trademarks purchased from third parties are recognized at their acquisition cost. Trademarks are considered to have indefinite useful lives.

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

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:

(Thousands of euros)

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

At December 31, 2017, The Group arranged a cross currency swap with the aim of hedging the impact of movements in the exchange rate on the cash flows associated with the loan obtained by the Mexican subsidiary, Codere México, S.A. de C.V. (note 20). The Group did not have any hedging arrangements outstanding at December 31, 2016.

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.

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 positive 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) Employee 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 from employees and external advisors in exchange for equity instruments in the Group under the lock-up agreement 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).

- Long-term incentives

Overview of the plan:

This plan has been awarded to several Codere Group executives and runs from September 2017 until April 2021.

Under the plan, the executives will be remunerated as a function of the increase in the market value of the restricted shares until April 2021, subject to their remaining in employment at the vesting date.

The bonuses payable in April 2021, assuming that all of the executives remain in employment and the share price gain exceeds the plan threshold, would total 7.8 million euros.

Plan type and measurement:

As defined in IFRS 2, it is a cash-settled share-based plan. The vesting period (which determines how the related employee benefits expense is accrued) runs from September 2017 until April 2021.
The plan has been measured using Monte Carlo simulation methodology. Specifically:

- 10,000 random scenarios were modeled for the performance of Codere's shares (the underlying) between the valuation date and April 30, 2021. The following inputs were used in the simulation exercise:
    - Risk-free interest rate: 0.07%
    - Share price volatility: 69.84%
    - Dividend yield: 0%
    - Random variable: 10,000 random numbers using a normal distribution (0.1)

- For each scenario the model calculated how much remuneration would be delivered to the executives in light of the share price performance. That remuneration was then discounted to the valuation date.

- The total plan value was calculated as the average of the values for each scenario. That value was then allocated over the vesting period.

Note that it was assumed that all of the directives will remain at the Codere until the end of the plan.
The total plan value at December 31, 2017 using the above methodology amounted to €1.5 million euros, 0.1 million of which had been accrued. That amount was recognized in the 2017 statement of profit and loss.

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 win collected.

- 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 win.

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

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

Interest income is recognized using the effective interest method. When an account 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 in any own shares held by the Group.

3. FINANCIAL RISK MANAGEMENT TARGETS AND POLICIES

a) Group sources of financing and leverage 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 financial entities.

- 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 borrowing 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. At December 31, 2017, the Group had arranged the hedging instruments disclosed in note 20.

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 as 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 the investment of surplus 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.

In 2017, the Group arranged the hedging instruments disclosed in note 20.

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 Dec. 31, 2017**	**Impact on profit and loss**	**Impact on equity**	**Impact on profit and loss**	**Impact on equity**
ARS/EUR	22.4497	2,898	-	(2,898)	-
BRL/EUR	3.9673	8,548	-	(8,548)	-
COP/EUR	3,578.7112	325	-	(325)	-
USD/EUR	1.1993	984	-	(984)	-
UYU/EUR	34.5482	1,425	3	(1,425)	(3)
MXN/EUR	23.6687	264	-	(264)	-

					Thousands of euros
		10% devaluation of the US dollar		10% appreciation of the US dollar	
Currency	**Exchange rate at Dec. 31, 2017**	**Impact on profit and loss**	**Impact on equity**	**Impact on profit and loss**	**Impact on equity**
ARS/USD	18.6490	282	81	(282)	(81)
BRL/USD	3.3080	11,156	-	(11,156)	-
COP/USD	2,984.0000	156	(1)	(156)	1
MXN/USD	19.7354	35,147	-	(35,147)	-
UYU/USD	28.8070	22,139	2,057	(22,139)	(2,057)
EUR/USD	0.8338	(17,806)	-	17,806	-

					Thousands of euros
		10% depreciation of the euro		10% appreciation of the euro	
Currency	**Exchange rate at Dec. 31, 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	3,163.0484	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	3,000.7100	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

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 notes 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 80 million euros at December 31, 2017, 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		
Heading	**Increase (+) / decrease (-) in interest rate (basis points)**	**2017**	**2016**
Impact on after-tax profit	+50	(242)	(459)
	-50	242	459
Impact on equity	+50	(242)	(459)
	-50	242	459

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 primarily 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 impairment provisions of 89,054 thousand euros at December 31, 2017 (81,202 thousand euros at year-end 2016).

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 both year-ends. 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	
	2017	**2016**
Trade receivables	89,054	81,202
Cash and cash equivalents	104,538	142,057
Other financial assets	51,567	63,253
	245,159	**286,512**

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 Group covers its working capital requirements from undrawn credit facilities and the operating cash flow generated by its various business units.

(Thousands of euros)

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, 2017	Between Dec. 1, 2018 and March 31, 2018	Between Dec. 1, 2018 and Dec. 31, 2018	Between Dec. 1, 2018 and Dec. 31, 2019	Between Dec. 1, 2018 and Dec. 31, 2022
Current assets					
Short-term securities portfolio	-	-	-	-	-
Cash and cash equivalents	104,538	104,538	104,538	104,538	104,538
Total current assets	**104,538**	**104,538**	**104,538**	**104,538**	**104,538**
Non-current liabilities					
Notes, bonds and other marketable securities	752,896	-	-	3,564	752,896
Non-current bank borrowings	40,775	-	-	20,647	40,775
Total non-current liabilities	**793,671**	**-**	**-**	**24,211**	**793,671**
Current liabilities					
Current notes and bonds	13,028	1,085	13,028	13,028	13,028
Current bank borrowings	39,058	17,321	39,058	39,058	39,058
Total current liabilities	**52,086**	**18,406**	**52,086**	**52,086**	**52,086**
Expected gain on foreign currency hedging transactions	**747**	**747**	**747**	**747**	**747**
Net liquidity	**(740,472)**	**86,879**	**53,199**	**28,988**	**(740,472)**

	Balance at December 31, 2016	Between Dec. 1, 2017 and Dec. 31, 2017	Between Dec. 1, 2017 and Dec. 31, 2017	Between Dec. 1, 2017 and Dec. 31, 2018	Between Dec. 1, 2017 and Dec. 31, 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					
Notes, 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 notes and 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)**

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, 2017, the Group presented negative equity attributable to equity holders of the parent of 78,793 thousand euros, which is 177,296 thousand euros less than at December 31, 2016. The decrease is primarily attributable to the negative impact of translation differences (61,151 thousand euros) and the impact on equity of the acquisition of the non-controlling interests in Caliente (125,139 thousand euros).

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 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**	
	Year-end 2017	**Year-end 2016**
Provision for options	(3,039)	(3,097)
Hedging instruments	747	-

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.

- The fair value of the hedging instrument is obtained by the information provided by the financial entity.

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

The fair value of the Group's notes at December 31, 2017 is as follows:

	Thousands of euros
	Year-end 2017
Notes issued by HRU, S.A.	35,171
Notes issued by Codere Finance II, S.A.	784,066
	819,237

Fair value of investment properties.

The Group has updated its assessment of the fair value of its investment 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 9.4%, 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, 2017 amounted to 72.8 million euros (year-end 2016: 64.4 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, 2016, consummating the restructuring of the notes 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

In 2016, Codere Finance 2 (Luxembourg) S.A., a Luxembourg-domiciled subsidiary of Codere, 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 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 represented 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 for Codere's shareholders, 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, in 2016:

(a) Codere contributed all of its assets and liabilities to a newly formed Spanish subsidiary, Codere Newco, S.A.U. ("**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 was 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 (representing 97.78% of Codere's shares) had to 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 had to 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 it believed that the resulting accounting entry in equity might 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 implied applying a value to the debt cancelled that was 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 companies valuation methods.

- Trading prices on secondary markets.

From a fair value standpoint, the analysis performed called 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 reinforced 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 wording of the standard.

As a result, despite the fact that the Codere Group believed 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 restatement of the shares to fair value was recognized under “Retained earnings”; the increases in the issued capital (494,936 thousand euros) and share premium (330,670 thousand euros) accounts were recognized at their registered amounts.

It is worth noting that the choice of valuation methodology (quoted price vs. discounted cash flow analysis vs. comparable companies analysis) for arriving at the fair value of the shares of Codere, S.A. did 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, were 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, 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, 4.9 million US dollars of interest and a 7.4 million US dollar early cancellation fee.

The Notes carry issue ratings of B2 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. That facility was drawn down by 10 million euros of financial debt and 8 million dollars of guarantees at the reporting date.

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 losses on non-financial assets

The Group tests its non-financial assets (goodwill and other non-current assets) for impairment annually, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units (CGUs) are 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 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 raised a tax assessment of 66.7 million Mexican pesos (3.1 million euros at December 31, 2016) which the Group has appealed 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. In 2016, Codere Mexico was handed down a favorable ruling by this court, triggering the reversal of the 1.7 million euro provision recognized in this respect (36.9 million Mexican pesos).

- 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 was ruled on in favor of the subsidiary in 2016.

- 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. The Circuit Court ruled partially in Codere's favor in 2017.

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).

- One of the Group's Mexican subsidiaries, Operadora Cantabria S.A. de C.V., is being inspected in respect of 2013 and 2014. In relation to 2014, the subsidiary has asked the Taxpayers' Ombudsman (PRODECON for its acronym in Spanish) to initiate its dispute resolution mechanism known as the 'conclusive agreement'. The tax authorities continue to carry out their inspection of the 2013 returns. No provisions have been recognized in respect of either of these cases.

- The claims associated with these tax contingencies amount to approximately 32.4 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 99 million Mexican pesos, equivalent to 4.5 million euros at December 31, 2017 and of 134.1 million Mexican pesos, equivalent to 6.2 million euros at December 31, 2016).

(ii) Tax lawsuits in Italy

- In 2017, the Italian Group companies Codere Network S.p.A., Codere Italia S.p.A., Bingo Re S.r.l. and Operbingo Italia S.p.A. were inspected. The Italian tax authorities have queried the failure to recognize certain taxable income. The Group's tax advisors estimate the contingency deriving from this inspection at 1.8 million euros. The Italian companies have provided for that amount. In addition, specifically in the case of Operbingo Italia S.p.A., the authorities have questioned the criteria used to deduct certain amounts from VAT payments in 2012. The sum questioned by the Italian authorities amounts to 1.6 million euros. This Italian subsidiary plans to lodge an appeal against the criteria being used by the tax authorities as it disagrees with the arguments put forward. Nevertheless, a provision for the amount sought by the Italian tax authorities has been recognized in the 2017 financial statements.

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 were to be issued with an exercise price of 0.4074 euros per share. The term for exercising them was 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 year-end 2016.

In contrast, the obligation in respect of the warrants for the Senior Officers is not deemed to have accrued at December 31, 2017 or 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 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 had exercised their warrants, were subject to the terms of the Shareholder Agreement, which means that certain restrictions were 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, amounted to 6 million euros and was recognized under 'Employee benefits expense' in the 2016 consolidated statement of profit or loss with a balancing entry in equity.

In the end, the Executive Directors did not exercise their warrants by the deadline established at the Annual General Meeting, namely October 29, 2017. Given that the shareholders have not extended that deadline or modified the exercise terms in any way, the warrants are deemed to have been extinguished. This development does not have any impact on the accounting treatment of this transaction as its effects are already reflected in the equity of Codere, S.A. at December 31, 2017.

2. <u>Share-based payments to the financial advisor, Houlihan Lokey</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 Lokey, 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 was able 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 amounted to 5 million euros and was recognized under 'Other operating expenses' in the 2016 consolidated statement of profit or loss with a balancing entry in equity.

At an Extraordinary General Meeting on May 11, 2017, the Company's shareholders ratified a 3,771,889.60 euro equity issue, specifically the issuance of 18,859,448 new ordinary shares of Codere, S.A. with a unit par value of 0.20 and a share premium of 0.0651191 per share, of the same class and series as those already outstanding and carrying the same rights, to offset the credit claim held by Houlihan Lokey EMEA, LLP against Codere, S.A. as a result of having taken over the position formerly held by Houlihan Lokey (Europe), Ltd. as a consequence of the Engagement Letter of August 14, 2013, amended by the Fee Letter dated March 21, 2016, and, likewise, the subscription by Houlihan Lokey EMEA, LLP of the Letter of March 29, 2017, in the amount of 5 million euros.

Under International Financial Reporting Standards, the equity instruments issued (18,859,448 Codere, S.A. shares) had to be measured at fair value and the difference between the carrying amount of the financial liability extinguished (5 million euros) and the fair value of the equity instruments issued had to be recognized in profit or loss. From the 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., May 11, 2017 (0.48 euros per share), as the reference price. This implied, multiplying this price by the number of shares issued by Codere (18,859,448), measuring the increase in the Company's equity at 9,052 thousand euros for accounting purposes. Given that the financial liability extinguished amounted to 5,000 thousand euros, the difference (a loss of 4,052 thousand euros) had to be recognized as finance cost in profit or loss for the period.

3. <u>Scheme of Arrangement of April 28, 2016</u>

The Scheme of Arrangement of April 28, 2016 stipulated a period during which the bondholders were entitled to exercise their rights. This period, denominated the "Holding Period" (hereinafter, HP) terminated on April 28, 2017. The Holding Period Trust Agreement stipulated that the Scheme Creditors would lose their entitlements if they did not claim them before April 28, 2017. The Agreement further stipulated that at the end of the HP, the Trustee would sell any surplus shares and send the cash raised to Codere. Those shares were sold in the market and Codere received 2,111 thousand euros as a result. For accounting purposes, this transaction was accounted for as a transaction involving own equity instruments: the Group accordingly recognized a gain of 2,111 thousand euros under 'Retained earnings' in connection with the end of the period during which the holders of the former bonds (in existence until April 2016) could exercise their entitlements.

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 22.4 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.

Against this backdrop, Italian Law 96 of June 21, 2017 contemplated, with effect from April 24, 2017, an increase in Italian gaming tax as follows:

- From 17.5% to 19% for AWP machines.
- From 5.5% to 6% for VLTs.

This same piece of legislation contemplates a reduction in the permitted number of AWP machines. The reduction is to take place in two stages:

- By December 31, 2017, the number had to be reduced by 15% with respect to the number in operation as of September 30, 2017.
- By December 31, 2018, the number has to be reduced by 30%.

The Group's management believes that this legislation does not have an impact on the 2017 consolidated financial statements.

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 are reviewed annually by management.

Summarized financial information on subsidiaries with material non-controlling interests at December 31, 2017	Thousands of euros	
	Administradora Mexicana Hipódromo S.A. C.V.	Alta Cordillera, S.A.
Intangible assets	125,025	15,815
Property, plant and equipment	106,337	9,341
Investment properties	48,055	-
Deferred tax assets	(806)	340
Other non-current assets	904	31,188
Cash and cash equivalents	8,779	5,212
Other current assets	44,654	11,244
Non-current liabilities	(979)	(4,030)
Current liabilities	(49,652)	(8,089)
Intercompany eliminations (**)	(316,182)	(52,710)
Non-controlling interests (%)	15,2	25,0
Non-controlling interests	(5,147)	2,078
Revenue	225,105	67,308
Profit/(loss) for the year	27,527	(185)

Summarized financial information on subsidiaries with material non-controlling interests at December 31, 2016	Thousands of euros									
	Grupo Inver-juego, S.A. (*)	Joma-harho S.A. C.V. (*)	Mio Games S.A. C.V. (*)	Libros Foraneos S.A. C.V. (*)	Operad. Espec-táculos Deportivos S.A. C.V. (*)	Operadora Cantabria S.A. C.V. (*)	Promo-juegos de México S.A. (*)	Grupo Caliente S.A. C.V. (*)	Adminis-tradora Mexicana Hipodromo S.A. C.V.	Alta Cordillera, S.A.
Intangible assets	-	-	-	700	-	38	-	-	140,192	14,327
Property, plant and equipment	-	-	743	5,404	2,279	9,551	1,102	-	111,253	10,797
Investment properties	-	-	-	-	-	-	-	-	54,171	-
Deferred tax assets	1	-	137	1,353	110	3,078	118	-	(812)	591
Other non-current assets	380	-	27	-	56	343	-	65,427	527	36,030
Cash and cash equivalents	1	-	187	1,089	886	1,827	472	-	11,651	3,151
Other current assets	168	718	717	11,815	4,130	15,115	3,946	1,354	45,734	10,353
Non-current liabilities	-	-	(19)	(792)	(35)	(423)	(144)	-	(13,472)	(5,442)
Current liabilities	(7)	(4)	(194)	(6,382)	(3,305)	(10,864)	(2,263)	(11)	(55,581)	(10,057)
Intercompany eliminations (**)	1,237	2,286	(8,590)	(123,298)	(44,763)	(129,256)	(42,706)	(78,794)	(313,006)	(43,978)
Non-controlling interests (%)	32,7	32,7	32,7	32,7	32,7	32,7	32,7	32,7	15,2	25,0
Non-controlling interests	582	981	(2,286)	(36,006)	(13,290)	(36,163)	(12,908)	(3,932)	(2,940)	3,943
Revenue	-	-	1,835	26,262	14,249	54,921	9,202	-	211,461	70,703
Profit/(loss) for the year	(21)	(3)	(1,245)	(28,378)	(8,752)	(25,437)	(7,137)	(6)	21,908	297

(*) Subsidiaries that have non-controlling interests that are part of Caliente Group
(**) intercompany balances eliminated through consolidation process

On March 31, 2017, the Codere Group acquired from the Caliente Group, primarily through its wholly-owned subsidiary Codere, México S.A. de C.V., all of the shares that the Caliente Group held in Mexican Group companies Grupo Caliente S.A.P.I., Grupo Inverjuego, S.A.P.I. and Jomaharho, S.A.P.I., in which the Group held a 67.3% interest prior to the transaction. With this agreement the two groups have terminated all of the corporate agreements and contracts formerly in place between the parties. However, the Caliente Group will continue to provide Codere with certain services related with the sports-betting business. The transaction size was 26 million dollars, 22 million dollars of which was paid in cash, with the remaining 4 million accounted for by cancelling an account between the two Groups. This transaction has not had any impact on the scope of consolidation as these interests were already majority owned by the Group before the buyout. The acquisition of the remaining interests in these three companies had an impact on equity at December 31, 2017 of 125,139 thousand euros.

The table below itemizes the non-cancelable commitments under operating leases of the two above-mentioned companies at December 31, 2017 and 2016:

	Thousands of euros			
				Total payments
	In the next year	1-5 years	Over 5 years	Beyond
Total non-cancelable commitments, year-end 2017	-	2,410	-	2,410
Total non-cancelable commitments, year-end 2016	-	2,521	-	2,521

Dividends paid to these non-controlling interests totaled 2,946 thousand euros in 2017 (1,668 thousand euros in 2016).

5. SEGMENT INFORMATION

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, self-service terminals in hospitality establishments and online betting.
- 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, online betting operations, 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

2017 statement of profit or loss	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Inter-segment transactions (*)	Total
Revenue											
External customers	187,958	339,886	582,415	24,720	335,587	70,254	2,808	94,258	18	-	1,637,904
Inter-segment	-	-	-	-	-	-	-	-	41,232	(41,232)	-
	187,958	339,886	582,415	24,720	335,587	70,254	2,808	94,258	41,250	(41,232)	1,637,904
Operating expenses											
Depreciation and amortization	(24,872)	(35,970)	(8,980)	(3,473)	(17,078)	(12,875)	(316)	(9,175)	(249)	-	(112,988)
Change in provision for receivables impairment	(499)	(656)	-	(646)	(559)	163	-	-	-	-	(2,197)
Other operating expenses	(162,671)	(240,113)	(441,339)	(20,432)	(314,230)	(55,653)	(6,756)	(75,509)	(74,393)	-	(1,391,096)
Asset impairment	-	-	-	-	-	-	-	-	-	-	-
	(188,042)	(276,739)	(450,319)	(24,551)	(331,867)	(68,365)	(7,072)	(84,684)	(74,642)	-	(1,506,281)
Gain/(loss) on derecognition/disposal of assets	(1,103)	(441)	7	(288)	1,444	-	(106)	-	-	-	(487)
Inter-segment expenses	(1,152)	(12,414)	(20,730)	(1,517)	(837)	(608)	(5)	(3,969)	-	41,232	-
OPERATING PROFIT/(LOSS)	(2,339)	50,292	111,373	(1,636)	4,327	1,281	(4,375)	5,605	(33,392)	-	131,136
Finance income - external	396	2,384	2,802	43	3,373	83	74	120	703	-	9,978
Finance income - inter-segment	-	-	-	-	-	-	-	-	46,132	(46,132)	-
Finance costs - external	(1,556)	(5,358)	(4,006)	(425)	(924)	(4,005)	(53)	(112)	(61,899)	-	(78,338)
Finance costs - inter-segment	641	(35,890)	(36)	66	(5,931)	(170)	(3,845)	(967)	-	46,132	-
Change in financial-asset impairment provisions	-	-	-	-	-	-	-	-	(1,441)	-	(1,441)
Net exchange differences	(64)	5,997	(3,965)	(200)	-	418	(410)	(985)	21,850	-	22,641
NET FINANCE INCOME/(COST)	(583)	(32,867)	(5,205)	(516)	(3,482)	(3,674)	(4,234)	(1,944)	5,345	-	(47,160)
PROFIT/(LOSS) BEFORE TAX	(2,922)	17,425	106,168	(2,152)	845	(2,393)	(8,609)	3,661	(28,047)	-	83,976
Income tax	(717)	(11,446)	(48,901)	(498)	(3,219)	(83)	(470)	(826)	1,983	-	(64,177)
Equity method	-	(24)	-	-	(35)	-	-	-	-	-	(59)
PROFIT/(LOSS) FOR THE YEAR	(3,639)	5,955	57,267	(2,650)	(2,409)	(2,476)	(9,079)	2,835	(26,064)	-	19,740
GROUP PROFIT/(LOSS) FOR THE YEAR											
Attributable to:											
Non-controlling interests	769	15,847	572	44	(499)	-	-	272	(1)	-	17,004
Equity holders of the parent	(4,408)	(9,892)	56,695	(2,694)	(1,910)	(2,476)	(9,079)	2,563	(26,063)	-	2,736
GROUP PROFIT/(LOSS)	(3,639)	5,955	57,267	(2,650)	(2,409)	(2,476)	(9,079)	2,835	(26,064)	-	19,740

(*) 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)

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 provision for receivables impairment	(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)
Equity method	-	(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.

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

Statement of financial position at December 31, 2017	**Spain**	**Mexico**	**Argentina**	**Colombia**	**Italy**	**Uruguay**	**Brazil**	**Panama**	**Holdcos**	**Total**
Intangible assets	52,621	182,577	29,869	117	35,768	22,093	496	17,556	1,803	342,900
Property, plant and equipment	68,837	134,189	24,151	13,504	16,335	69,261	716	11,448	438	338,879
Goodwill	26,687	62,632	10,774	-	47,883	7,998	-	29,296	-	185,270
Investment property	1,904	48,055	-	-	-	-	-	-	-	49,959
Investments in equity-accounted investees	-	635	-	-	106	-	-	-	-	741
Non-current financial assets	5,617	1,468	2,697	22	9,765	-	-	2,415	332	22,316
Deferred tax assets	5,445	12,314	2,477	32	7,227	5,014	-	340	15,846	48,695
Current assets	43,716	82,856	45,894	4,367	73,778	17,042	1,946	24,590	52,731	346,920
TOTAL ASSETS	**204,827**	**524,726**	**115,862**	**18,042**	**190,862**	**121,408**	**3,158**	**85,645**	**71,150**	**1,335,680**
Deferred income	52	-	-	-	-	-	-	-	3	55
Provisions	653	9,975	3,673	1,039	13,171	654	-	1,303	589	31,057
Non-current borrowings	37,989	67,678	5,280	1,157	10,704	41,538	-	3,092	747,943	915,381
Current liabilities	74,168	108,492	67,876	6,054	53,467	21,504	5,951	13,316	33,328	384,156
TOTAL EQUITY AND LIABILITIES	**112,862**	**186,145**	**76,829**	**8,250**	**77,342**	**63,696**	**5,951**	**17,711**	**781,863**	**1,330,649**
OTHER DISCLOSURES										
Additions to non-current assets	**40,247**	**32,760**	**7,364**	**4,446**	**7,642**	**5,237**	**198**	**13,923**	**392**	**112,209**
Intangible assets	9,865	-	183	-	3,644	265	-	-	265	14,222
Property, plant and equipment	30,382	32,760	7,181	4,446	3,998	4,972	198	13,923	127	97,987
Other non-cash charges	6,128	420	2,436	294	2,616	-	-	-	-	**11,894**

CODERE, S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of euros)

Statement of financial position at December 31, 2016	**Spain**	**Mexico**	**Argentina**	**Colombia**	**Italy**	**Uruguay**	**Brazil**	**Panama**	**Holdcos**	**Total**
Intangible assets	44,165	206,954	43,913	118	37,461	26,594	687	14,451	1,793	376,136
Property, plant and equipment	56,290	138,600	30,828	15,920	18,382	84,001	932	12,782	523	358,258
Goodwill	21,478	68,109	14,426	-	44,393	8,934	-	33,332	-	190,672
Investment property	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 EQUITY AND 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**

b) <u>Business lines</u>

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) 2017

The information regarding the acquisition-date fair values of the acquirees' identifiable assets and liabilities and their contributions to the Group's revenue and earnings during the reporting period is provided below (in thousands of euros):

(Thousands of euros)

	Nori Games, S.r.l.	SE.BI.LOT., S.r.l.	Somport 24, S.L.	Recreativos Juvasa, S.A.	IPM Máquinas S.L.U.	Bini-patrimonial, S.L.U.	Other acquisitions	Total business combinations
Acquisition date	Dec. 1, 2017	June 23, 2017	Feb. 13, 2017	July 26, 2017	Oct. 2, 2017	Oct. 23, 2017		
% acquired by Group	51%	51%	100%	100%	100%	100%	100%	
Consideration:								
Cash	1,378	827	2,141	1,446	660	595	616	**7,663**
Deferred consideration	-	-	100	362	1,980	595	-	**3,037**
Contingent consideration	574	2,439	-	(58)	117	-	-	**3,072**
Goodwill	989	2,503	1,332	1,089	1,777	519	493	**8,702**
Intangible assets	1,873	2,122	741	856	852	618	203	**7,265**
Property, plant and equipment	491	293	695	253	169	59	13	**1,973**
Other non-current assets	373	52	105	-	1	9	-	**540**
Deferred tax assets	-	-	-	-	-	-	9	**9**
Current assets	486	131	325	32	1,427	90	18	**2,509**
Cash and cash equivalents	403	414	(16)	22	230	11	29	**1,093**
Non-current liabilities	(274)	(676)	(229)	-	(1,320)	-	-	**(2,499)**
Provisions and contingent liabilities	-	-	-	-	-	-	-	**-**
Deferred tax liabilities	(361)	(507)	(169)	(166)	(213)	(93)	-	**(1,509)**
Current liabilities	(1,104)	(336)	(486)	(277)	(178)	(23)	(60)	**(2,464)**
Total identifiable net assets	1,887	1,493	909	720	968	671	212	**6,860**
Non-controlling interest	(924)	(733)	-	-	-	-	(90)	**(1,747)**
Revenue contribution from acquisition date	10,820	8,294	462	295	186	68	237	**20,362**
Earnings contribution from acquisition date	56	(227)	99	(161)	(8)	(8)	9	**(240)**
Revenue contribution since January 1, 2017	11,148	15,112	592	856	925	580	278	**29,491**
Earnings contribution since January 1, 2017	97	(677)	8	73	82	(60)	3	**(474)**

The column titled "Other acquisitions" includes the acquisitions of Speed Plancha, S.L., Sport Bet Extremadura, S.L. and Jolugar, S.L. 41 for 26, 450 and 140 thousand euros, respectively.

The acquisitions of Nori Games Service, S.r.l. and SE.BI.LOT, S.r.l. of Italy for 1,952 and 3,266 thousand euros, respectively, include contingent consideration. The contingent consideration arrangements oblige Codere to pay a sum of cash to the former shareholders of SE.BI.LOT, S.r.l. in June 2018 and those of Nori Games Service, S.r.l. no later than December 2018 that will depend on the amount of EBITDA these acquirees generate between June 2017 and June 2018.

The acquisitions of IPM Máquinas, S.L.U. and Recreativos Juvasa, S.L. of Spain for 2,757 and 1,750 thousand euros, respectively, included contingent consideration which had already been paid on the date of publication of the accompanying consolidated financial statements.

a.2) 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 owned 50% of Uruguay's HRU, S.A. (formerly called Hípica Rioplatense de Uruguay, S.A.) for 33 million dollars. This acquisition had the effect of increasing the Codere Group's shareholding in HRU, S.A. from 50% to 100%.

The following table summarizes the carrying amounts and fair values of the identifiable assets acquired and liabilities assumed, determined on the basis of an independent expert report, along with the consideration paid:

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, was 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 from November 30, 2016 and included in the 2016 consolidated statement of profit or loss amounted 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 remeasured its pre-existing 50% interest in HRU, S.A., unlocking a gain of 14,002 thousand euros, which was 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.

b) Changes in the scope of consolidation

b.1) 2017

The main changes in the consolidation scope included:

- The Group acquired 51% of Italy's Nori Games Service, S.r.l. on January 12, 2017.

- Game Over, S.r.l. was merged into G.A.R.E.T., S.r.l. on January 13, 2017, leaving the Group with a 51% interest.

- Somport 24, S.L. of Spain was acquired outright on February 13, 2017.

- On March 31, 2017, the Group acquired 32.7% of the following companies: Jomaharho, S.A., de C.V., Libros Foráneos, S.A. de C.V., Operadora Espectáculos Deportivos S.A. de C.V., Mio Games S.A. de C.V., Promojuegos de México, S.A., Operadora Cantabria, S.A. de C.V., Grupo Caliente, S.A. de C.V. and Grupo Inverjuego, S.A., lifting the Group's interest in these entities from 67.3% to 100%.

- Administración Mexicana de Hipódromos IV, S.A. de C.V. was liquidated on March 31, 2017.

- The holdco Codere Finance UK, S.A. was liquidated on April 4, 2017.

- Codere Operadora de Apuestas, S.L., a wholly-owned subsidiary of the Apuestas España subgroup, was incorporated on April 17, 2017.

- The Group acquired 100% of Speed Plancha, S.L. and 51% of Sport Bet Extremadura, S.L. on May 19, 2017.

- The Panamanian companies Verfin Overseas, Inc. and Dongara Investments, Inc. were liquidated on May 22 and May 30, 2017, respectively.

- The Group acquired SE.BI. LOT, S.r.l. of Italy on June 23, 2017.

- Operadores Electrónicos de Andalucía, S.A. was incorporated on July 5, 2017.

- Codere Scommesse, S.r.l. was incorporated in Italy on July 17, 2017.

- The Group acquired Recreativos Juvasa, S.L. of Spain on July 26, 2017.

- Somport 24 S.L., Speed Plancha, S.L. and Sigirec, S.L. were merged into Operibérica, S.A. with effect from September 1, 2017.

- The Group acquired Jolugar 41, S.L. of Spain on September 29, 2017.

- On September 30, 2017, Codere Gaming Italia, S.r.l. reduced its shareholding in Codemática S.r.l. by 2%, thus decreasing Codere Network, S.p.A.'s interest by the same percentage.

- Grupo Caliente, S.A. de C.V., Grupo Inverjuego, S.A. de C.V. and Jomaharho, S.A. de C.V. merged into Codere México, S.A., all Mexican companies, on September 30, 2017.

- The Group acquired IPM Máquinas, S.L.U. of Spain on October 2, 2017.

- The Group acquired Binipatrimonial, S.L.U. of Spain on July 26, 2017.

b.2) 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 halls and machines and the provision of sport-betting services.

- The 670 million peso rights issue 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.2.). 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 was recognized within finance costs in the 2016 consolidated statement of profit or loss.

7. INTANGIBLE ASSETS

The table below reconciles the carrying amounts of "Intangible assets" at the beginning and end of the reporting period:

2017							Thousands of euros
Cost	Balance at Dec. 31, 2016	Business combinations	Additions	Derecog-nitions	Transfers	Translation differences	Balance at Dec. 31, 2017
Licenses	283,933	-	88	-	-	(32,700)	251,321
Trademarks	29,762	-	-	-	-	(2,268)	27,494
Emission	226,086	7,262	21,785	(6,765)	-	(10,782)	237,586
Software	41,437	-	5,539	(438)	-	(1,170)	45,368
Other intangible assets	21,277	3	1,071	(875)	-	(895)	20,581
	602,495	**7,265**	**28,483**	**(8,078)**	**-**	**(47,815)**	**582,350**
Accumulated amortization	**Balance at Dec. 31, 2016**	**Business combinations**	**Additions**	**Derecog-nitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2017**
Licenses	(70,089)	-	(11,028)	-	-	9,261	(71,856)
Emission	(109,314)	-	(19,061)	5,796	210	6,199	(116,170)
Software	(32,127)	-	(3,580)	212	(210)	908	(34,797)
Other intangible assets	(9,388)	-	(1,928)	-	-	476	(10,840)
	(220,918)	**-**	**(35,597)**	**6,008**	**-**	**16,844**	**(233,663)**
Provisions	(5,441)	-	(611)	265	-	-	(5,787)
Carrying amount	**376,136**	**7,265**	**(7,725)**	**(1,805)**	**-**	**(30,971)**	**342,900**

The column headed "Business combinations" includes the fair value of the assets associated with the acquisitions of Somport 24, S.L., Speed Plancha, S.L., Sport Bet Extremadura, S.L., Recreativos Juvasa, S.L., Jolugar 41, S.L., IPM Máquinas, S.L.U. and Binipatrimonial, S.L.U. of Spain and Nori Games Service S.r.l. and SE.BI.LOT S.r.l. of Italy (note 6.a1).

The movement under “Rights” corresponds to the net movement in exclusivity rights associated mainly with the Spanish and Panamanian operations.

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
Emission	210,507	24,928	12,254	(6,510)	-	(15,093)	226,086
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)
Emission	(95,416)	(126)	(20,306)	4,846	-	1,688	(109,314)
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)**
Provisions	(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 customer portfolios associated with the acquisition of 51% of the Italian companies, PGO Services, S.r.l, Garet, S.r.l and Game Over, S.r.l (note 6.a.2).
The movement under “Rights” corresponds to the net movement in exclusivity rights associated with the Spanish business operations.

7.a) Other disclosures

The Group's sole indefinite-lived intangible assets are its installation rights and trademarks, which were carried at 45,899 thousand euros at December 31, 2017 (46,604 thousand euros at year-end 2016).

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:

	Year-end 2017		Year-end 2016	
	Trademarks	**Installation rights (not subject to amortization)**	**Trademarks**	**Installation rights (not subject to amortization)**
Spain	1,299	18,405	1,299	16,841
México	26,195	-	28,464	-
	27,494	**18,405**	**29,763**	**16,841**

The individually material intangible assets, along with their carrying amounts and remaining useful lives:

Asset class	Carrying amount	Remaining useful life
Argentina hall licenses	29,726	Between 3 and 13 years
Panama casino licenses	15,984	Between 5 and 6 years
México licenses	147,541	Between 16 and 30 years
Italian network gaming machine concessions	10,513	Between 4 and 7 years

The Group had no material contractual commitments for the acquisition or sale of intangible assets at December 31, 2017.

The gross carrying amount of fully amortized items of intangible assets still in use at December 31, 2017 and 2016 is as follows:

		Thousands of euros
Cost	**Balance at Dec. 31, 2017**	**Balance at Dec. 31, 2016**
Licenses and trademarks	4.199	1.556
Emission	4.652	4.400
Software	30.507	22.048
	39.358	**28.004**

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:

2017							Thousands of euros
Cost	**Balance at Dec. 31, 2016**	**Business combinations**	**Additions**	**Derecog-nitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2017**
Amusement machines	222,803	1,128	26,669	(15,541)	9,608	(25,410)	219,257
Gaming machines and sports-betting terminals	25,203	10	6,692	(1,940)	409	(220)	30,154
Other fixtures, fittings and tools	94,935	206	4,090	(1,200)	1,630	(6,083)	93,578
Computer equipment	40,489	27	5,096	(2,483)	510	(3,445)	40,194
Prepayments and PP&E in progress	11,710	5	33,947	(2,717)	(20,815)	(1,860)	20,270
Vehicles	3,811	85	489	(496)	-	(324)	3,565
Land	11,893	-	4	(17)	(1)	(425)	11,454
Buildings	169,331	-	238	(283)	(911)	(12,690)	155,685
Refurbishment of leased premises	249,783	2	8,260	(1,288)	9,086	(24,525)	241,318
Plant and machinery	51,483	510	10,208	(706)	484	(3,671)	58,308
Total	**881,441**	**1,973**	**95,693**	**(26,671)**	**-**	**(78,653)**	**873,783**
Accumulated depreciation	**Balance at Dec. 31, 2016**	**Business combinations**	**Additions**	**Derecog-nitions**	**Transfers**	**Translation differences**	**Balance at Dec, 31, 2017**
Amusement machines	(145,499)	-	(29,443)	13,765	-	17,335	(143,842)
Gaming machines and sports-betting terminals	(17,994)	-	(3,155)	1,803	(9)	144	(19,211)
Other fixtures, fittings and tools	(66,726)	-	(6,982)	761	(733)	4,116	(69,564)
Computer equipment	(30,832)	-	(4,332)	1,483	(1)	2,659	(31,023)
Vehicles	(2,817)	-	(338)	488	1	203	(2,463)
Buildings	(83,311)	-	(6,995)	115	1,039	5,758	(83,394)
Refurbishment of leased premises	(119,817)	-	(20,148)	687	115	11,674	(127,489)
Plant and machinery	(36,442)	-	(4,247)	77	(412)	3,352	(37,672)
Total	**(503,438)**	**-**	**(75,640)**	**19,179**	**-**	**45,241**	**(514,658)**
Provisions	**(19,745)**	**-**	**(501)**	**-**	**-**	**-**	**(20,246)**
Carrying amount	**358,258**	**1,973**	**19,552**	**(7,492)**		**(33,412)**	**338,879**

The additions and decreases recorded under “Amusement machines” corresponded mainly to Argentina, Spain, Colombia and Panama and reflect the renewal of the stock of machines in 2017.

The column headed "Business combinations" includes the fair value of the assets associated with the acquisitions of Somport 24, S.L., Speed Plancha, S.L., Sport Bet Extremadura, S.L., Recreativos Juvasa, S.L., Jolugar 41, S.L., IPM Máquinas, S.L.U. and Binipatrimonial, S.L.U. of Spain and Nori Games Service S.r.l. and SE.BI.LOT S.r.l. of Italy (note 6.a1).

At December 31, 2017 and 2016, "Provisions" mainly included the impairment loss recognized against Hotel Casino Carrasco in Uruguay in the amount of 4,838 thousand euros (4,793 thousand euros at year-end 2016), 8,149 thousand euros of asset impairment losses in Colombia in both reporting periods and 5,242 thousand euros in Mexico (5,696 thousand euros at December 31, 2016).

The movement under “Prepayments and PP&E in progress” corresponds mainly to the acquisition of fixed-odds gaming machines and premises refurbishment in Mexico (CIE).

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)**
Provisions	**(34,155)**	**-**	**(24,085)**	**37,614**	**-**	**881**	**(19,745)**
Carrying amount	**318,460**	**40,770**	**(7,838)**	**28,469**	**-**	**(21,603)**	**358,258**

The carrying amounts of the assets held under finance leases at year-end:

						Thousands of euros
			2017			**2016**
	Cost	**Accumulated depreciation**	**Carrying amount**	**Cost**	**Accumulated depreciation**	**Carrying amount**
Amusement machines	17,405	(7,263)	10,142	11,737	(4,154)	7,583
Plant and machinery	-	-	-	-	-	-
Computer equipment	669	(355)	314	788	(518)	270
Vehicles	226	(160)	66	319	(62)	257
	18,300	**(7,778)**	**10,522**	**12,844**	**(4,734)**	**8,110**

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 125,077 thousand euros in 2017 (2016: 115,762 thousand euros) (note 23). 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 2017	13,192	23,541	10,584	47,317
Total non-cancelable commitments, year-end 2016	14,316	23,095	10,312	47,723

The gross carrying amount of fully amortized items of property, plant and equipment still in use at December 31, 2017 and 2016 is as follows:

	Thousands of euros	
Cost	Balance at Dec. 31, 2017	Balance at Dec. 31, 2016
Amusement machines	149,343	132,727
Gaming machines and sports-betting terminals	12,742	8,290
Other fixtures, fittings and tools	56,146	45,850
Computer equipment	46,066	45,883
Vehicles	2,687	2,772
Buildings	13,059	13,284
Refurbishment of leased premises	48,591	35,745
Plant and machinery	33,497	32,667
Total	**362,131**	**317,218**

8.b) Investment properties

At year-end 2017 and 2016, this heading primarily included the Banamex Center and Spanish assets transferred in 2015.

The reconciliation of the opening and closing balances recognized under "Investment properties":

	Thousands of euros					
Cost	Balance at Dec. 31, 2016	Additions	Amounts de-recognized	Transfers	Translation differences	Balance at Dec. 31, 2017
Other fixtures, fittings and tools	3,589	3	(10)	-	(286)	3,296
Computer equipment	944	19	-	-	(75)	888
Vehicles	93	-	-	-	(7)	86
Land	715	-	-	-	-	715
Buildings	72,977	-	-	-	(5,712)	67,265
Refurbishment of leased premises	4,020	25	-	-	(321)	3,724
Plant and machinery	884	-	-	-	(70)	814
Total	**83,222**	**47**	**(10)**	**-**	**(6,471)**	**76,788**
Accumulated depreciation						
Other fixtures, fittings and tools	(2,955)	(164)	-	-	236	(2,883)
Computer equipment	(881)	(31)	-	-	70	(842)
Vehicles	(68)	(11)	-	-	5	(74)
Buildings	(21,242)	(1,616)	-	-	1,791	(21,067)
Refurbishment of leased premises	(1,314)	(116)	-	-	105	(1,325)
Plant and machinery	(660)	(31)	-	-	53	(638)
Total	**(27,120)**	**(1,969)**	**-**	**-**	**2,260**	**(26,829)**
Carrying amount	**56,102**	**(1,922)**	**(10)**	**-**	**(4,211)**	**49,959**

						Thousands of euros
Cost	**Balance at Dec. 31, 2015**	**Additions**	**Amounts de-recognized**	**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**

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 agreement are as follows:

- Years 2 to 5: 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, 2017, 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
Heading	**Balance at Dec. 31, 2016**	**Business combinations**	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Dec. 31, 2017**
Equity-accounted investees	585	-	235	(7)	(72)	741
	585	**-**	**235**	**(7)**	**(72)**	**741**

						Thousands of euros
Heading	**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**

The tables below provide summarized financial information for the joint ventures identified as material:

Joint ventures 2017	**New Joker, S.r.l.**	**Hippobingo Firenze, S.r.l.**	**Total**
Non-current assets	**2,426**	**3,227**	**5,653**
Fixed and intangible assets	2,413	3,227	5,640
Deferred income tax	13	-	13
Current assets	**623**	**505**	**1,128**
Current assets	189	270	459
Cash and cash equivalents	434	235	669
TOTAL ASSETS	**3,049**	**3,732**	**6,781**
Non-current liabilities	**(1,612)**	**(1,280)**	**(2,892)**
Deferred tax	(162)	-	(162)
Non-current trade payables	(1,292)	-	(1,292)
Non-current financial liabilities	(158)	(1,280)	(1,438)
Current liabilities	**(1,297)**	**(2,408)**	**(3,705)**
Current trade payables	(1,297)	(2,048)	(3,345)
Current financial liabilities	-	(360)	(360)
TOTAL EQUITY AND LIABILITIES	**(2,909)**	**(3,688)**	**(6,597)**
Revenue	5,167	2,211	7,378
Operating expenses	(5,339)	(2,144)	(7,483)
Operating profit/(loss)	**(172)**	**67**	**(105)**
Finance income	1	-	1
Finance costs	-	(45)	(45)
Net finance income/(cost)	**1**	**(45)**	**(44)**
Tax income/(expense)	27	-	27
Profit/(loss) for the year	**(144)**	**22**	**(122)**

Joint ventures 2016	New Joker, S.r.l.	Hippobingo Firenze, S.r.l.	Total
Non-current assets	**2,504**	**3,214**	**5,718**
Fixed and intangible assets	2,488	3,214	5,702
Deferred income tax	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 EQUITY AND 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 income/(expense)	(24)	117	93
Profit/(loss) for the year	**(239)**	**(445)**	**(684)**

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 at December 31, 2017 and 2016:

				Thousands of euros
				Total payments
	In the next year	1-5 years	Over 5 years	Beyond
Total non-cancelable commitments, year-end 2017	776	5,668	-	6,444
Total non-cancelable commitments, year-end 2016	95	-	-	95

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:

						Thousands of euros
2017	**Balance at Dec. 31, 2016**	**Additions**	**Derecognitions**	**Impairment**	**Translation differences**	**Balance at Dec. 31, 2017**
Spain	21,477	5,210	-	-	-	26,687
Argentina	14,422	-	-	-	(3,648)	10,774
Italy	44,391	3,492	-	-	-	47,883
Panama (*)	33,333	-	-	-	(4,037)	29,296
Mexico	68,115	-	-	-	(5,483)	62,632
Uruguay	8,934	-	-	-	(936)	7,998
Total	**190,672**	**8,702**	**-**	**-**	**(14,104)**	**185,270**

						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
Panama (*)	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 additions recognized in 2017 related to the acquisitions of Somport 24, S.L., S.L., Juvasa, IPM Máquinas, S.L. and Binipatrimonial, SLU in Spain and Nori Games Service S.r.l. and SE.BI.LOT S.r.l. in Italy (note 6.a.1).

The main addition recognized in 2016 related to the acquisition of 50% of HRU, S.A. (formerly Hípica Ríoplatense Uruguay, S.A.) (note 6.a.2).

The impairment tests performed at year-end, as outlined in note 13, did not reveal the need to recognize any additional impairment charges in 2017. Nor did the Group recognize any goodwill impairment losses in 2016.

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			
2017	**Cost**	**2014 and earlier**	**2016**	**2017**	**Carrying amount**
Spain	106,015	(79,328)	-	-	26,687
Argentina	10,774	-	-	-	10,774
Italy	117,017	(69,134)	-	-	47,883
Panama	29,296	-	-	-	29,296
Mexico	86,962	(24,330)	-	-	62,632
Uruguay	7,998	-	-	-	7,998
	358,062	**(172,792)**	**-**	**-**	**185,270**

	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**

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:

2017

Heading	**Balance at Dec. 31, 2016**	**Business combinations**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Dec. 31, 2017**
Loans and receivables	17,020	-	4,797	(1,386)	(815)	(1,258)	18,358
Held-to-maturity investments	4,454	421	172	(1,086)	-	(3)	3,958
	21,474	**421**	**4,969**	**(2,472)**	**(815)**	**(1,261)**	**22,316**

The movements under “Loans and receivables” were concentrated in Spain (reflecting the total reclassification to current assets of a portion of the loans extended to S.E.V.A. and Ballesteros) and Argentina (an increase due to the recognition of a break-up fee collection claim associated with the dissolution of the joint venture in which Group company Bingos del Oeste, S.A. was venturer).

The derecognitions under "Investments held to maturity" reflect the Uruguayan bonds sold by Codere Newco S.A.U.

2016						Thousands of euros
Heading	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
	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).

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

Currency	Thousands of euros	
	2017	2016
Euros	15,715	15,098
US dollars	4,482	3,493
Argentine pesos	711	1,943
Mexican pesos	1,386	916
Colombian pesos	22	24
	22,316	**21,474**

a) "Loans and receivables"

Type	Company holding the asset	Thousands of euros 2017	2016
Non-current loans	Hípica de Panamá, S.A.	-	618
Non-current loans	Alta Cordillera, S.A.	2,415	2,698
Non-current loans	Grupo Operbingo Italia, S.p.A.	2,551	2,911
Non-current loans	Operibérica, S.A.	1,034	855
Non-current loans	Codere Newco S.A.U.	302	815
Non-current loans	Codere Mexico, S.A.	1,468	1,002
Other smaller loans to third parties		10,588	8,121
		18,358	**17,020**

At Hípica de Panamá, S.A., the deposits were reclassified from non-current to current assets.

The Grupo Operbingo Italia, S.p.A. balance mainly includes deposits associated with the bingo license concession.

The increase at Operibérica S.A. relates primarily to performance bonds and hall security deposits.

The breakdown of the amortized cost of the main loans by maturity date is as follows:

	Thousands of euros 2017	2016
2018	-	8,744
2019	7,479	1,238
2020	685	84
2021	817	200
2022	793	-
Beyond	8,584	6,754
	18,358	**17,020**

b) Held-to-maturity investments:

	Thousands of euros	
Investment type	**2017**	**2016**
Hopper deposits	3,098	3,071
Long-term fixed-rate deposits	-	241
Other	860	1,142
	3,958	**4,454**

12. DEFERRED TAX

The analysis of deferred tax assets and liabilities is as follows:

	Thousands of euros			
	Year-end 2017		Year-end 2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	3,510	(73,893)	3,417	(79,457)
Property, plant and equipment	12,037	-	12,084	(2,303)
Financial assets	898	(6,715)	898	(8,651)
Exchange differences	-	(163)	-	(163)
Tax credits	20,678	-	21,268	-
Provisions	9	-	-	-
Other	11,563	(2,607)	10,415	(4,754)
	48,695	**(83,378)**	**48,082**	**(95,328)**
Deferred tax assets/(liabilities) to be recovered after more than 12 months	33,191	(78,427)	35,035	(81,527)
Deferred tax assets/(liabilities) to be recovered within 12 months	15,504	(4,951)	13,047	(13,801)
	48,695	**(83,378)**	**48,082**	**(95,328)**

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					
2017	**Balance at Dec. 31, 2016**	**Recognized in profit or loss for the year**	**Business combinations**	**Re-classifications**	**Translation differences**	**Balance at Dec. 31, 2017**
Assets						
Tax credits	21,268	(614)	-	-	24	20,678
Financial assets	898	-	-	-	-	898
Intangible assets	3,417	113	-	-	(20)	3,510
Property, plant and equipment	12,084	(234)	-	-	187	12,037
Provisions	-	-	9	-	-	9
Other	10,415	3,854	-	-	(2,706)	11,563
	48,082	**3,119**	**9**	**-**	**(2,515)**	**48,695**
Liabilities						
Revaluation of properties and investments in fixed assets	(2,303)	2,303	-	-	-	-
Financial assets	(8,651)	1,936	-	-	-	(6,715)
Exchange differences	(163)	-	-	-	-	(163)
Intangible assets	(79,457)	(15)	(361)	-	5,940	(73,893)
Other	(4,754)	1,929	(1,148)	-	1,366	(2,607)
	(95,328)	**6,153**	**(1,509)**	**-**	**7,306**	**(83,378)**
	(47,246)					**(34,683)**

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					
2016	**Balance at Dec. 31, 2015**	**Recognized in profit or loss for the year**	**Business combinations**	**Re-classifications**	**Translation differences**	**Balance at Dec. 31, 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)	6,204	25	-	2,995	(4,754)
	(103,628)	**3,694**	**(5,772)**	**-**	**10,378**	**(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%.

The amendments introduced to Spain's Corporate Income Tax Act under Royal Decree-Law 3/2016 (of December 2, 2016) limited 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 in effect since 2016 and considering the Group's new financial situation in the wake of the corporate debt restructuring work, it proceeded to recognize tax assets in respect of unused tax losses in the amount of 8 million euros in 2016. No additional tax assets were recognized in this connection in 2017.

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 recognized a deferred tax liability in the amount of 8 million euros in 2016, which was equivalent to four-fifths of the impairment losses still pending reversal during the following four years. In 2017, 2 million euros of this was reverted, leaving a closing balance of 6 million euros corresponding to three-fifths of the impairment losses still pending reversal.

In 2017, the balance of deferred tax assets was broadly in line with that recognized at year-end 2016; the slight increase is attributable to temporary differences arising during the year. Elsewhere, the decline in deferred tax liabilities is mainly related to the reversal of the 2 million euros detailed in the paragraph above and 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, offset somewhat by the additions to deferred tax liabilities derived from the business combinations concluded during the year (refer to note 6 above).

The decline in tax assets in respect of unused credits in 2016 mainly reflected the adjustment for the new tax rate that took effect in Italy from January 1, 2017 (cut from 27.5% to 24%). Meanwhile, the decline in deferred tax liabilities in 2016 was mainly related to the reversal of deferred liabilities related to differences in depreciation charges for tax and accounting purposes in Mexico and Panama, as well as the reversal of other deferred tax liabilities.

13. IMPAIRMENT OF NON-FINANCIAL ASSETS

In 2016, the Group tested its assets for impairment twice. The first tests were performed in conjunction with the June 30, 2016 financial statements as there was an indication that the Carrasco Nobile may have been impaired. Specifically, the indication was a far weaker than expected business performance, mainly in the VIP tables business (players of high standing afforded special terms), 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 which the projections pointed to a shortfall in 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 were partially reversed at December 31, 2016.

The main reason for the reversal was 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 2016 financial statements for issue) and repay outstanding debt within 24 months.

(Thousands of euros)

The most significant modifications for the business and, by extension, calculation of its future cash flows, were:

- 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 now pay a royalty equivalent to 7.5% of gaming revenues.

- 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 improved 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 could now be operated profitably. The expectation at year-end 2016 was that it would be reopened between the end of 2017 and 2018.

The ability to generate revenues akin to those already posted in prior years was expected to generate an attractive return under the new regime.

As a result of the foregoing, the impairment losses recognized against Carrasco Nobile were reversed by 37.6 million euros. The net impact in 2016 was a reversal of 13.1 million euros, compared to the impairment loss of 18.3 million euros 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 2018 adjusted, in necessary, for the estimated impact of any material changes in applicable regulations, the competitive environment, business model or performance of each unit. Those budgets and subsequent adjustments were approved by the Board of Directors on January 12, 2018 and February 27, 2018, respectively.

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 2018 budgets and those needed for the natural development of businesses that have yet to reach maturity were factored into the projections. In the case of Carrasco, the capital expenditure projections include the investments committed to in exchange for the agreed royalty reduction.

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, 2017.

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, 2017, 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, 2017 and the last year of the explicit projection period:

Cash-generating unit	Carrying amount of the CGU assets(1) at December 31, 2017 (thousands of euros)	Impairment loss / reversal of loss at December 31, 2017 (thousands of euros)	After-tax discount rate
Argentina	30,714	-	15.5%
Mexico	341,692	-	9.4%
Banamex Convention Center	48,055	-	9.4%
Spain(3)	139,350	-	6.9%
Italy(4)	90,028	-	7.2%
Panama	64,380	-	8.9%
Colombia	11,576	-	8.6%
Uruguay - Carrasco	30,437	-	13.1%
Uruguay - HRU	66,184	-	13.1%
Holdcos and other	(3,517)		
Total	**818,899**	**-**	**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%	12.3%	1.5pp
Mexico	3.0%	3.4%	1.1pp
Banamex Convention Center	3.0%	4.1%	-
Spain(3)	1.9%	14.7%	0.6pp
Italy(4)	1.4%	1.3%	0.6pp
Panama	2.4%	3.5%	3.9pp
Colombia	3.0%	11.0%	16.6pp
Uruguay - Carrasco	5.0%	13.7%	N/A
Uruguay - HRU	5.0%	8.3%	(3.3p.p.)
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, 2017 (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).

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**

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 reach in order to eliminate the headroom between their value in use and carrying amounts:

		Key assumption metrics required to eliminate the headroom between the CGUs' value in use and carrying amounts
Cash-generating unit	After-tax discount rate	Organic growth rate used to calculate the terminal value (1)
Argentina	208.7%	N/A
Mexico	16.3%	N/A
Banamex Convention Center	12.6%	N/A
Spain	12.2%	N/A
Italy	11.4%	N/A
Panama	15.6%	N/A
Colombia	16.1%	N/A
Uruguay - Carrasco	14.0%	3.7%
Uruguay - HRU	19.4%	N/A

Sensitivity analysis - 2016

		Key assumption metrics required to eliminate the headroom between the 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%

(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	
	2017	**2016**
Gaming machines	526	515
Machine parts	3,194	3,322
Hospitality supplies	2,095	2,137
Bingo cards	979	1,106
Other items	3,208	4,276
	10,002	**11,356**

In 2017, the Group expensed 38,478 thousand of inventories (2016: 33,027 thousand euros).

15. RECEIVABLES

a) Trade receivables:

At December 31, 2017, “Trade receivables” includes, among other items, 3,810 thousand euros due for the provision of hospitality and management services to hospitality establishments in Spain (3,666 thousand at year-end 2016).

b) Current income tax:

At December 31, 2017, “Current income tax” amounts to 35,988 thousand euros (2,115 thousand euros at year-end 2016). That sum includes 21,830 thousand euros from Argentina and 9,600 thousand euros from Mexico.

c) Sundry receivables:

	Thousands of euros	
	2017	**2016**
Sundry receivables	82,610	73,305
Due from staff	451	403
Impairment provisions	(34,589)	(33,239)
	48,472	**40,469**

At year-end 2017, “Sundry receivables” includes approximately 23,887 thousand euros (21,416 thousand euros at year-end 2016) 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 3,898 thousand euros (4,330 thousand euros at December 31, 2016) receivable from CIE group companies, mainly Make Pro, S.A. de C.V., for advertising and sponsorship services.

Lastly, this heading includes 20,071 thousand euros (18,927 thousand euros at December 31, 2016) 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, 2016	**(33,239)**
New businesses incorporated	-
Provision for receivables impairment	(4,199)
Unused amounts reversed	1,534
Derecognition	680
Translation differences	635
Balance at Dec. 31, 2017	**(34,589)**
Balance at Dec. 31, 2015	**(29,069)**
New businesses incorporated	(199)
Provision for receivables impairment	(8,296)
Unused amounts reversed	2,479
Derecognition	2,156
Translation differences	(310)
Balance at Dec. 31, 2016	**(33,239)**

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

d) Accrued tax receivable:

At December 31, 2017, “Accrued tax receivable” amounts to 38,898 thousand euros (108,770 thousand euros at year-end 2016). That sum includes 30,051 thousand euros (71,553 thousand euros receivable at year-end 2016) 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 8,847 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**	
	2017	**2016**
Euros	61,347	40,010
US dollars	23,996	46,005
Argentine pesos	25,870	23,006
Mexican pesos	52,366	79,246
Uruguayan pesos	(1,851)	622
Colombian pesos	1,944	2,207
Brazilian real	2,015	1,393
	165,687	**192,489**

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:

2017	Balance at Dec. 31, 2016	Business combination	Additions	Derecognitions	Transfers	Translation differences	Balance at Dec. 31, 2017
							Thousands of euros
Other credit	63,253	47	26,437	(36,175)	769	(2,764)	51,567
	63,253	**47**	**26,437**	**(36,175)**	**769**	**(2,764)**	**51,567**

The main movements in "Other credit" in the table above correspond to the transfer of loans extended by Codere Newco from non-current to current, derecognitions as a result of the partial reimbursement of the deposit held by Codere Finance 2 (Luxembourg), S.A. at Credit Suisse and the derecognition of service performance bonds at Alta Cordillera.

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" in 2016 were recognized by Codere Finance 2 (Luxembourg), 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.

"Other credit" breaks down as follows:

	Thousands of euros	
	2017	**2016**
Short-term loans	13,713	13,157
Deposits and guarantees extended	37,854	50,096
Short-term deposits	-	-
	51,567	**63,253**

"Short-term loans" includes the account receivable from directors and executives in respect of the loans extended to fund the purchase of shares of Codere, S.A., as detailed in note 25. These loans are secured by the shares themselves. Refer to 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 12,651 thousand euros (12,892 thousand euros ay tear-end 2016) 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**	
	2017	**2016**
Euros	29,216	30,248
US dollars	14,427	25,591
Argentine pesos	61	299
Mexican pesos	7,544	7,038
Uruguayan pesos	73	54
Colombian pesos	226	23
Brazilian real	20	-
	51,567	**63,253**

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.f).

In the wake of the above capitalization, the Parent's issued capital amounted to 505,942,912.20 euros, 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 the Annual General Meeting on May 11, 2017, the Company's shareholders ratified a 3,771,889.60 euro equity issue, specifically the issuance of 18,859,448 new ordinary shares of Codere S.A. with a unit par value of 0.20 and a share premium of 0.0651191 per share, of the same class and series as those already outstanding and carrying the same rights, to offset the credit claims detailed in note 3.f. In the wake of the above capitalization, the Parent's issued capital amounts to 509,714,801.80 euros and is represented by 2,548,574,009 shares, each with a par value of 0.20 euros.

At an Extraordinary General Meeting on October 16, 2017, the Company's shareholders ratified the consolidation and cancellation of shares for exchange for newly issued shares in the proportion of two new shares for every 43 pre-existing shares, increasing their par value from 0.20 euros to 4.30 euros but without modifying the amount of the Company's share capital. In the wake of that transaction, which culminated on November 17, 2017, the 118,538,326 new ordinary shares were admitted to trading and the Company's share capital stood at 509,714,801.80 euros, represented by 118,538,326 shares with a par value of 4.30 euros.

(Thousands of euros)

The Parent's shareholder structure at year-end:

Shareholder	% **2017**	% **2016**
Silver Point Capital Management, LLC.	23,19%	23,36%
Martínez Sampedro Family	16,55%	16,67%
José Antonio Martínez Sampedro	14,07%	*14,17%*
Luis Javier Martínez Sampedro	2,48%	*2,50%*
M&G Investment Management Limited (Prudential Plc)	10,66%	10,74%
Abrams Capital Management LLC	8,72%	8,79%
Contrarian Capital Management LLC	7,22%	7,27%
Alden Global Capital LLC	6,79%	6,11%
Evermore Global Adivsors LLC	5,20%	-
Invesco Limited	2,96%	3,64%
VR Global Partners L.P.	2,46%	2,48%
Otros accionistas minoritarios	16,25%	20,94%
	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 2017 or 2016. Nor did they buy any shares in either reporting period.

b) Share premium

Codere, S.A.'s share premium account derives 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), April 6, 2016 (330,670 thousand euros) and May 11, 2017 (1,228 thousand euros).

c) Own shares

At December 31, 2017, the Company held 21,082 own shares (year-end 2016: 306,733) that were carried in equity at 168 thousand euros (year-end 2016: 233 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 2017 and 2016, 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 (Luxembourg), 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
2017	**Balance at Dec. 31, 2016**	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Dec. 31, 2017**
Provision for taxes	11,612	913	(4,885)	(1,275)	6,365
Provision for retirement bonuses	11,023	4,333	(2,032)	(396)	12,928
Other provisions	8,297	9,656	(5,038)	(1,151)	11,764
	30,932	**14,902**	**(11,955)**	**(2,822)**	**31,057**

					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**

a) Provision for taxes

At December 31, 2017, this heading includes provisions recognized by the Group's Mexican companies to cover liabilities of a tax and labor nature in the amount of 5,682 thousand euros (8,103 thousand euros at year-end 2016) and tax contingencies in Argentina at December 31, 2017 in the amount of 230 thousand euros (3,329 thousand euros at year-end 2016).

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, 2017, this heading includes 2,469 thousand euros recognized by Codere Network, S.p.A. to cover potential liabilities arising from claims ongoing in Italy (year-end 2016: 900 thousand euros).

At December 31, 2016, it also included 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. These provisions were reversed in 2017 on the back of a court ruling in the Group's favor.

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.

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	
	2017	**2016**
Provision for options	3,039	3,097
Other	5,557	6,155
Total current and other provisions	**8,596**	**9,252**

“Other” in the table above mainly includes 1,335 thousand euros (1,821 thousand euros at December 31, 2016) of income collected in advance by the Icela Group and the provision for possible prizes in Italy, Panama and Argentina in the amount of 3,120 thousand euros (3,009 thousand euros at year-end 2016).

"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 2017 and 2016. The amount of accumulated accrued interest, which totals 1,174 thousand euros (976 thousand euros at year-end 2016) 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 was 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.

2017

	Balance at Dec. 31, 2016	Additions	Derecognitions	Thousands of euros Balance at Dec. 31, 2017
Provision for executive call options	**3,097**	411	(469)	**3,039**

2016

	Balance at Dec. 31, 2015	Additions	Derecognitions	Thousands of euros Balance at Dec. 31, 2016
Provision for executive call options	**3,433**	327	(663)	**3,097**

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 32 thousand euros of interest in 2016 (36 thousand euros in 2016). 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:

	2017 (*)	2016 (*)
Strike price	227.851	227,8355
Implied volatility	67.986%	84,972%
Annual rate	(0.255)%	(0,207)%
Implicit rate	8.114	16,6281
Total price	**220.30**	**211,775**

(*) Amount adjusted for the reverse stock split (note 17).

19. FINANCIAL LIABILITIES

a) Non-current financial liabilities

	2017	Thousands of euros 2016
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (Hípica Rioplatense Uruguay, S.A.)	752,896	788,335
Bank borrowings	40,775	49,619
Other borrowings	36,933	30,711
Finance lease obligations	1,399	2,145
	832,003	**870,810**

a.1) Issued bonds - non-current

As a result of the financial restructuring process completed by the Group (refer to note 3.f), the Company issued the following notes on November 8, 2016:

- 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, were 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, 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, 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**	**2017**	**2016**
Notes issued by Codere Finance 2 (Luxembourg), S.A.	500,000	Euros	7.27%	October 31, 2021	495,022	492,135
Notes issued by Codere Finance 2 (Luxembourg), S.A.	300,000	US dollars	8.18%	October 31, 2021	246,883	280,118
Marketable notes issued by HRU, S.A.	20,000	US dollars	4.90%	November 28, 2021	8,862	12,455
Marketable notes issued by HRU, S.A.	4,000	US dollars	4.02%	November 28, 2022	2,129	2,472
Marketable notes issued by HRU, S.A.	8,000	US dollars	5.02%	November 28, 2018	-	1,155
					752,896	**788,335**

In the loan agreement, the security trustee is Glas Trust Corporation Limited and the parent guarantor is Codere Finance 2 (Luxembourg) S.A. 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 Mexico, 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. (**)
Codere Finance 2 (Luxembourg), 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.
(*****) Issuer of the notes and guarantor on the super senior credit facility

At December 31, 2017, the interest accrued and outstanding amounted to 8,804 thousand euros (8,010 thousand euros at December 31, 2016).

In its capacity as the main guarantor on the notes issued by Codere Finance 2 (Luxembourg), S.A., it is subject to a series of covenants and limitations, principal among which:

- A limitation on the issuance of borrowings above a certain threshold.
- A limitation on the ability to arrange mergers or sell assets above a certain threshold.
- A limitation on payments that can be made to companies that are not guarantors.
- Limitations on transactions with subsidiaries.
- The requirement to add companies considered of relevance as guarantors of the notes.

In addition, the super senior multi-currency revolving facility on which Codere, S.A. is the parent guarantor and Codere Newco, S.A.U. the borrower includes a covenanted debt-to-EBITDA maintenance ratio.

At December 31, 2017, the Group was compliant with all of the restrictions imposed under its main borrowing agreements and, assuming the reasonable continuity of its businesses, does not expect to breach them in the future.

As for the notes issued by HRU, note the existence of certain covenants (covenanted leverage and coverage ratios and guarantees), a limit on non-operational investments and the obligation to remain party to the company's government concession.

a.2) Non-current bank borrowings

	Effective average interest rate	Maturity	Thousands of euros 2017	2016
Spanish Group	2.30%	2018-2026	1,469	1,690
Italian Group	1.62%	2018-2021	328	291
Mexican Group (AMHI)	TIIE (Mex. benchmark rate) + 3.25%	2019	8,038	18,263
Mexican Group (CMEX)	1M LIBOR + 6.0%	2019	4,826	-
Colombian Group	DTF TA (Col. benchmark rate) + 5.5%	2020	1,143	1,897
Uruguay (Carrasco Nobile)	6.89%	2018-2023	24,971	27,478
			40,775	**49,619**

The borrowings are mainly arranged locally to finance the 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, Urraburu & Hijos Corredor de Bolsa, S.R.L and Compañía de Valores Pérez Marexiano S.B.S.A . The main decreases correspond to Mexico and Uruguay, due to debt repayments, offset by an increase in Mexico attributable to the 30 million dollar long-term loan extended by Nomura.

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 36,933 thousand euros at December 31, 2017 (30,711 thousand euros at December 31, 2016) includes non-current accounts payable by Spanish companies for exclusivity rights in the amount of approximately 10,2013 thousand euros at December 31, 2017 (8,251 thousand euros at year-end 2016). At year-end, it also includes the sum of 17,523 thousand euros (year-end 2016: 10,695 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 2,747 thousand euros at December 31, 2017 (8,185 thousand euros at December 31, 2016).

In addition, it includes that tax liabilities pending payment under tax moratorium payment plans in Argentina in the amount of 4,591 thousand euros at December 31, 2017.

a.4) Finance lease obligations

The schedule of minimum payments due under finance leases at year-end:

	Thousands of euros			
	Face value		Present value	
	2017	**2016**	**2017**	**2016**
In the next reporting period	6,000	4,545	5,892	4,461
Between years 2 and 5, inclusive	1,498	2,222	1,399	2,145
Beyond year 6		-		-
	7,498	**6,767**	**7,291**	**6,606**
Less:				
Future finance costs	(207)	(161)		
Recognized as:				
Non-current finance lease obligations			**1,399**	**2,145**
Current finance lease obligations			**5,892**	**4,461**

At December 31, 2017 and December 31, 2016, the Group's finance lease obligations amounted to 1,399 and 2,145 thousand euros, respectively. Of these totals, 1,201 and 1,765 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**	
	2017	**2016**
Euros	34,929	31,914
US dollars	760,833	795,040
Argentine pesos	4,590	626
Mexican pesos	12,802	18,798
Uruguayan pesos	17,692	22,464
Colombian pesos	1,157	1,968
	832,003	**870,810**

The breakdown of the Group's non-current borrowings by type of debt and maturity:

	Thousands of euros					
			2017			**2016**
Year	**Bank borrowings**	**Other non-current borrowings**	**Total**	**Bank borrowings**	**Other non-current borrowings**	**Total**
2018	-	-	-	22,391	6,668	29,059
2019	20,648	16,140	36,788	12,368	9,784	22,152
2020	7,642	12,407	20,049	3,913	4,884	8,797
2021	7,618	4,824	12,442	10,377	788,041	798,418
2022	2,751	753,761	756,512	-	-	-
Beyond	2,117	4,096	6,212	570	11,814	12,384
	40,775	**791,228**	**832,003**	**49,619**	**821,191**	**870,810**

b) Current liabilities

b.1) Notes

The balance presented under "Notes and other marketable securities" within current liabilities corresponds to interest accrued and outstanding of 8,804 thousand euros on the notes issued by Codere Finance 2 (Luxembourg), S.A., the 1,015 thousand euros of marketable notes issued by HRU, S.A. (formerly, Hípica Rioplatense de Uruguay, S.A.) due 2018 and other interest accrued and outstanding of 3,209 thousand euros.

b.2) Bank borrowings

	Thousands of euros	
	2017	**2016**
Short-term loans	38,897	23,147
Receivables discounting lines and credit facilities	-	-
Accrued interest	161	166
Total bank borrowings	**39,058**	**23,313**
Total available for drawdown	78,182	95,000
Total drawdown limit	**117,240**	**118,313**

Short-term loans

At December 31, 2017, this heading primarily included the short-term bank borrowings of the CIE Group, in the amount of 8,769 thousand euros (9,528 thousand euros at December 31, 2016), of the Uruguayan business, in the amount of 5,963 thousand euros (12,210 thousand euros at December 31, 2016) and of Mexico Caliente, in the amount of 12,357 thousand euros. The main increases under this heading were concentrated at Mexico Caliente and in Uruguay and reflect reclassifications from non-current to current.

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. At 31 December 2017, the Company had drawn down 10 million euros of financial debt and 8 million dollars of guarantees under the above mentioned revolving facility. (it had not been drawn down at December 31, 2016).

b.3) Other non-trade payables and current tax liabilities

	Thousands of euros	
	2017	**2016**
Taxes payable	140,222	173,525
Deferred gaming taxes	18,429	25,211
Employee benefits payable	20,231	23,575
Other borrowings	49,091	42,357
	227,973	**264,668**

b.3.1) Taxes payable

This heading includes the VAT, personal income tax, corporate income tax and other taxes payable to the tax authorities.

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 5,892 thousand euros at December 31, 2017 (4,461 thousand euros at December 31, 2016).

- Balances owed to Spanish machine suppliers in the amount of 5,994 thousand euros at December 31, 2016 (3,625 thousand euros at December 31, 2016). Payables to suppliers in Argentina stood at 2,330 thousand euros at December 31, 2017 (2,905 thousand euros at year-end 2016). Payables to suppliers in Mexico stood at 13,856 thousand euros at December 31, 2017 (12,829 thousand euros at year-end 2016).

- Current bills payable by the Spanish companies in the amount of 1,308 thousand euros at December 31, 2017 (1,766 thousand euros at December 31, 2016).

- Payables outstanding in connection with the acquisition of companies in Italy in the amount of 1,728 thousand euros at December 31, 2017 (2,406 thousand euros at December 31, 2016).

- Debt incurred to acquire sports-betting terminals in Spain in the amount of 6,195 thousand euros at December 31, 2017 (4,194 thousand euros at December 31, 2016).

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:

	2017 (days)	2016 (days)
Average supplier payment term	30	34
Paid transactions ratio	30	33
Outstanding transactions ratio	30	62
Total payments made	59,825	76,591
Total payments outstanding	3,985	3,656

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, 2017, several Group companies had pledged fixed assets as collateral securing debt totaling 59,309 thousand euros (December 31, 2016: 60,179 thousand euros) (note 22).

d) Current liabilities by currency

Currency	**Thousands of euros**	
	2017	**2016**
Euros	148,998	120,575
US dollars	74,918	74,234
Argentine pesos	62,563	66,387
Mexican pesos	72,487	116,558
Uruguayan pesos	14,496	20,136
Colombian pesos	5,302	6,084
Pound sterling	57	72
Brazilian real	5,335	4,639
	384,156	**408,685**

20. DERIVATIVE TRANSACTIONS

In May 2017, the Group arranged a cross currency swap with the aim of hedging the impact of movements in the exchange rate on the cash flows associated with the loan obtained by the Mexican subsidiary, Codere Mexico, S.A. de C.V., in the amount of 30 million dollars, similarly in May. The hedging instrument initially covered the cash flows to November 2017. That month it was renewed to cover the loan's cash flows until May 2018.

This hedge has been treated as a cash flow hedge for accounting purposes, to which end the changes in its fair value in respect of the portion deemed effective have been deferred in equity. At December 31, 2017, this accounting treatment implied a gain of 32 thousand euros, which has been recognized under "Retained earnings".

The Group did not trade in derivatives in 2016.

21. TAX MATTERS

Codere, S.A. is a tax resident of Spain for corporate income tax purposes. Since January 1, 2000 it has been filing 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 2017:

- Codere, S.A., as parent and beneficiary.
- Along with the following subsidiaries:

Spanish tax group, 2017:

Codere, S.A.
Cartaya, S.A.
CF-8, S.L.
Codere América, S.A.
Codere Apuestas Baleares, S.A.
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.A.
Codere Apuestas Cantabria, S.A.
Codere Apuestas Ceuta, S.L.
Codere Apuestas Extremadura, S.A.
Codere Apuestas Andalucía, S.A.
Codere Apuestas La Rioja, S.A.
Codere Apuestas Melilla, S.A.
Codere Apuestas Murcia, S.L.U.
Codere Apuestas Navarra S.A.U.
Codere Apuestas Valencia, S.A.U.
Codere Castilla y León, S.L.
Codere Distribuciones, S.L.
Codere España, S.A.U.
Codere Interactiva, S.L.
Codere Internacional, S.A.U.
Codere Internacional Dos, S.A.U.
Codere Latam, S.A.
Codere Logroño, S.L.
Codere Online, S.A.
Codere Newco, S.A.U.
Codere Servicios, S.r.l.
Colonder, S.A.U.
Desarrollo On Line Juegos Regulados, S.A.
J.M. Quero Asociados, S.A.
JPVMatic 2005, S.L.
Misuri, S.A.
Nididem, S.A.U.
Operiberica, S.A.
Red Aeam S.A.
Opersherka, S.L.U. (*)
Codere Operadoras de Apuestas, S.L. (*)

(*) These companies were added to the tax group in 2017.

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.

(Thousands of euros)

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 2017 and 2016:

Italian tax group, 2017:

Codere Italia S.p.A.	Operbingo Italia S.p.A.
Seven Cora Service S.r.l.	Gestioni Marconi S.r.l.
Cristaltec Service S.r.l.	Giomax S.r.l.
Vasa e Azzena Service S.r.l.	Nori Games Service S.r.l.(*)
Gap Games, S.r.l.	King Slot S.r.l.
FG Slot Service s.r.l.	King Bingo S.r.l.
DP Service, S.r.l.	Palace Bingo S.r.l.
Codere Gaming Italia S.r.l.	Royal Jackpot S.r.l.
Codematica S.r.l.	Garet S.r.l.
Codere Network S.p.A.	
Gaming Re, S.r.l.	

(*) These companies were added to the tax group in 2017.

Italian tax group, 2016:

Codere Italia S.p.A.	Operbingo Italia S.p.A.
Seven Cora Service S.r.l.	Gestioni Marconi S.r.l.
Cristaltec Service S.r.l.	Giomax S.r.l.
Vasa e Azzena Service S.r.l.	Vegas S.r.l.
Gap Games, S.r.l.	King Slot S.r.l.
FG Slot Service s.r.l.	King Bingo S.r.l.
DP Service, S.r.l.	Palace Bingo S.r.l.
Codere Gaming Italia S.r.l.	Royal Jackpot S.r.l.
Codematica S.r.l.	Garet S.r.l.
Codere Network S.p.a.	Game Over, S.r.l.
Gaming Re, S.r.l.	

The rest of the Group companies file their taxes separately.

The companies domiciled in Spain were subject to a statutory rate of 25% of taxable income in 2017 and 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 exception of Argentina (41.5%).

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	
	2017	**2016**
Consolidated taxable income	83,976	(1,124,290)
At the statutory income tax rate of 25%	20,995	(281,072)
Effect of different rates in different countries	19,338	19,881
Tax effect of previously unrecognized tax losses and permanent differences	23,845	305,980
Recognition of assets for unused tax losses	-	(8,050)
Income tax expense reported in the consolidated statement of profit or loss	**64,177**	**36,738**

The “Effect of different rates in different countries” reflects the difference derived from applying the statutory rate in Spain (25% and 2017 and 2016) to taxable income and applying the corresponding statutory rate of each country to taxable income. The differences of 19,338 and 19,881 thousand euros in 2017 and 2016, 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 both reporting periods.

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, 2017, these unrecognized losses were concentrated in Spain, at the Holding companies, in Mexico, Italy and Brazil in an amount totaling approximately 38.5 million euros (72 million euros in Spain, Mexico, Brazil, Uruguay and at the Holdcos in 2016).

- The effect of recognizing deferred taxes in Argentina as a result of retained earnings in 2016: net reversal of 5.6 million euros in 2016.

- 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 2017:

	Thousands of euros	
	2017	**2016**
Pre-tax consolidated profit/(loss)	**83,976**	**(1,124,290)**
Permanent differences	55,633	1,318,068
Temporary differences	32,942	(1,000)
Utilization of previously unrecognized tax losses	(63,890)	(24,552)
Taxable income (tax loss)	**108,662**	**168,226**

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 included a 1,054.3 million increase in taxable income in 2016 related to the treatment of the finance cost recognized in connection with the share issue undertaken that year to offset debt as a non-deductible expense.

The breakdown of income tax expense:

Consolidated statement of profit or loss	2017	Thousands of euros 2016
Current tax		
- Current income tax expense (*)	61,184	50,286
- Taxes abroad and other adjustments to current tax	12,265	(11,662)
Deferred taxes		
- Related to increases and decreases in temporary differences (note 12)	-	-
- Related to the def. tax burden associated with earnings retained in Argentina (note 12)	(9,272)	(5,638)
- Recognition of tax assets for unused tax losses (note 12)	-	(8,050)
	64,177	**36,738**

(*) 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:

Company	Thousands of euros 2017	2016
Codere, S.A. (tax group)	403,202	372,109
Rest of Spain	26,804	24,481
Italy	28,651	42,514
Mexico	179,233	209,149
Argentina	1,016	5,323
Panama	1,076	514
Uruguay	68,761	63,116
Brazil	30,372	32,802
Colombia	16,346	17,443
	755,461	**767,451**

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 15,588 thousand euros corresponding primarily to Codere, S.A. (12,530 thousand euros) and certain Italian companies (3,058 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 430,006 thousand euros at December 31, 2017 (400,102 thousand euros at year-end 2016).

The deadlines for utilizing the unused tax losses at year-end:

	Thousands of euros			
	2017		2016	
Year	**Spain**	**Other countries**	**Spain**	**Other countries**
2017	-	-	-	9,439
2018	-	17,659	-	17,767
2019	-	12,114	-	12,532
2020	-	20,747	-	34,381
2021	-	24,386	-	20,446
2022	-	7,702	-	7,286
2023	-	8,872	-	23,365
2024	-	25,421	-	45,613
2025	-	59,238	-	74,763
2026	-	34,358	-	34,359
2027	-	40,698		
Later	-	-	-	-
No time limit	430,006	74,259	396,590	90,909
Total	**430,006**	**325,454**	**396,590**	**370,860**

The amount of the Group's unused tax credits and expiration dates at year-end:

	2017		2016	
Year	**Spain**	**Other countries**	**Spain**	**Other countries**
2018	91	-	91	-
2019	90	-	90	-
2020	104	-	104	-
2021	132	609	132	-
2022	132	8,164	132	6,414
2023	101	-	101	-
2024	97	30	97	40
2025	69	44	69	59
2026	84	6,002	84	6,678
2027	84	-		
Later	49	83,978	194	88,279
No time limit	50,790	-	55,569	-
Total	**51,823**	**98,827**	**56,663**	**101,470**

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	**2017**	**2016**
Gaming sureties and guarantees	116,523	107,348
Other guarantees	46,947	48,861
	163,470	**156,209**

Gaming sureties and guarantees

Within gaming sureties and guarantees at December 31, 2017 and December 31, 2016, 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 35,664 thousand euros at December 31, 2016 (27,830 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 17,540 euros at year-end 2017 (21,345 thousand 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, 2017 and December 31, 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.

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 28,559 thousand euros at December 31, 2017 (29,632 thousand euros at December 31, 2016).

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 4,407 thousand euros at December 31, 2017 (4,341 thousand euros at year-end 2016).

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 2017
	Land and buildings	Machines (*)	Total
Operibérica, S.A.	12,116	36,984	49,100
J.M. Quero S.A.	1,169	-	1,169
J.P.V. Matic 2005, S.L.	817	-	817
Codere Girona, S.L	5,118	-	5,118
Codere Alicante, S.L.	185	-	185
Comercial Yontxa, S.A.	171	-	171
Bingos Codere, S.A.	2,750	-	2,750
	22,326	**36,984**	**59,310**

	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**

(*) The amounts included under 'Machines' reflect the value of the corresponding guarantee; the amounts shown under 'Land and buildings' represent their carrying amounts.

23. INCOME AND EXPENSES

a) Other income

The income recognized corresponds to an exclusivity agreement with a machine supplier in Mexico as a result of the installation by that supplier of machines in gaming halls 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	
	2017	2016
Gaming taxes and other levies	597,967	551,886
Machine and other leases	125,077	115,762
Utilities, repairs and maintenance	81,915	70,906
Professional services and other expenses	271,327	285,491
	1,076,286	**1,024,045**

d) Employee benefits expense

The breakdown of employee benefits expense in 2017 and 2016:

	Thousands of euros	
	2017	2016
Wages, salaries and similar	197,628	184,623
Social security	44,928	42,360
Other benefit expense	17,403	18,523
	259,959	**245,506**

“Wages, salaries and similar” includes termination benefits in the amount of 10,941 thousand euros in 2017 (5,884 thousand euros in 2016).

e) Headcount

	2017		2016	
	No. of employees		No. of employees	
	Male	Female	Male	Female
Clerical staff	312	427	326	419
Senior management	29	1	34	4
Executives	86	18	233	111
Middle managers	1,574	745	1,643	888
Unskilled workers	4,481	3,585	4,675	3,739
Skilled professionals	1,367	425	1,014	333
	7,849	**5,201**	**7,925**	**5,494**

The average number Codere Group employees that had a disability of a severity of 33% or higher in 2017 is 14 (12 in 2016).

Note that the average number of employees with a disability of a severity of 33% or more refers to the Spanish companies in the scope of consolidation.

f) Basic earnings per share

Basic earnings per share

2017			2016		
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**
19,740	2,254,009,381	0.01	(1,157,075)	1,878,840,323	(0.62)

Basic earnings per share attributable to equity holders of the parent

2017			2016		
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**
2,736	2,254,009,381	0.01	(1,125,886)	1,878,840,323	(0.59)

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

2017			2016		
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**
2,736	2,254,009,381	0.01	(1,125,886)	1,878,840,323	(0.59)

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 2,254,009,381 in 2017 (1,878,840,323 in 2016).

g) Finance income and costs

	Thousands of euros	
	2017	**2016**
Finance costs		
Contractual interest expense and finance charges	(78,338)	(1,186,658)
Unwinding of discount on provisions and other liabilities	(1,441)	(3,800)
Other finance costs	-	-
	(79,779)	**(1,190,458)**
Finance income		
Interest income	5,448	3,869
Interest income from securities, loans and other assets	4,530	1,154
Other finance income	-	-
	9,978	**5,023**
Net exchange losses	**22,641**	**(37,076)**
Total net finance cost	**(47,160)**	**(1,222,511)**

Contractual interest expense and finance charges

This heading primarily includes interest expense on third-party borrowings. In 2016, it also included the debt capitalization charges associated with the restructuring process.

Unwinding of discount on provisions and other liabilities

In 2017, the Group recognized an impairment loss of 1,441 thousand de euros on loans to third parties.

In 2016, this heading included the recognition of losses on the purchase and sale of Argentine sovereign bonds and adjustments for higher investments in Italy and Uruguay.

Net exchange gains/(losses)

In 2017, this heading recognizes exchange gains of 90,071 thousand euros offset by 67,430 thousand euros of exchange losses. In 2016, this heading included exchange gains of 364,775 thousand euros offset by 401,851 thousand euros of exchange losses.

24. CONSOLIDATED CASH FLOW STATEMENT: ADDITIONAL DISCLOSURES FOR RECONCILIATION PURPOSES

Breakdown of cash and cash equivalents

	Thousands of euros	
	2017	**2016**
Cash equivalents	6,527	13,508
Cash at bank and in hand	98,011	128,549
	104,538	**142,057**

Currency	Thousands of euros	
	2017	**2016**
Euros	52,449	77,973
US dollars	18,413	15,115
Argentine pesos	17,277	20,660
Mexican pesos	13,663	23,974
Uruguayan pesos	1,488	1,427
Colombian pesos	1,081	2,387
Pound sterling	58	59
Brazilian real	109	462
	104,538	**142,057**

Additional disclosures for reconciliation purposes

In the year ended December 31, 2017, 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 (3,870 thousand euros), on the one hand, and the losses recognized on the sale or derecognition of fixed assets (2,509 thousand euros) and certain items of operating expenses (9,492 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, 2017, the Group incurred 106,734 thousand euros of capital expenditure, collected 1,486 thousand euros from disposals, incurred a cash outflow of 619 thousand euros in connection with long-term loans, specifically: a net outflow of 196 thousand euros in respect of loans extended to hospitality establishment owners in Spain (loan payments of 2,678 thousand euros, net of proceeds of 2,482 thousand euros) and a net outflow of 423 thousand in respect of long-term loans extended to establishment owners in Italy (loan payments of 16,775 thousand euros, net of proceeds of 16,352 thousand euros). The Group invested 33,152 thousand euros in acquisitions, including the acquisition of the non-controlling interests in Caliente Group for 24,470 thousand euros and acquisitions of certain companies in Italy (3,269 thousand euros) and Spain (6,506 thousand euros), offset balance-sheet cash at the acquisition date in the amount 1,093 thousand euros.

The increase in proceeds from bank loans of 27,997 thousand euros corresponds to loans obtained in Mexico (27,223 thousand euros) and Italy. The outflow of 23,388 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 6,330 thousand euros in respect of deferred gaming taxes and expenses of 907 thousand euros associated with borrowings arranged in Mexico.

The heading “Other cash flows due to impact of exchange rates on collections and payments” reflected an outflow of 4,942 thousand euros.

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), the losses recognized on the sale or derecognition of fixed assets (2,523 thousand euros) and certain items of operating expenses (14,732 thousands euros euros).

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 HRU, 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 HRU, S.A. at the acquisition date in the amount of 7,645 euros.

Payments for other financial assets included 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 corresponded 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 reflected 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” reflected an inflow of 443 thousand euros.

Changes in liabilities arising from financing activities

Thousands of euros	Balance at January 1, 2017	Cash flows	Movement in foreign currency	Changes in fair value	New leases	Reclassi-fications	Other	Balance at December 31, 2017
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (current)	12,224	(58,054)	(1,382)	-	-	5,091	55,149	**13,028**
Current bank borrowings	23,313	(21,584)	(2,907)	-	774	31,333	8,129	**39,058**
Current finance lease liabilities and forward contracts	41,014	(23,148)	(2,971)	-	-	30,856	1,922	**47,673**
Notes issued by Codere Finance 2 (Luxembourg), S.A. and by HRU, S.A. (non-current)	788,335	-	(32,476)	2,128	-	(5,091)	-	**752,896**
Non-current bank borrowings	49,619	27,997	(5,508)	-	-	(31,333)	-	**40,775**
Non-current finance lease liabilities and forward contracts	32,756	6,330	(1,074)	-	31,113	(30,856)	-	**38,269**
Derivatives	-	(206)	(40)	(751)	-	-	250	**(747)**
Total liabilities arising from financing activities	**947,261**	**(68,665)**	**(46,358)**	**1,377**	**31,887**	**-**	**65,450**	**930,952**

25. RELATED PARTY TRANSACTION DISCLOSURES

The transactions entered into with related parties that are not part of the Group in 2017 and 2016 and the resulting balances at the respective reporting dates are as follows:

		Thousands of euros	
December 31, 2017	**Nature of the relationship**	**Loans**	**Services rendered**
Encarnación Martínez Sampedro	Executive/Director	695	-
Luis Javier Martínez Sampedro	Executive/Director	939	-
Joseph Zappala	Director	-	50
Pío Cabanillas	Director	-	45
Norman Raul Sorensen Valdés	Director	-	40
Pro TV, S.A.	Consultant	-	373
Manuel Martínez-Fidalgo Vázquez	Director	-	48
Matthew Turner	Director	-	40
Silver Point Capital Management, LLC.	Related party	-	504
		1,634	**1,100**

		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.	Consultant	-	291
José Ramón Romero	Director	-	115
Silver Point Capital Management, LLC.	Related party	-	899
		1,596	**1,305**

The interest accrued at year-end 2017 on loans to related parties amounted to 32 thousand euros (year-end 2016: 25 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, 2017, the accumulated interest accrued on loans to executives, in the amount of 1,174 thousand euros, had been provided for in full. At December 31, 2016, the accumulated interest accrued on loans to executives, in the amount of 975 thousand euros, was provided for in full. The Group had also written down the principal on loans extended to certain executives totaling 1,907 thousand euros (1,947 thousand euros at year-end 2016).

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	
	2017	**2016**
Director remuneration	1,250	705
Services rendered (*)	1,100	1,305
Fixed and variable remuneration	1,572	1,634
	3,922	**3,644**

The fixed remuneration received by the Group's executive directors in 2017:

Director	Fixed remuneration	Fixed remuneration in his/her capacity as director	Total
José Antonio Martínez Sampedro	912	100	1,012
Luis Javier Martínez Sampedro	660	100	760
Total	**1,572**	**200**	**1,772**

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**
D. José Antonio Martínez Sampedro	912	43	16	971
D. Luis Javier Martínez Sampedro	652	43	16	711
Dª 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 2017 for membership of the Board of Directors and its various committees (Audit Committee, Compliance Committee and Corporate Governance Committee) was as follows:

Director	Fixed remuneration in his/her capacity as director	Total
José Antonio Martínez Sampedro	100	100
Luis Javier Martínez Sampedro	100	100
Masampe, S.L.	150	150
David Reganato	150	150
Timothy Lavelle	150	150
Manuel Martínez-Fidalgo Vázquez	150	150
Norman Sorensen	150	150
Matthew Turner	150	150
Joseph Zappala	150	150
	1,250	**1,250**

(Thousands of euros)

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
D. José Antonio Martínez Sampedro	43	16	-	-	-	-	59
D. Luis Javier Martínez Sampedro	43	16	14	-	-	-	73
Masampe, S.L.	51	16	10	-	4	7	88
D.David Reganato	41	7	-	-	-	3	51
D.Timothy Lavelle	41	9	-	7	-	-	57
D.Manuel Martínez-Fidalgo Vázquez	41	9	-	-	2	-	52
D.Norman Sorensen	41	9	-	7	-	3	60
D.Matthew Turner	41	9	-	7	-	3	60
D. Joseph Zappala	51	14	-	3	5	-	73
Dª Encarnación Martínez Sampedro	11	7	-	-	-	-	18
D. José Ignacio Cases Méndez	11	7	-	-	2	3	23
D. José Ramón Romero Rodriguez	10	6	-	3	2	-	21
D. Juan José Zornoza Pérez	11	5	-	3	-	2	21
D. Eugenio Vela Sastre	10	7	-	3	-	3	23
D. Juan Junquera Temprano	11	7	-	3	2	3	26
	457	**144**	**24**	**36**	**17**	**27**	**705**

In 2017, the Group's key management personnel accrued 4,835 thousand euros of remuneration (5,020 thousand euros in 2016). Some of the Group's executives are also beneficiaries of a long-term incentive plan, arranged in September 2017, for a maximum term of five years and with a maximum size of 7,759 thousand euros.

Termination benefits of 211 thousand euros were paid to members of key management personnel in 2017. None of the 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 0.8 million euros at December 31, 2017 (1.3 million euros at December 31, 2016).

No advances had been extended to members of the Board at either reporting date. 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.

There was no remuneration corresponding to the natural persons who represent the Company on the boards on which the Company is a legal person director in either 2017 or 2016.

In 2017, the Company paid 131 thousand euros of civil liability insurance premiums on behalf of its directors to cover potential damages caused in the course of carrying out their duties (2016: 742 thousand euros).

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 used to recognize accounts receivable from companies within the Caliente Group (minority shareholder in Mexico) that were not acquired in the amount of 44,920 thousand euros; this balance was fully written down for impairment at year-end 2016. As disclosed in note 4.h, in 2017 the Group acquired all of the shares of the Caliente Group companies so that these balances have been derecognized.

c) Balance with Grupo CIE

The Codere Group recognizes an account receivable of 3,898 thousand euros at December 31, 2017 (4,330 thousand euros at December 31, 2016) 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**	**Other auditors**	**Total**
2017				
Audit services	216	1,463	88	1,767
Other services	103	615	-	718
	319	**2,078**	**88**	**2,485**

	EY	**Other EY network firms**	**Other auditors**	**Total**
2016				
Audit services	200	1,427	-	1,627
Other services	307	799	-	1,106
	507	**2,226**	**-**	**2,733**

27. ENVIRONMENTAL ISSUES

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 2017 or 2016.

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

At a meeting held on 12 January 2018, the Board of Directors of Codere, S.A. ratified the following resolutions, among others:

First: To amend articles 1.3, 10.1., 11.6, 16.2 (i) and 16.3 of the Board Regulations to allow for the separation of the roles of Chairman of the board and chief executive of the Company (CEO). The amended articles are now worded as follows:

- Article 1.3. In the exercise of its powers to make proposals to the shareholders and to co-opt to cover vacancies, the board will consider corporate governance recommendations as to categories of directors.
- Article 10.1. The board chairman may be the Company’s chief executive.
- Article 11.6. The appointment and removal of the secretary and, if applicable, deputy secretary, will be subject to a report from the Appointments, Remuneration and Corporate Governance Committee and approval by the whole board.
- Article 16.2 (i). Draw up a proposal to the board on the remuneration of the executive directors, separate to that received as directors in accordance with the articles of association, and on the other terms of their agreements; consider and organize the succession of the board chairman and of the Company’s chief executive, and propose a succession plan to the board which ensures, where necessary, that this takes place on the terms arranged.
- Article 16.3. The Appointments, Remuneration and Corporate Governance Committee shall consult the board chairman and the Company’s chief executive, especially when concerning matters relating to the executive directors and senior management.

Second: To remove Mr. José Antonio Martínez Sampedro as Executive Chairman of the Board of Directors and Mr. Luis Javier Martínez Sampedro as Executive Deputy Chairman of the Board of Directors, who will remain as proprietary directors.

Third: To appoint Mr. Norman Sorensen Valdez as new non-executive Chairman of the Board. Mr. Sorensen Valdez being present accepted the position and declared he does not have any conflicts to perform this role.

Fourth: To appoint Mr. Vicente Di Loreto as General Manager of Codere Group and chief executive of the Company.

Fifth: To revoke, after the removal of Mr. José Antonio Martínez Sampedro as Executive Chairman and of Mr. Luis Javier Martínez Sampedro as Executive Deputy Chairman of the Board of Directors, articles 5.4. and 5.5 of the Shareholder Agreement which stipulated that the chairman of the board also had to serve as the Company's chief executive.

APPENDIX I

Consolidated Group at December 31, 2017 and 2016

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
ESPAÑA:						
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.A.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. Avda. Alquería de Moret, 19-21 Picanya (Valencia)	Gaming machine operation	Full	59%	CODERE ESPAÑA, S.A.U.	59%	CODERE ESPAÑA, S.A.U.
CODERE APUESTAS, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, 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 (Málaga)	Sports-betting	Full	100%	CODERE APUESTAS ESPAÑA, S.L.U.	100%	CODERE APUESTAS ESPAÑA, S.L.U.
CODERE APUESTAS ARAGÓN, S.L.U. Calle José Pellicer, 33 50007 Zaragoza	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS ASTURIAS, S.A.U. Calle Pola de Siero, 8 y 10 33207 Gijón (Asturias)	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS BALEARES, S.A.U. Crta. De Palma a Alcudia, Km. 19,400 07330 Consell (Mallorca)	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100,00%	CODERE APUESTAS ESPAÑA S.L.U.

			2017		2016	
			%		%	
Name	**Business activity**	**Consolidation method**	**Ownership interest**	**Held through**	**Ownership interest**	**Held through**
CODERE APUESTAS CANTABRIA, S.A.U. Calle Columna Sagardía, 3 y 5 39009 Santander	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, 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 OPERADORAS DE APUESTAS, 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 OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS CATALUÑA, S.A.U. Polígono Industrial "Riera de Caldes" Calle Mercaders, 1 08184 Palaú I Solitá Plegamans (Barcelona)	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS CEUTA, S.L.U. Paseo Alcalde Sánchez Prados, 14, entreplanta A) 51001 Ceuta	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, 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 NEWCO, S.A.U.
CODERE APUESTAS EXTREMADURA, S.A.U. Polígono Industrial Capellanías, Travesía 1, Parcela 105, Nave 11 10005 Cáceres	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
CODERE APUESTAS GALICIA, S.L.U. Avda.Enrique Salgado Torres, 11 15008 A Coruña	Sports-betting	Full	51%	CODERE OPERADORAS DE APUESTAS, S.L.U.	51%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS MELILLA, S.A.U. Calle Puerto Deportivo Local, 11, 52001 Melilla	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, 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 OPERADORAS DE APUESTAS, S.L.U.	100%	CODERE APUESTAS ESPAÑA S.L.U.
CODERE APUESTAS NAVARRA S.A.U. Polígono Plazaola, Manzana D, Nave 10, Aizoain 31195 Barrioplano (Navarra)	Sports-betting	Full	100%	CODERE OPERADORAS DE APUESTAS, 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 OPERADORAS DE APUESTAS, 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 OPERADORAS DE APUESTAS, 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 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.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
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 NEWCO, S.A.U.
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.A.U.
CODERE GUADALAJARA, S.L. Avda. de Bruselas, 26 Alcobendas (Madrid)	Operation, distribution and sale of gaming machines	Full	50%	OPERIBERICA, S.A.U.	50%	OPERIBERICA, S.A.U.
CODERE HUESCA, S.L. Calle Pedro Amal Cavero, 5 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.	100,00%	CODERE NEWCO, S.A.U.
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.A.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 NEWCO, S.A.U.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
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. Y CODERE NEWCO, S.A.U.	100%	CODERE INTERNACIONAL DOS, S.A.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 - Luxemburgo	Holding company	Full	100%	CODERE, S.A.	100%	CODERE, S.A.
CODERE LUXEMBOURG 2, S.A.R.L. 6C. Rue Gabriel Lippmann L-5365 Munsbach - Luxemburgo	Holding company	Full	100%	CODERE LUXEMBOURG 1, S.A.R.L.	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.A.U.
CODERE NAVARRA, S.A.U. Polígono Plazaola, manzana D, nave 10 31195 Aizoáin, Berrioplano (Navarra)	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.	100%	CODERE LUXEMBOURG 2, S.A.R.L.
CODERE SERVICIOS S.L.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Provision of real estate advisory, intermediation, development and management services	Full	100%	JPV MATIC 2005, S.L.U.	100%	JPV MATIC 2005, S.L.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
COLONDER, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Holding company	Full	100%	CODERE INTERNACIONAL DOS, S.A.U.	100%	CODERE INTERNACIONAL DOS, S.A.U.
COMERCIAL YONTXA, S.A. Calle Nicolás Alkorta, 1-3 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. Pol. Ind. Asuarán, Edif. Artxanda, nº3 48950 Erandio (Vizcaya)	Sports-betting	Full	85,19%	CODERE APUESTAS ESPAÑA, S.L.U. y COMERCIAL YONTXA S.A.	84,88%	CODERE APUESTAS ESPAÑA, S.L.U. y COMERCIAL YONTXA S.A.
CODERE OPERADORA DE APUESTAS, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Sports-betting	Full	100,00%	CODERE APUESTAS ESPAÑA, S.A.U.	-	-
RECREATIVOS JUVASA S.L. Calle Mercaders, 1, Pol. Ind. Riera de Caldes Palau I Solitá de Plegamans, 08184 Barcelona	Gaming machine operation	Full	100,00%	OPERIBERICA, S.A.U.	-	-
IPM MÁQUINAS S.L.U. C/ Perdiz, 29 Pol.Ind. Gibraltar La Línea de la Concepción - Cádiz	Gaming machine operation	Full	100,00%	OPERIBERICA, S.A.U.	-	-

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
BINIPATRIMONIAL S.L.U. C/ Mercaders, 1 Pol.Ind. Riera de Caldes 08184 Palau I Solitá de Plegamans - Barcelona	Gaming machine operation	Full	100,00%	OPERIBERICA, S.A.U.	-	-
SPORT BET EXTREMADURA S.L. Avda. de España, 37 Bajo D 10440 Aldeanueva de la Vera (Cáceres)	Gaming machine operation	Full	51,00%	CODERE APUESTAS EXTREMADURA, S.A.U.	-	-
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.A.U.
JOLUGAR 41, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	100%	CODERE SERVICIOS, S.L.U.	-	-
JPVMATIC 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.A.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.A.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.
OPERADORES ELECTRÓNICOS DE ANDALUCÍA, S.A.	Gaming machine operation	Full	51%	OPERIBÉRICA, S.A.U.	-	-

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
Avda. de Bruselas, 26 28108 Alcobendas (Madrid)						
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.A.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.	100%	OPERIBÉRICA, S.A.U.
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 (Almería)	Gaming machine operation	Full	60,61%	OPERIBÉRICA, S.A.U.	60,61%	OPERIBÉRICA, S.A.U.
RED AEAM, S.A.U. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Bingo gaming	Full	100%	MISURI, S.A.U.	100%	MISURI, S.A.U.
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.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
SIGIREC, S.L. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	-	-	75,05%	OPERIBÉRICA, S.A.U.
MILLENNIAL GAMING, S.A. Avda. de Bruselas, 26 28108 Alcobendas (Madrid)	Gaming machine operation	Full	51%	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. Y BINGOS PLATENSES, S.A	100%	CODERE ARGENTINA, S.A. Y 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. Y COLONDER S.A.U.	100%	CODERE ARGENTINA, S.A. Y COLONDER S.A.U.
CODERE ARGENTINA, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Holding company	Full	100%	IBERARGEN, S.A. Y COLONDER S.A.U.	100%	IBERARGEN, S.A. Y 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. Y NIDIDEM, S.A.U.	100%	COLONDER S.A.U. Y NIDIDEM, S.A.U.
INTERBAS, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Lottery and bingo operations	Full	100%	COLONDER S.A.U. E IBERARGEN S.A.	100%	COLONDER S.A.U. E 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. Y COLONDER, S.A.U.	100%	CODERE ARGENTINA, S.A. Y COLONDER, S.A.U.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
INTERMAR BINGOS, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Bingo hall operation.	Full	80%	CODERE ARGENTINA, S.A. Y COLONDER, S.A.U.	80%	CODERE ARGENTINA, S.A. Y 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. E INTERBAS, S.A.	81,80%	IBERARGEN, S.A. E INTERBAS, S.A.
SAN JAIME, S.A. Av. Del Libertador 1068, P 9º Buenos Aires (Argentina)	Real estate	Full	100%	CODERE ARGENTINA, S.A. Y BINGOS DEL OESTE, S.A.	100%	CODERE ARGENTINA, S.A. Y 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.
BRASIL						
CODERE DO BRASIL ENTRETENIMENTO Ltda. Rua Professor Atílio Inocente, 165 - Vila Nova Conceiçao Ciudad de Sao Paulo (Estado de Sao Paulo)	Gaming machine operation y gestión de apuestas hípicas	Full	100%	CODERE LATAM, S.A. Y NIDIDEM, S.A.U.	100%	CODERE LATAM, S.A. Y NIDIDEM, S.A.U.
SIMULCASTING BRASIL SOM E IMAGEM, Ltda. Rua Helena, nº 260, piso 8, Conj.:82-A Ciudad de Sao Paulo (Estado de Sao Paulo)	Gaming machine operation y gestión de apuestas hípicas	Full	100%	CODERE INTERNACIONAL DOS, S.A.U. Y NIDIDEM, S.A.U.	100%	CODERE INTERNACIONAL DOS, S.A.U. Y NIDIDEM, S.A.U.
CHILE:						

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
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. Y NIDIDEM, S.A.U.	100%	CODERE AMÉRICA, S.A.U. Y NIDIDEM, S.A.U.
COLOMBIA:						
BINGOS CODERE, S.A. Transversal 95 Bis A No. 25 D – 41 Bogotá (Colombia)	Bingo hall operation	Full	99,99%	NIDIDEM, S.A.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A.U. Y CODERE LATAM S.A.	99,99%	NIDIDEM, S.A.U., INTERSARE, S.A., CODERE COLOMBIA, S.A., COLONDER, S.A.U. Y CODERE LATAM S.A.
CODERE COLOMBIA, S.A. Transversal 95 Bis A No. 25 D – 41 Bogotá (Colombia)	Operation of electronic games and games of chance	Full	99,99%	COLONDER, S.A.U., NIDIDEM S.A.U., CODERE LATAM, S.A. Y CODERE INTERNACIONAL S.A.U.	99,99%	COLONDER, S.A.U., NIDIDEM S.A.U., CODERE LATAM, S.A. Y CODERE INTERNACIONAL S.A.U.
INTERSARE, S.A. Transversal 95 Bis A No. 25 D – 41 Bogotá (Colombia)	Operation of electronic amusement machines directly and via third parties	Full	59,89%	CODERE COLOMBIA S.A. Y NIDIDEM, S.A.U.	59,89%	CODERE COLOMBIA S.A. Y NIDIDEM, S.A.U.
CODERE LATAM COLOMBIA S. A. Transversal 95 BIS A No. 25 D - 41 Colombia	Investment and re-investment activities in the real estate sector	Full	100,00%	CODERE LATAM, S.A., NIDIDEM, S.A.U., CODERE INTERNACIONAL, S.A.U., CODERE INTERNACIONAL DOS, S.A.U.	-	-
INGLATERRA Y ESCOCIA:						
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.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
ITALIA:						
CODERE GAMING ITALIA, S.R.L. Via Cornellia, 498 Roma	Holding company	Full	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.
CODERE ITALIA, S.P.A. Via Cornellia, 498 Roma	Provision of advisory services	Full	100%	CODERE INTERNACIONAL, S.A.U.	100%	CODERE INTERNACIONAL, S.A.U.
CODEMATICA, S.R.L. Via Cornellia, 498 Roma	Gaming machine operation	Full	93,5%	CODERE GAMING ITALIA, S.R.L.	100%	CODERE GAMING ITALIA, S.R.L.
CODERE NETWORK, S.P.A. Via Cornellia, 498 Roma	Network concession	Full	98%	CODEMATICA, S.R.L.	100%	CODEMATICA, S.R.L.
CRISTALTEC SERVICE, S.R.L. Via Cornellia, 498 Roma	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
DP SERVICE S.R.L Via Cornelia 498 Roma	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 Roma	Gaming machine operation	Full	55%	CODERE ITALIA, S.P.A.	55%	CODERE ITALIA, S.P.A.
GAME OVER, S.R.L. Via Cornellia, 498 Roma	Gaming machine operation	Full	-	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
GAMING RE S.R.L. Via Cornellia, 498 Roma	Gaming machine operation	Full	75%	CODERE ITALIA, S.P.A.	75%	CODERE ITALIA, S.P.A.
GAP GAMES S.R.L. Via Cornellia, 498 Roma	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 Roma	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
GESTIONI MARCONI, S.R.L. Via Cornellia, 498 Roma	Bingo hall operation.	Full	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.
GIOMAX, S.R.L. Via Cornellia, 498 Roma	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.	EM	34%	OPERBINGO ITALIA, S.P.A.	34%	OPERBINGO ITALIA, S.P.A.
KING SLOT S.R.L. Via Strada Statale Sannitica, 265. km.25,800 Maddaloni (Ce),Italia	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.25,800 Maddaloni (Ce),Italia	Bingo hall operation.	Full	85%	OPERBINGO ITALIA, S.P.A.	85%	OPERBINGO ITALIA, S.P.A.
NEW JOKER S.R.L. Via della Magliana, 279a Roma	Bingo hall operation.	EM	30%	OPERBINGO ITALIA, S.P.A.	30%	OPERBINGO ITALIA, S.P.A.
OPERBINGO ITALIA, S.P.A.	Bingo hall operation.	Full	100%	CODERE ITALIA, S.P.A.	100%	CODERE ITALIA, S.P.A.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
Via Cornellia, 498 Roma						
PALACE BINGO, S.R.L Via Cornellia, 498 Roma	Bingo hall operation.	Full	100%	OPERBINGO ITALIA, S.P.A..	100%	OPERBINGO ITALIA, S.P.A..
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.
SE.BI.LOT, S.R.L. Domicilio: Via Cornelia, 498 00166 Roma	Sale and lease of audiovisual equipment	Full	51%	CODERE ITALIA, S.P.A.	-	-
NORI GAMES SERVICES, S.R.L. Domicilio: Via Cornelia, 498 00166 Roma	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	-	-
CODERE SCOMMESE, S.R.L. Domicilio: Via Cornelia, 498 00166 Roma	Gaming machine operation	Full	100%	CODERE ITALIA, S.P.A.	-	-
SEVEN CORA SERVICE, S.R.L. Via Cornellia, 498 Roma	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 Roma	Gaming machine operation	Full	51%	CODERE ITALIA, S.P.A.	51%	CODERE ITALIA, S.P.A.
VEGAS, S.R.L. Via Cornellia, 498 Roma	Bingo hall operation.	Full	100%	OPERBINGO ITALIA, S.P.A.	100%	OPERBINGO ITALIA, S.P.A.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
FLORIDA:						
CODERE INTERACTIVE, INC 200 Crandon Boulevard, Suite 331Key Biscayne 33149 Florida, USA	Any legal business activity.	-	-	-	100%	CODERE NEWCO, S.A.U.
LUXEMBURGO:						
CODERE FINANCE (LUXEMBOURG), S.A. 6C, rue Gabriel Lippmann, L-5365 Munsbach (Luxemburgo)	Holding company	Full	100%	CODERE NEWCO, S.A.U., CODERE ESPAÑA, S.A.U.	100%	CODERE NEWCO, S.A.U.
CODERE FINANCE 2 (LUXEMBOURG), S.A. 6C, rue Gabriel Lippmann, L-5365 Munsbach (Luxemburgo)	Holding company	Full	100%	CODERE NEWCO, S.A.U.	100%	CODERE NEWCO, S.A.U.
CODERE LUXEMBOURG 1 S.A.R.L. 6C, rue Gabriel Lippmann, L-5365 Munsbach (Luxemburgo)	Holding company	Full	100%	CODERE, S.A.	100%	CODERE, S.A.
CODERE LUXEMBOURG 2 S.A.R.L. 6C, rue Gabriel Lippmann, L-5365 Munsbach (Luxemburgo)	Holding company	Full	100%	CODERE LUXEMBOURG 1 S.A.R.L.	100%	CODERE LUXEMBOURG 1 S.A.R.L.
MÉXICO:						

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal.	Operation, administration and development of horse and greyhound race tracks and sports shows	Full	84,80%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. Y SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.	84,80%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. Y SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. ASOCIACIÓN EN PARTICIPACIÓN Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal.	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. Y ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.	84,80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V. Y ENTRETENIMIENTO RECREATIVO, S.A. DE C.V.
ADMINISTRADORA MEXICANA DEL HIPÓDROMO II, S.A. DE C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal.	Operation, administration and development of 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 Ciudad de México, Distrito Federal.	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. Y IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V.	84,80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. Y IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, 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 Ciudad de México, Distrito Federal	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. Y ENTRETENIMIENTO VIRTUAL S.A DE C.V.	84,80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. Y ENTRETENIMIENTO VIRTUAL S.A DE C.V.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
CALLE ICELA S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Development, construction, organization, operation and acquisition of and equity investments in other companies	EM	49%	CODERE MÉXICO, S.A. DE C.V.	49%	CODERE MÉXICO, S.A. DE C.V.
CODERE MÉXICO, S.A. DE C.V. Av. Conscripto 311, Puerta 4 Caballerizas 6 D 102, Lomas de Sotelo Ciudad de México, Distrito Federal	Holding company	Full	100%	CODERE LATAM, S.A., NIDIDEM, S.A.U., CODERCO, S.A. de C.V. SOFOM, E.N.R., Y PROMOCIONES RECREATIVAS MEXICANAS, S.A. de C.V.	100%	CODERE LATAM, S.A., Y NIDIDEM, S.A.U.
CENTRO DE CONVENCIONES LAS AMÉRICAS S.A de C.V Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Administration, operation and development of exhibitions and conventions	EM	49%	HOTEL ICELA S.A.P.I. DE C.V. Y CALLE ICELA S.A.P.I. DE C.V.	49%	HOTEL ICELA S.A.P.I. DE C.V. Y CALLE ICELA S.A.P.I. DE C.V.
COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Other business support services	Full	84,80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. Y ENTRETENIMIENTO VIRTUAL S.A. DE C.V.	84,80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. Y ENTRETENIMIENTO VIRTUAL S.A. DE C.V.
ENTRENIMIENTO RECREATIVO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Operation of legally-permitted gaming activities	Full	84,80%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. Y ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	84,80%	IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. DE C.V. Y ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.		Full	84,80%	ADMINISTRADORA MEXICANA DEL	84,80%	ADMINISTRADORA MEXICANA DEL

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Development, construction, organization, operation and acquisition of and equity investments in other companies			HIPÓDROMO, S.A. DE C.V. Y ENTRETENIMIENTO RECREATIVO S.A. DE C.V.		HIPÓDROMO, S.A. DE C.V. Y ENTRETENIMIENTO RECREATIVO S.A. DE C.V.
GRUPO CALIENTE S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Operation of gaming machines and games of chance	Full	-	-	67,30%	CODERE MÉXICO, S.A. DE C.V.
GRUPO INVERJUEGO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Gaming	Full	-	-	67,30%	CODERE MÉXICO, S.A. DE C.V.
HOTEL ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Construction and management of tourist and sports complexes	EM	49%	HOTEL ICELA S.A.P.I. DE C.V. Y CALLE ICELA S.A.P.I. DE C.V.	49%	HOTEL ICELA S.A.P.I. DE C.V. Y CALLE ICELA S.A.P.I. DE C.V.
HOTEL ICELA S.A.P.I. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Development, construction, organization, operation and acquisition of and equity investments in other companies	EM	49%	CODERE MÉXICO, S.A. DE C.V.	49%	CODERE MÉXICO, S.A. DE C.V.
IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Gaming hall management	Full	84,80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. Y COMERCIALIZADORA SORTIJUEGOS S.A. DE C.V.	84,80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. Y COMERCIALIZADORA SORTIJUEGOS S.A. DE C.V.
IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. de C.V.	Gaming room operation	Full	84,80%	CODERE MÉXICO, S.A. DE C.V.	84,80%	CODERE MÉXICO, S.A. DE C.V.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal						
JUEGAMAX DE LAS AMÉRICAS S.A. DE CV Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Gaming room operation	Full	84,80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. Y COMERCIALIZADORA SORTIJUEGOS S.A. DE C.V.	84,80%	ENTRETENIMIENTO VIRTUAL, S.A. DE C.V. Y COMERCIALIZADORA SORTIJUEGOS S.A. DE C.V.
JOMAHARHO S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Organization of all manner of games, bets and draws	Full	-	CODERE MÉXICO, S.A. DE C.V.	67,30%	CODERE MÉXICO, S.A. DE C.V.
MIO GAMES, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Gaming	Full	100,00%	CODERE MÉXICO, S.A. DE C.V.	67,30%	PROMOJUEGOS DE MÉXICO, S.A. DE C.V. Y GRUPO INVERJUEGO, S.A.P.I. DE C.V.
LIBROS FORANEOS S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Organization of all manner of games, bets and draws	Full	100,00%	CODERE MÉXICO, S.A. DE C.V.	67,30%	GRUPO CALIENTE S.A.P.I. DE C.V. Y JOMAHARHO S.A.P.I. DE C.V.
OPERADORA CANTABRIA S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Organization of all manner of games, bets and draws	Full	100,00%	CODERE MÉXICO, 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. Y 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	Organization of all manner of games, bets and draws	Full	100,00%	CODERE MÉXICO, S.A. DE C.V.	67,30%	GRUPO CALIENTE S.A.P.I DE C.V. Y JOMAHARHO S.A.P.I. DE C.V.

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
Ciudad de México, Distrito Federal						
PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Advice, operation, administration and activities related with remote gaming	Full	100%	CODERE MÉXICO, S.A. DE C.V. Y NIDIDEM S.A.U.	100%	CODERE MÉXICO, S.A. DE C.V. Y NIDIDEM S.A.U.
PROMOJUEGOS DE MÉXICO, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Gaming	Full	100,00%	CODERE MÉXICO, S.A. DE C.V.	67,30%	GRUPO INVERJUEGO, S.A.P.I. DE C.V. Y MIO GAMES, S.A. DE C.V.
RECREATIVOS CODERE, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Gaming	Full	100%	CODERE MÉXICO, S.A. DE C.V. Y NIDIDEM S.A.U.	100%	CODERE MÉXICO, S.A. DE C.V. Y NIDIDEM S.A.U.
RECREATIVOS MARINA, S.A. DE C.V. Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Gaming	Full	100%	CODERE MÉXICO, S.A. DE C.V. Y PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	100%	CODERE MÉXICO, S.A. DE C.V. Y PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.
SERVICIOS COMPARTIDOS EN FACTOR HUMANO HIPÓDROMO, Av. Industria Militar s/n Puerta 2 – Col. Industria Militar Del. Miguel Hidalgo Ciudad de México, Distrito Federal	Provision of staff administration, hiring, labor advisory and assistance and payroll services	Full	84,80%	SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. Y ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A DE C.V.	84,80%	SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V. Y 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	Provision of staff administration, hiring, labor advisory and assistance and payroll services	Full	84,80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. Y	84,80%	ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. DE C.V. Y

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
Ciudad de México, Distrito Federal				ENTRETENIMIENTO RECREATIVO S.A. DE C.V.		ENTRETENIMIENTO RECREATIVO S.A. DE C.V.
CODERCO, S.A. DE C.V., SOFOM, E.N.R. Av. Conscripto 311, Acc. 4 D 102 - Col. Lomas de Sotelo, Del. Miguel Ciudad de México, Distrito Federal	Holding company	Full	100,00%	CODERE LATAM, S.A. Y NIDIDEM, S.A.	-	-
PANAMÁ:						
ALTA CORDILLERA, S.A. Calle 50 y Calle Elvira Méndez, Torre Financial Center Piso 40 – 41. Corregimiento de Bella Vista, República de Panamá	End-to-end casino operation	Full	75%	CODERE CHILE, LTDA. Y CODERE AMÉRICA, S.A.U.	75%	CODERE CHILE, LTDA. Y CODERE AMÉRICA, S.A.U.
HÍPICA DE PANAMÁ, S.A. Vía José Agustín Arango, Corregimiento de Juan Díaz, Apdo 1, Zona 9ª Panamá	Racetrack and slot machines	Full	75%	ALTA CORDILLERA, S.A.	75%	ALTA CORDILLERA, S.A.
COMPAÑÍA DE RECREATIVOS DE PANAMÁ, S.A. Calle 50 y Calle Elvira Méndez, Torre Financial Center Piso 40 – 41. Corregimiento de Bella Vista, República de Panamá	Financial services	Full	100%	CODERE CHILE, LTDA.	100%	CODERE CHILE, LTDA.
URUGUAY:						
CODERE URUGUAY, S.A. 25 de Mayo 455, 2º piso (Domicilio social) Mones Roses 6937 (Domicilio fiscal)	Instalación, administración y Bingo hall operation, y servicios complementarios	Full	100%	CODERE LATAM, S.A.	100%	CODERE LATAM, S.A.
HÍPICA RIOPLATENSE URUGUAY, S.A.	Operation of racetrack and slot machines	Full	100%		100%	

Name	Business activity	Consolidation method	2017 % Ownership interest	2017 Held through	2016 % Ownership interest	2016 Held through
José María Guerra 3540 Montevideo (Uruguay)				CODERE URUGUAY, S.A.		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.	100%	CODERE MÉXICO, S.A. DE C.V.

Legend:
Full: Full consolidation method
PC: Proportionate consolidation method
EM: Equity Method
% shareholding: held directly and indirectly

APPENDIX II

Reserves and retained earnings by Group company
for the year ended 31 December 2017

The breakdown of the various reserve and retained earnings accounts at December 31, 2017 is provided below (in thousands of euros):

Company	Issued capital	Share premium	Reserve	Profit/(loss)	Interim dividend	Equity
ADMINIST.MEXICANA HIPODROMO II, S.A de C.V.	1.161	-	1.513	1.007	-	3.681
ADMINIST.MEXICANA HIPODROMO III, S.A de C.V.	1.201	-	(784)	127	-	544
ADMINIST.MEXICANA HIPODROMO, S.A de C.V.	87.142	4.530	42.289	24.691	-	158.652
ALTA CORDILLERA, S.A.	24.931	-	3.820	(1.821)	-	26.931
ASOCIACION EN PARTICIPACION	10.749	-	27.953	4.287	-	42.988
BINGOS CODERE, S.A.	2.046	-	(6.295)	(1.903)	-	(6.151)
BINGOS DEL OESTE, S.A.	70	5.438	533	(1.581)	-	4.460
BINGOS PLATENSES, S.A.	-	-	636	7.026	-	7.663
BINIPATRIMONIAL, S.L.U	53	-	293	60	-	406
CALLE DEL ENTRETENIMIENTO, S.A. DE C.V.	3	-	(402)	11	-	(388)
CALLE ICELA, S.A.P.I DE C.V.	1.073	-	(122)	(45)	-	906
CARRASCO NOBILE, S.A	9.207	-	4.404	(6.939)	-	6.672
CARTAYA, S.A.U	120	-	123	7	-	251
CENT.CONVENC.AMERICAS, S.A. DE C.V.	2	-	(2)	-	-	-
CODEMÁTICA, S.r.l.	10	-	-	11.949	-	11.959
CODERCO, S.A. DE C.V., SOFOM, E.N.R	115.873	-	(2.195)	(8.407)	-	105.271
CODERE ALICANTE, S.L.	875	-	(425)	344	-	794
CODERE AMÉRICA, S.A.U.	16.367	-	12.558	698	-	29.622
CODERE APUESTAS ANDALUCÍA, S.A.U.	2.000	-	2	(1.451)	-	551
CODERE APUESTAS ARAGÓN, S.L.U	1.000	-	(796)	(238)	-	(34)
CODERE APUESTAS ASTURIAS, S.A.U.	1.000	-	(114)	(337)	-	549
CODERE APUESTAS BALEARES, S.A.U	500	-	(2)	(386)	-	112
CODERE APUESTAS CANTABRIA, S.A.U.	60	-	(141)	(303)	-	(385)
CODERE APUESTAS CASTILLA LA MANCHA, S.A.U.	500	-	511	246	-	1.257
CODERE APUESTAS CASTILLA LEON, S.A.U.	1.000	-	(563)	(304)	-	133
CODERE APUESTAS CATALUÑA, S.A.U.	600	-	(706)	(356)	-	(462)
CODERE APUESTAS CEUTA, S.L.U.	250	-	51	(14)	-	287

Company	Issued capital	Share premium	Reserve	Profit/(loss)	Interim dividend	Equity
CODERE APUESTAS ESPAÑA,S.L.U	662	32.286	(74.490)	(1.656)	-	(43.198)
CODERE APUESTAS EXTREMADURA, S.A.U	1.000	-	(377)	(492)	-	130
CODERE APUESTAS GALICIA, S.L.U	2.000	-	329	154	-	2.484
CODERE APUESTAS LA RIOJA, S.A.U	1.000	-	(277)	(286)	-	437
CODERE APUESTAS MELILLA, S.A.U	60	-	(37)	(17)	-	6
CODERE APUESTAS MURCIA, S.L.U	1.000	-	(1.368)	(456)	-	(824)
CODERE APUESTAS NAVARRA, S.A.U	2.000	-	(1.511)	(373)	-	116
CODERE APUESTAS SUC.URUGUAY, S.A	-	-	(401)	(868)	-	(1.269)
CODERE APUESTAS VALENCIA, S.A.U	2.000	-	(2.694)	(1.300)	-	(1.994)
CODERE APUESTAS, S.A.U	60	-	(10.778)	(4.904)	-	(15.623)
CODERE ARGENTINA, S.A.	84	459	(1.060)	10.656	-	10.139
CODERE DO BRASIL ENTERTAINMENT, LTDA.	11.558	-	(58.903)	(9.589)	-	(56.934)
CODERE CASTILLA LEON, S.L.U.	3	-	(3)	4	-	4
CODERE CHILE, LTDA.	18.295	-	8.791	(18)	-	27.067
CODERE COLOMBIA, S.A.	9.741	15.294	132	(1.148)	-	24.019
CODERE DISTRIBUCIONES, S.L.U	3	-	(102)	(16)	-	(115)
CODERE ESPAÑA, S.A.U	2.613	5.185	(126.515)	(425)	-	(119.141)
CODERE FILIAL 8, S.L.	60	-	(10)	101	-	150
CODERE FINANCE (LUXEMBURG), S.A.	35	24.344	(24.709)	(5.363)	-	(5.693)
CODERE FINANCE II, S.A.	33	20.512	(4.472)	(2.476)	-	13.597
CODERE GAMING ITALIA, S.r.l.	10	-	(320)	1.721	-	1.411
CODERE GIRONA, S.A.	126	-	9.448	983	-	10.558
CODERE GUADALAJARA, S.L	3	-	51	162	-	216
CODERE HUESCA, S.L.	5	-	952	243	-	1.200
CODERE INTERACTIVA, S.L.	30	-	(759)	(7)	-	(736)
CODERE INTERACTIVE, INC.	1.325	-	(1.310)	(14)	-	-
CODERE INTERNACIONAL DOS, S.A.U.	436	-	(289.667)	6.058	-	(283.173)
CODERE INTERNACIONAL, S.A.U	85.727	25.270	145.930	2.487	-	259.414
CODERE ITALIA, S.p.a.	15.000	-	11.015	(11.512)	-	14.503

Company	Issued capital	Share premium	Reserve	Profit/(loss)	Interim dividend	Equity
CODERE LATAM COLOMBIA, S.A.	28	-	(5)	(9)	-	14
CODERE LATAM, S.A	74	169.729	147.409	(2.755)	-	314.457
CODERE LOGROÑO, S.L	6	-	262	(77)	-	191
CODERE LUXEMBOURG 1, S.A.R.L	13	675.557	39	(65)	-	675.544
CODERE LUXEMBOURG 2, S.A.R.L	13	675.557	196	(304)	-	675.461
CODERE MÉXICO, S.A. DE C.V	378.198	26	62.515	(27.338)	-	413.402
MILLENNIAL GAMING, S.A	60	-	(82)	(823)	-	(845)
CODERE NAVARRA, S.A.U.	90	-	(2)	-	-	89
CODERE NEWCO, S.A.U	60	718.097	72.666	(38.620)	-	752.203
CODERE ONLINE,S.A.U.	100	-	(7.315)	(4.979)	-	(12.194)
CODERE OPERADORA DE APUESTAS, S.L	12.009	-	-	(5)	-	12.004
CODERE, S.A.	509.715	563.178	(513.857)	(6.937)	-	552.099
CODERE SCOMMESSE, S.r.l	10	-	338	(338)	-	10
CODERE SERVICIOS, S.L.U.	3	-	(507)	(171)	-	(675)
CODERE URUGUAY, S.A.	11.405	-	(1.197)	2.152	-	12.360
COLONDER, S.A.U.	9.761	-	189.838	68.214	-	267.813
COMERCIAL YONTXA, S.A.	481	-	4.513	802	-	5.796
COMPAÑIA RECREATIVOS DE PANAMA, S.A.	3.620	-	-	-	-	3.620
CRISTALTEC SERVICE, S.r.l	10	-	1.883	307	-	2.200
DESARROLLO ONLINE JUEGOS REGULADOS, S.A.U	1.753	-	(2.327)	120	-	(455)
DP SERVICE, S.r.l.	90	315	2.027	(393)	-	2.039
EL PORTALÓN, S.L.	3	-	144	51	-	197
ENTRETENIMIENTO RECREATIVO, S.A. DE C.V	40.328	-	12.851	803	-	53.981
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	19.171	-	38.883	(2.028)	-	56.025
FG SLOT SERVICES, S.r.l.	116	-	(419)	(183)	-	(486)
GAMING RE, S.r.l	10	-	(1.319)	67	-	(1.242)
GAP GAMES, S.r.l.	21	-	540	(347)	-	214
GARAIPEN VICTORIA APUSTAK, S.L.	12.229	-	(24.282)	(2.503)	-	(14.555)
G.A.R.E.T, S.r.l.	110	-	1.541	237	-	1.887

Company	Issued capital	Share premium	Reserve	Profit/(loss)	Interim dividend	Equity
GESTION MARCONI, S.r.l.	11	-	431	214	-	655
GIOMAX, S.r.l.	69	-	92	(37)	-	123
HIPICA DE PANAMA, S.A.	-	-	(615)	2.990	-	2.376
HÍPICA RIOPLATENSE URUGUAY, S.A.	11.013	-	36.081	4.032	-	51.126
HIPPOBINGO FIRENZE, S.r.l.	10	-	11	23	-	44
HOTEL ENTRET.AMH, S.A de C.V.	2	-	(3)	-	-	(1)
HOTEL ICELA, S.A.P.I DE C.V.	442	-	(52)	2	-	391
IBERARGEN, S.A.	2.211	-	661	22.257	-	25.128
IMPULSORA CENTR.ENTR.AMERICAS, S.A de C.V.	136.334	2.718	27.872	16.375	-	183.299
IMPULSORA RECREATIVA AMH,S.A de C.V.	4	1.201	(42)	(11)	-	1.152
INTERBAS, S.A.	387	2.118	635	11.518	-	14.658
INTERJUEGOS, S.A.	1	878	757	4.276	-	5.912
INTERMAR BINGOS, S.A.	4	-	18	1.903	-	1.925
INTERSARE, S.A.	608	-	183	96	-	888
IPM MAQUINAS, S.L.U	12	-	223	82	-	318
ITAPOAN, S.A.	217	-	530	425	-	1.171
J.M.QUERO Y ASOCIADOS, S.A.U.	97	-	(848)	(177)	-	(928)
JOLUGAR 41, S.L	3	-	1	(4)	-	(1)
JPVMATIC 2005, S.L.U.	3	-	6.446	426	-	6.875
JUEGAMAX DE LAS AMERICAS, S.A.de C.V.	4	1.161	(21)	(10)	-	1.134
KING BINGO, S.r.l.	10	-	(1.267)	561	-	(695)
KING SLOT, S.r.l.	100	-	1.460	(451)	-	1.109
LIBROS FORANEOS, S.A de C.V.	125.624	-	(133.252)	9.263	-	1.635
MIO GAMES, S.A. DE C.V.	7.944	250	(8.255)	(10)	-	(71)
MISURI, S.A.	2.542	-	5.625	1.909	-	10.076
NEW JOKER, S.r.l.	110	-	337	(145)	-	302
NIDIDEM, S.A.U.	380	-	(2.200)	1.340	-	(481)
NORI GAMES, S.r.l.	100	-	489	(131)	-	458
OPER SHERKA, S.L.U.	1.049	-	1.117	(3)	-	2.163

Company	Issued capital	Share premium	Reserve	Profit/(loss)	Interim dividend	Equity
OPERAD.ESPECTACULOS DEPORTIV., S.A de C.V.	38.877	-	(41.885)	3.294	-	286
OPERADORA CANTABRIA, S.A de C.V.	118.006	-	(137.193)	13.273	-	(5.914)
OPERADORES ELECTRONICOS DE ANDALUCIA, S.A.	60	-	-	(1)	-	59
OPERBINGO ITALIA S.P.A.	10.180	-	6.168	3.128	-	19.476
OPERIBÉRICA, S.A.U.	2.104	-	70.087	11.277	-	83.467
OPEROESTE, S.A.	204	-	279	315	-	798
PALACE BINGO , S.r.l	60	280	48	1.526	-	1.914
PROM. REC. MEXICANAS, S.A. DE C.V	1.427	-	(4.545)	365	-	(2.753)
PROMOJUEGOS DE MEXICO, S.A. DE C.V	31.463	-	(34.381)	3.367	-	449
RECREATIV.CODERE, S.A. DE C.V.	2	-	(42)	(9)	-	(49)
RECREATIVOS ACR, S.L.	24	-	(41)	111	-	94
RECREATIVOS JUVASA,S.L.	12	-	148	165	-	325
RECREATIVOS MARINA, S.A. DE C.V	2	-	(3.010)	(1.495)	-	(4.503)
RECREATIVOS OBELISCO, S.L.	37	703	(284)	285	-	740
RED AEAM, S.A.U.	60	-	7	2	-	69
RESTI Y CíA., S.L.	3	-	111	106	-	220
CODERE NETWORK, S.p.a	2.000	-	15.109	5.141	-	22.250
ROYAL JACKPOT, S.r.l	20	-	63	16	-	99
SAN JAIME, S.A.	55	-	216	192	-	464
SE.BI.LOT, S.r.l	50	-	602	(939)	-	(287)
SECOFACH, S.A. DE C.V.	2	-	(1.921)	(530)	-	(2.449)
SERVICIOS ADMINIST.HIPODROMO, S.A. DE C.V.	2	-	(781)	(1.022)	-	(1.801)
SEVEN CORA, S.r.l.	20	-	1.454	(333)	-	1.140
SIMULCASTING BRASIL SOM E IMAGEM, LTDA	1	-	(412)	(681)	-	(1.092)
SORTIJUEGOS, S.A. DE C.V.	23	-	4.102	(572)	-	3.553
SPORT BET EXTREMADURA, S.L.	203	-	-	(6)	-	197
UTE-BOES, S.A.	-	-	(705)	1.695	-	990
VASA E AZZENA SERVICE, S.r.l.	10	-	1.210	310	-	1.530
VEGAS, S.r.l.	10	-	(2)	(37)	-	(29)

2017 GROUP MANAGEMENT REPORT

The Codere Group's business performance

In 2017, EBITDA registered growth in Argentina and Mexico, despite the depreciation of their respective currencies relative to the euro, thanks to strong business momentum in both countries, partially offset by a higher tax burden in both. In Uruguay, EBITDA was stronger at Carrasco thanks to enhanced business momentum and the favorable impact of the renegotiated royalty.

In Italy, EBITDA was undermined by the higher effective tax rate on gross gaming revenue and in Spain, EBITDA declined on the back of weak growth in revenue from sports-betting in the first part of the year, coupled with higher marketing expenses.

Capital expenditure amounted to 151.3 million euros in 2017, compared to 127.4 million in 2016, of which 87.1 million euros corresponded to maintenance capex and 64.2 million to growth capex.

The highlights in 2017:

- *Ownership interest in Codere Caliente increased to 100%.*

  On March 31, 2017, through one of the Group's wholly-owned subsidiaries, Codere México S.A. de C.V., we acquired all of the shares held by Grupo Caliente in the consolidated subsidiaries in which, prior to this transaction, we already held a 67.3% interest.
  As a result of this agreement, Codere and Grupo Caliente terminated all of the shareholder agreements in effect between them at the time. The shares were bought for 26 million euros in total, of which 22 million euros was paid for in cash and 4 million took the form of the offset of accounts pending collection between Codere and Grupo Caliente.
- *Tax changes in Argentina.*

  In December 2016, in the context of approving the budget for the province of Buenos Aires and the federal budget for 2017, two pieces of legislation were passed that, among other things, included increases in gaming taxes:
  (i) At the Federal level, Argentine Law 27346 and the subsequent enacting regulation stipulated: (a) a new tax of 0.95% of bets placed, which has been in effect since March 17, 2017; 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 stipulated: (a) a new tax on players in the form of a 20-peso charge for entering gaming halls (this measure is still pending implementing regulations); and (b) an increase in the tax levied on gross revenue from 12% to 15%.

  Implementation of the systems that will enable the operators to collect the tax on bets placed from players remains pending and we continue to pay this tax on their behalf.

- *Gaming taxes in Italy.*

  On June 21, 2017, the Italian Parliament passed the decree previously issued by the government on April 24, 2017, increasing the tax on games of chance (known as PREU in Italian) played on slot machines as from that date. For AWP slot machines, the tax increased from 17.5% to 19% of bets placed, while for video-lottery terminals (VLTs) it increased from 5.5% to 6%. Unlike prior legislation (the Stability Act of 2016), this new legislation did not include an additional reduction in the minimum payout, which has been lowered to 70% in the case of AWP machines.
  As a result, gaming taxes in Italy increased by close to 2 million euros in the third quarter of 2017, the first quarter to reflect the full impact of these tax rate hikes.
  In addition, on September 1, 2017, the Italian government issued another decree confirming the reduction in the number of licenses for AWP machines foreshadowed in the Stability Act of 2016.

This reduction was to be implemented in two phases and based on the number of machines in operation at December 31, 2016:

(i) From 407,754 to 345,000 by December 31, 2017.
(ii) From 345,000 to 265,000 by April 30, 2018.

The reduction must be borne proportionately by each concession holder. We expect to meet the reduction requirement with 5,265 AWP machines in operation and 14,237 units connected in the second half of 2018.

- *Tax changes in Uruguay.*

  On September 25, 2017, the Uruguayan Senate passed legislation that will result in additional gaming taxes from January 1, 2018:

  (i) Gaming tax on slot machines: introduction of a new tax of 0.75% on bets placed.
  (ii) Withholdings on prize money: a rate of 12% applicable to prizes that: i) exceed certain thresholds (to be defined by the government); and ii) represent 72 or more times the amount bet. The government is entitled to exonerate players from having to pay this tax.

  Based on the above, we expect the new measures to have an impact on HRU's EBITDA, in respect of 2017 levels, of 1.2 million euros and to have only a minimal impact on EBITDA at Carrasco Nobile.

- *First-time consolidation of Hípica Rioplatense de Uruguay (HRU).*

  Since it acquired the outstanding 50% of HRU on November 30, 2016, Codere has owned this investee outright and has been consolidating it since December 1, 2016.

- *Renewal of licenses in Panama.*

  In September 2017, we renewed the licenses at eight of our casinos in Panama for a total sum of 8 million euros. In October, we renewed the license at the Presidente Remón Racetrack (including the 50 associated horse-betting agencies and the Crown gaming hall) for 2 million euros. Maturity of all of these licenses has been extended until 2038.

- *Impact of the earthquake in Mexico.*

  As a result of the tragic events in Mexico of September 19, 2017, 14 of our gaming halls had to be closed during the days following the earthquake, after which they were gradually reopened. Just two halls suffered structural damage, remaining closed until October, one of which was only reopened during the last week of that month.

- *Reverse stock split.*

  On November 17, 2017, in accordance with the resolution ratified at the Extraordinary General Meeting of October 16, 2017, we executed a reverse stock split, thereby reducing the number of shares outstanding. Specifically, the existing shares were consolidated and cancelled for exchange for newly-issued shares at a ratio of two new shares for every 43 old shares; their unit par value was increased from 0.20 euros to 4.30 euros per share. As a result, the Company's share capital is represented by 118,538,326 shares.

The Group's financial performance

Revenue

Revenue increased by 140 million euros (9.4%) to 1,637.9 million euros in 2017, driven mainly by growth in (i) Argentina, fueled by a strong underlying business performance; (ii) Spain, due to higher revenue from online and in-person sports-betting; (iii) Italy, as a result of the impact of the acquisition of operators; and (iv) Mexico, where the average daily take per machine rose.

Operating expenses

Operating expenses increased by 94.4 million euros (6.7%) to 1,506.2 million euros, driven mainly by (i) growth in Argentina, Mexico and Italy, where gaming taxes were higher; and (ii) Spain, where marketing expenses rose in the online and sports-betting segments.

Operating profit/(loss)

The Group's operating profit (EBIT) increased by 32.9 million euros in 2017 to 131.1 million euros. The EBIT margin widened to 8% in 2017, compared to 6.6% in 2016.

Finance costs

Finance costs decreased by 1,110.6 million euros to 79.8 million euros, shaped by the fact that in 2016 the Group recognized the capitalization of loans into shares at fair value, which translated into a finance loss of 1,054 million euros, in addition to lower interest expense on the back of the new financial structure.

Income tax

Income tax increased by 27.4 million euros to 64.2 million euros due to a higher tax rate in Argentina and higher taxable income. In addition, 2016 had been affected by 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 as a result of local corporate reorganization work.

Profit/(loss) attributable to non-controlling interests

The profit attributable to non-controlling interests was 48 million euros higher in 2017 at 17 million euros (2016: a loss of 31.2 million euros). The difference is attributable primarily to the fact that there were no longer any non-controlling interests in Carrasco, which accounted for substantial losses, in 2017.

Profit/(loss) attributable to equity holders of the parent

Primarily as a result of the developments described above, the profit attributable to equity holders of the parent amounted to 2.7 million euros in 2017, compared to a loss of 1,125.9 million euros in 2016.

Disclosures on deferral of trade accounts payable

The Group's average payment term vis-a-vis Spanish suppliers is 30 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, 2017, the Group employed 13,050 people, 369 more than at year-end 2016.

Environmental disclosures

The environmental management policies implemented in 2017 are described in detail in the Non-Financial Statement which forms part of this Management Report.

R&D expenditure

The Group did not incur R&D expenditure in 2017.

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 2018, 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 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 Codere (political, economic and monetary risks associated with international operations, lawsuits, risks related to the Company'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).

Regarding the use of Financial Instruments, the group has a financial risk management policy that is detailed in the information in the notes of the consolidated financial statements. 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.

For a more detailed description of the Group's key risks, go to the corresponding notes of the consolidated financial statements, mainly note 3 where the objectives and policies for financial risk management are broken down.

Events after the reporting date

The Board of Directors of Codere SA, at its meeting held on January 12, 2018, approved, among other measures, the removal of the Executive Chairman and the Executive Deputy Chairman, and the appointment of a new non-executive Chairman and a new General Manager for the group. Likewise, several modifications of articles of the Board of Directors and the shareholder agreement were approved.

These events are detailed in note 28 of the consolidated financial statement.

About this chapter

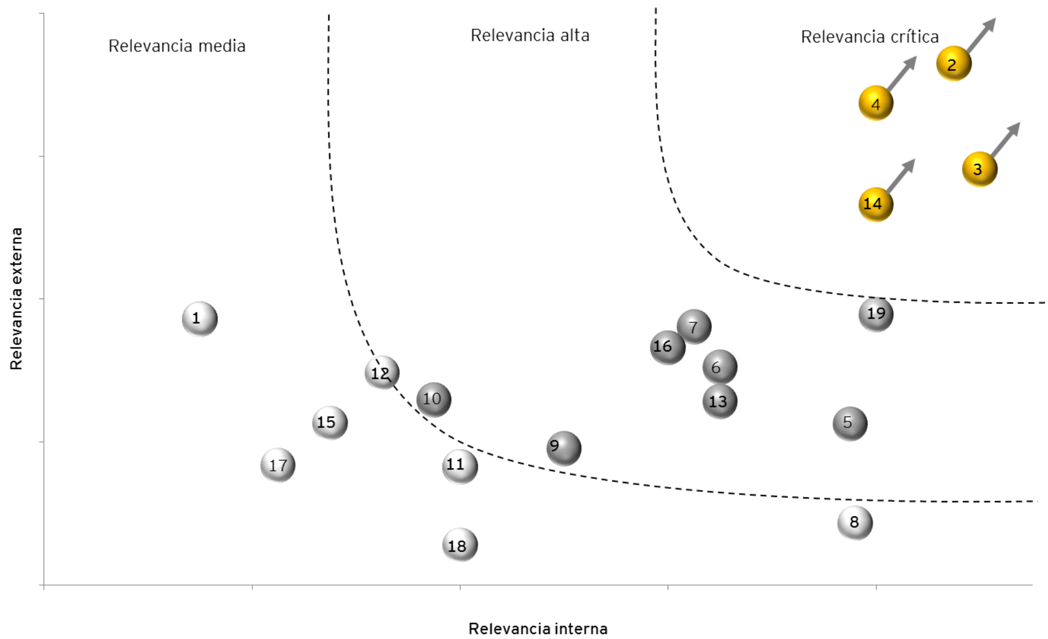
The non-financial statement provided in this chapter was prepared in keeping with the requirements introduced by Spanish Royal Decree-Law 18/2017, which amends the Code of Commerce, the consolidated text of the Corporate Enterprises Act enacted by means of Royal Decree-Law 1/2010 and Spain's Audit Act (Law 22/2015) with respect to non-financial and diversity disclosures and the guidelines on non-financial reporting issued by the European Commission (2017/C 215/01) in response to Directive 2014/95/EU.

It also takes into account the contents of version G4 of the Global Reporting Initiative's sustainability reporting guidelines, which are similarly used to articulate the annual Corporate Social Responsibility Report published by the Codere Group published which this year complements and provides further details about the matters reported on in this non-financial statement.

Against this backdrop, the goal sought by the Codere Group in presenting this non-financial statement is to report to its key stakeholders on the environmental, social and governance (ESG) matters of significance to it.

To draw up this non-financial statement and this year's Corporate Social Responsibility Report, in 2017, the Codere Group undertook a materiality assessment, with a view to identifying and prioritizing the non-financial matters of greatest interest internally and externally, applying the methodology prescribed in the Global Reporting Initiative's sustainability reporting guidelines (GRI version G4) to do so.

This assessment gave rise to the materiality matrix presented below which prioritizes the areas of greatest importance to the Company:



ID	Material matter
1	Environmental performance
2	Responsible gaming
3	Regulatory pressure
4	Anti-money laundering and policies for combating organized crime
5	Political risk
6	Customer relationship management
7	Corporate governance
8	Brand management
9	Operational efficiency
10	Stakeholder engagement
11	Human rights
12	Community engagement
13	Tax contribution
14	Personal data protection
15	Diversity
16	Talent: training, development and management
17	Workplace health and safety
18	Innovation

The materiality matrix reveals that the matters of critical importance (shaded orange) for the Codere Group are responsible gaming, regulatory pressure, the prevention of money laundering and organized crime and personal data protection.

Throughout this non-financial statement, the Codere Group identifies at the beginning of each section which of the matters considered highly material (responsible gaming, regulatory pressure, prevention of money laundering and data protection) are addressed in that section and specifies in those sections the actions and measures being taken in each arena. The statement also addresses other important ESG matters.

1. General aspects

The Codere Group is a leading private gaming player with a long-standing track record, over 35 years' experience in the sector, and a presence in Europe and Latin America. Professionalism, transparency and responsibility are the **values** that inspire and galvanize the Group.

The Codere Group's **mission** is to meet society's demands for entertainment and amusement in the form of gaming and betting involving chance. The Codere Group is committed to meeting these demands - growing in today's society - in a professional, transparent and responsible manner with a view to generating sustainable growth.

Moreover, these values define the Group's **vision** for the gaming business and shape how it goes about achieving its objectives, namely by playing a role as a professional, transparent and responsible gaming manager vis-a-vis the regulators and its customers in its operating markets.

a. Business model

Regulatory pressure

The Codere Group has over 13,000 employees and pursues different lines of business: gaming machines, gaming halls, betting shops, racetracks and online gaming in eight countries in Europe (Spain and Italy) and Latin America (Argentina, Mexico, Colombia, Panama, Uruguay and Brazil).

Ever since it started life as a gaming machine operator in 1980, the Codere Group has been diversifying its activities in the gaming industry, a strategy that has enabled it to become a benchmark player in the various markets it operates in and build positions of leadership in a sustainable manner. Today, the Codere Group is:

- One of the leading operators of AWP machines in Spain;
- A leading player in gaming hall operation in the province of Buenos Aires (Argentina), Mexico and Uruguay;
- A prominent player in Italy; and
- The leading casino operator in Panama.

Over the years, the Codere Group has been able to continuously adapt to evolving market circumstances, fine-tuning its activities in the various countries and reinvesting its profits in new business opportunities framed by a customer-centric approach.

<u>Business lines</u>

The headquarters, central services and Codere Foundation are located in Madrid (Spain) where overall strategy and corporate policy definition, institutional relations, management of shared activities and coordination of the activities of the geographical business units are centralized.

As of 2017, the Codere Group managed 56,548 amusement machines, 148 gaming halls, 5,581 sports-betting outlets, four racetracks and an online business.

Europe encompasses the Group's activities in Spain (gaming machines, gaming halls, sports betting and online gaming) and Italy (machines and halls).

In Latin America, the Codere Group centralizes control over each of its activities in different countries. In 2016, the Company integrated its operations in Mexico, Panama and Colombia under a single department based in Mexico and brought the Argentina and Uruguay operations under a business department based in Buenos Aires.

It is important to note the broad and diverse regulations to which the activity carried on by the Codere Group is subject. These regulations vary from one country to the next, so that it has to adjust how it manages its operations for the specifics of the eight markets in which it does business. In some instances, the Codere Group has to face iron-clad controls, limits on permits and high taxation; in other markets it faces steep competition and lax taxation. As a result, flexibility and the ability to adapt to its surroundings are key for the Codere Group, an enterprising firm with global ambitions: **multinational and multioperator**.

b. Management of non-financial aspects

Responsible gaming

The Codere Group is strategically committed to delivering sustainable growth in order to ensure a health earnings performance and robust business, looking out for environmental protection, social development and business ethics in parallel. The Codere Group's corporate social responsibility strategy is a fundamental part of its transparency, excellence and competitiveness policy which in turn is articulated around four cornerstones:

- Responsible gaming;
- Human capital development;
- Corporate governance and transparency; and
- Firm commitment to society and the environment.

Corporate Social Responsibility Policy

The Codere Group's stakeholder commitments in environmental, social and governance (ESG) matters are articulated in its Corporate Social Responsibility (CSR) Policy, which is aligned with the recommendations contained in the Good Governance Code issued by Spain's securities market regulator, the CNMV.

The Codere Group is firmly committed to the four cornerstones of its CSR regime, which is designed to provide an integrated framework that encompasses all of its stakeholder policies and initiatives. The Group's stakeholders include all of the natural or legal persons who in one way or another influence or are influenced by the activities undertaken by the Company and contribute to its progress.

The CSR Policy constitutes an efficient, systematic and transparent communication tool and the fundamental framework for the Codere Group's efforts in the sustainable development and management arena.

Against this backdrop, in March 2016, the Board of Directors of Codere approved the Company's General Corporate Social Responsibility Policy, as contemplated in article 7.2 (section IV) of its Regulations. The objectives of this Policy are:

- Fostering a Group-wide culture that contributes to the sustainable generation of value for society and all of the stakeholders with which the Codere Group engages;
- Remunerating all of the groups that contribute to the success of its business endeavor equitably;
- Embarking on new investments framed by social returns criteria: the generation of jobs and wealth for society taking a long-term view in an attempt to create a better future without jeopardizing current performance.

Other corporate policies

Responsible gaming
Data protection
Anti-money laundering

Given the non-harmless character of the activities carried out by the Codere Group, it believes it is essential to earmark resources to developing, publicizing and applying its in-house policies and procedures responsibly in order to minimize any potential adverse impact its business could have on its stakeholders. To this end, complementary to its Corporate Social Responsibility Policy, the Codere Group has established the following corporate policies and procedures:

- Workplace health and safety policy
- Data protection policy and procedure
- Anti-corruption and anti-money laundering policy
- Description of sector regulatory policies
- Rules/procedures for fostering responsible gaming
- Business ethics code and corporate crime prevention protocol
- Risk map
- Whistle-blowing policy and channel
- Business plan

Governance structure

Data protection
Anti-money laundering
Regulatory pressure

With the aim of protecting the interests of the Company and its key stakeholders, the Codere Group is committed to establishing robust corporate governance standards, which are essential to the efficient use of its resources, to the Group's growth and the sustainable creation of value. The Codere Group focuses its corporate governance practices on three key aspects:

- **Control system and procedures**: Here the objective is to provide the Group with a set organizational structure and corporate culture, applicable to all of its companies regardless of their area of influence, implementing formal intervention mechanisms. The idea is not to impose burdensome red tape but rather to establish the basis for controlled delegation designed to strengthen an efficient management culture and ensure strategic consistency across the Group. The most important tool within this system is the Contracting Pool, which provides a specific structure for purchasing and contracting processes, establishes a mechanism for fostering transparency, ensures competition among suppliers and ultimately reduces procurement costs for the Company while promoting good governance practices.

- **Compliance rules**: Essential, these rules evidence the Group's particular commitment to good business practices in a sector that is highly regulated and sensitive in the public eye. The Codere Group's strategy goes beyond the requirements laid down in specific laws and regulations to delve into the true of clean and responsible gaming: specifically, the Group is very engaged with stringent compliance with anti-money laundering and counter terrorist financing legislation, as well all the regulations applicable to gaming activities. To supervise these matters, the Company has a Corporate Security and Compliance Department which is tasked, among other things, with oversight and control of application of the Code of Ethics and Conduct and management and oversight of the Whistle-blowing channel, a mechanism set up for reporting irregular conduct or any perceived breach of the law or rules of conduct to the committee.

- **Governance standards**: As provided in the Company's Bylaws, the core component of the Board of Director's mission is to approve the organization's strategy, authorize the organizational resources needed to carry it forward and ensure that management meets the objectives set while protecting the Company's interests and corporate purpose. With the aim of providing its shareholders and investors with information about its governance rules, while complying with regulatory requirements in this respect, the Codere Group publishes all of its corporate governance related documentation on its corporate website.

Corporate governance standards, rules and policies

- Bylaws
- General Meeting Regulations
- Board Regulations
- Code of Ethics and Conduct
- Internal Securities Markets Code of Conduct
- General Compliance Plan
- Corporate Tax Policy
- Corporate Social Responsibility Policy
- Director Remuneration Policy
- Director Selection Policy

At year-end 2017, Codere's Board of Directors comprised José Antonio Martínez Sampedro, executive chairman; Luis Javier Martínez Sampedro, vice-chairman; Masampe SL (represented by Pío Cabanillas Alonso), Manuel Martínez-Fidalgo Vázquez, David Reganato and Timothy Lavelle, all proprietary directors; Joseph Zappala, an external director; and Norman Sorensen Valdez and Matthew Turner, the two independent directors. However, on 12 January 2018, the Board of Directors agreed to modify its composition, which is now configured as follows: Norman Sorensen Valdez, non-executive chairman; José Antonio Martínez Sampedro, Luis Javier Martínez Sampedro, Masampe SL (represented by Pío Cabanillas Alonso), Manuel Martínez-Fidalgo Vázquez, David Reganato and Timothy Lavelle, all proprietary directors, Joseph Zappala, external director; and Matthew Turner, independent director. The Board's secretary is Luis Argüello Álvarez (non-member).

In keeping with prevailing legislation, specifically the recommendations made in the CNMV's Code of Good Governance for Listed Companies, the work of the Board of Directors is articulated around three committees with specific duties:

- **The Audit Committee** - whose overriding task is to support the Board of Directors with its financial and risk oversight duties, supervise the functioning of the Company's Audit Department, establish the Group's financial control processes and rules and report on the Group's annual and interim financial statements, among other duties. Its duties were expanded last year to include supervision of the shareholder and investor communication strategy (specifically including retail shareholders) and supervision and evaluation of the various stakeholder engagement processes.

- **The Appointments and Remuneration Committee** - under Spanish company law, listed companies required to have this committee whose remit includes the duties specified in the Corporate Enterprises Act and others related with corporate governance recommendations.

- **The Compliance Committee** - created availing of the option given companies in the Corporate Enterprises Act to set up board committees to deal with specific areas of expertise. The main duties vested in this committee include controlling compliance by the Group with gaming regulations in Spain and abroad and assessing the internal control systems in place in respect of its gaming and anti-money laundering obligations.

In 2017, as in prior years, the Board of Directors self-assessed the performance of the board as a whole, its committees, its chairman and CEO, its directors and the secretary in 2016, thus discharging its legal obligations and upholding applicable corporate governance recommendations. The Appointments and Remuneration Committee reviewed the self-assessment questionnaire, which it then sent to the directors to fill out. 100% of the Company's directors participated in the 2016 evaluation exercise.

ERM system

Regulatory

Everything the Codere Group does to control and mitigate risks is framed by the basic principles and guidelines established by the Board of Directors in the General Risk Management and Control Policy and the Risk Tolerance Document. These basic principles include:

- Consideration of risk-reward criteria;
- Segregation at the operating level of risk-taking areas and the areas responsible for risk analysis, control and oversight;
- Safeguards to ensure correct utilization of risk-hedging instruments; and
- Due compliance with the corporate governance rules and corporate values established in the Code of Ethics.

The key stages and activities of the Group's risk control and management system:

- Definition of risk tolerance thresholds by the Board of Directors;
- Annual identification and analysis of the key risks by the heads of each business unit and/or department;
- Reporting about the main risks, particularly any exposures that overstep the limits set by the Board of Directors;
- Implementation of policies, guidelines and limits and control over their enforcement by means of the procedures and systems needed to mitigate the impact of risk materialization and regular assessment and communication (at least annually) of the results of the risk control and management effort; and
- ERM system audit by the Internal Audit Department.

In 2017, as it does every year, the Audit Committee and Board of Directors approved the updated corporate risk map and were informed of the key risks that materialized during the year.

As for the tax risk management system, the Board of Directors approved the Group's Corporate Tax Policy on July 29, 2015, thereby approving and publishing the related governance policies, adopting specific tax risk management measures and implementing appropriate internal control over tax risks.

The description of the Codere Group's risk management mechanisms is included in its Annual Corporate Governance Report which is published on the corporate website.

Main risks

Anti-money laundering
Regulatory pressure

The Group's General Risk Management and Control Policy identifies and defines the material classes of risk to which it is exposed. These include regulatory and institutional relations risks, reputational risks and corporate governance risks.

Corruption and bribery also feature among the main risks arising from the Codere Group's business activities. The Board of Directors, with the aim of taking additional steps to combat these issues and adopting a preventative stance, approved an Anti-Corruption and Prevention of Irregular Conduct Manual, available on the corporate website, on February 27, 2017.

This Manual is accompanied by a practical Anti-corruption Guide which identifies the main forms of corruption that could affect the Codere Group's business and a series of preventative measures, including the existence of a Whistle-blowing Channel and due diligence procedures for suppliers, business partners, customers and staff.

In 2017, a series of regulatory risks related with certain exceptional developments materialized as a result of regulatory changes introduced by several regulators and actions taken at different levels of government in countries in which the Codere Group is present. Noteworthy among these developments were the increases in gaming taxes and limits on installed capacity introduced in some of the jurisdictions in which the Group operates, principally Argentina, Italy and Uruguay.

As soon as threats and risks of this nature are detected by the Codere Group, mitigation plans are set in motion in an attempt to recover previously estimated margins, by means of:

- Group participation in the corresponding sector associations;
- Appropriate institutional relations efforts; and
- Establishment of process streamlining and operational efficiency plans.

Commitment to shareholders and investors

The Codere Group is firmly committed to creating value for its shareholders by means of transparent management and close contact. As its owners, the Company's shareholders and investors illuminate the strategy for business development in all lines and geographies. At year-end 2017, the Codere Group's share capital amounted to **509,714,801.80 euros**, fully subscribed and paid in, and was represented by **118,538,326 shares**, each with a unit par value of **4.30 euros** and represented by book entries.

Shareholder	% 2017	% 2016
Silver Point Capital Management, LLC.	23,19%	23,36%
Martínez Sampedro Family	16,55%	16,67%
José Antonio Martínez Sampedro	14,07%	*14,17%*
Luis Javier Martínez Sampedro	2,48%	*2,50%*
M&G Investment Management Limited (Prudential Plc)	10,66%	10,74%
Abrams Capital Management LLC	8,72%	8,79%
Contrarian Capital Management LLC	7,22%	7,27%
Alden Global Capital LLC	6,79%	6,11%
Evermore Global Adivsors LLC	5,20%	-
Invesco Limited	2,96%	3,64%
VR Global Partners L.P.	2,46%	2,48%
Otros accionistas minoritarios	16,25%	20,94%
	100%	**100%**

Share price performance and significant developments in 2017

The Codere Group is the only Spanish gaming company listed on the Madrid stock exchange, where its shares have been traded since October 19, 2007.

In 2017, the Group worked particularly intensely on its investor relations. Specifically, it went to lengths to enhance its reporting effort, which was highly valued by shareholders and analysts, on two fronts:

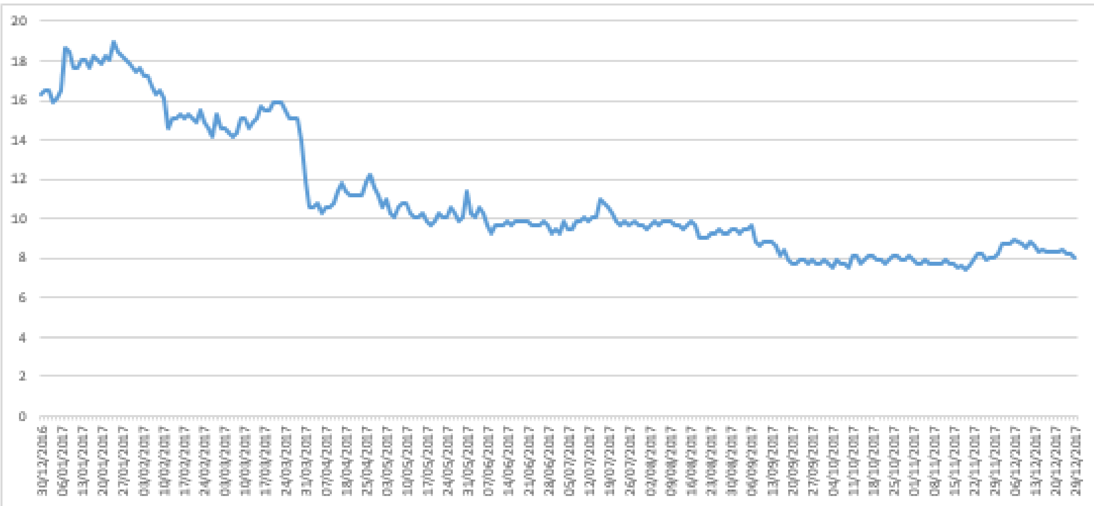
On the IR front, the Group participated in the fixed-income conferences organized in London by different financial institutions, meeting with dozens of investors, specifically:

- Deutsche Bank's 21st annual leveraged finance conference (June);
- Bank of America's European credit conference 2017 (September); and
- Barclays' European high yield and leveraged finance conference 2017 (September).

2017 was marked by the following events which had an impact on its share price performance:

- January - increase in the tax burden in Argentina introduced on a staggered basis over the course of the year;
- February - effectiveness of a new tax structure at Carrasco Nobile;
- March - buyout of non-controlling interest in Caliente;
- April - increase in taxes levied on AWP and VLT machines in Italy;
- June - issuance of 18.8 million shares for Houlihan Lokey as consideration for its services during the financial restructuring work;
- August - increase in the tax burden in Uruguay, with effect from January 2018;
- September - approval of a decree reducing the number of gaming machines in Italy; renewal of licenses to operate eight casinos in Panama until 2038; and the earthquake in Mexico forcing the temporary closure of 14 halls;
- October – renewal of the license to operate the Presidente Remón Racetrack in Panama, including the 50 associated horse-betting establishments;
- November – share consolidation and reverse split (2 news shares for every 43 old shares).

Evolución de la acción de Codere en 2017 (proformada por el contrasplit)



2. Business ethics and transparency

The Codere Group prides itself on its expertise in complying stringently with gaming regulations in the various countries in which it operates and its role as specialist collaborator vis-a-vis the gaming authorities. It is a transparent and reliable firm and the only listed gaming company in Spain. It operates in closely regulated markets that are subjected to stringent government control.

The Codere Group embeds full transparency into its management, reporting on the lines of initiative undertaken and projects executed internally and externally in order to create a climate of trust in which to promote ready access to information. To this end, the Company has established several channels for reaching out to its stakeholders, providing them with accurate information about the impacts of its activity and fostering collaboration between them.

a. Anti-corruption policies and procedures

Anti-money laundering

The Codere Group is aware that it carries out its activities in a particularly sensitive sector, perception of which has shifted significantly over the course of its history, swinging from outright prohibition to stringent regulation and control, with periods of legal vacuums and loopholes in between.

Through implementation of its Compliance Policy, which encompasses the strictest international anti-money laundering (AML) standards and ethical conduct requirements, the Codere Group demonstrates to its stakeholders that compliance is an integral part of its cultural DNA, expressly renouncing any activities in breach of the law or its values.

The Group has based its compliance standard on the framework established by the Basel Committee in 2004, all of the FATF recommendations and the most exemplary international best practices and ethics codes.

Effort to combat fraud and money laundering

The fight against fraud and money laundering is also part of the Codere Group's strategic commitment to responsible gaming (also known as responsible gambling), which orients the work of the Company's security and compliance professionals.

This activity is framed by the Codere Group's Compliance Policy and Code of Ethics and Conduct, any suspected breach of which can be reported using the Whistle-blowing Channel available to the Company's stakeholders. The strategic objectives of the Compliance Policy include identification, assessment and control of the main compliance risks, understood as those that could generate legal fines, material financial losses or reputational damage as a result of potential breaches of regulations or codes of conduct.

The anti-money laundering and counter terrorist financing manuals can be consulted by the Group's employees on the majority of its intranets. The most noteworthy activities carried out in this arena in 2017 included:

- Attendance at the AML conference held at the trade association Confindustria's head offices in Rome on the occasion of the entry into effect of the transposition into Italian law of the European Union's Fourth Anti-Money Laundering Directive;
- In Mexico, the Company carried out several awareness campaigns in the AML and anti-corruption arena and others addressing the Company's Code of Ethics and Conduct. Over 1,500 of the Mexican subsidiary's employees participated in these courses given by compliance experts which sought to emphasize the Codere Group's commitment to stringently upholding the law.

In terms of transactions evaluated for corruption-related risks, in 2017, the Codere Group carried out:

- Controls over and reporting of winnings and transactions to the competent authorities covering 62,805 operations, up 11.34% from 2016;
- These included the reporting of 91 suspicious transactions.

Elsewhere, in 2017, the Group also provided mandatory AML training to 4,087 employees through a mix of in-person and online courses. In addition, the Codere Group received 79 complaints through its Whistle-blowing Channel, 70% of which it has resolved (the rest are still being processed). The bulk of these complaints, a little over 73%, came from customers, 66% of which anonymous.

b. Data protection

Data protection

EU Data Protection Regulation

In 2017, the Codere Group took the first steps in preparing for the changes implied by the looming effectiveness of the EU General Data Protection Regulation (GDPR) on 25 May 2018. The GDPR will apply directly to the corporate areas and the business units in Spain and Italy.

Since the start of 2017, the Group has been analyzing the Company's situation with a view to planning the actions needed to effectively implement all of the legal, technical and organizational changes required by the GDPR.

The measures taken included making the organizational changes needed to get ready for the new regulations, specifically the configuration of a new team, headed up by the corporate director of IT security (responsible for technical matters) and one representative from the corporate legal counsel department (responsible for legal matters).

This team worked on driving procedural changes and championing the Codere Group's working philosophy in terms of the handling of personal data, specifically:

- An online training program for Company professionals on cybersecurity (1,519 hours), with three modules already given;
- A series of awareness-raising sessions with different areas of the Group in Spain;
- An inventory of activities and registers for analysis and adaptation for the new GDPR;
- A review of all contracts implying the handling of personal information, whether employee or customer contracts, inter-company or with third parties, as it will be mandatory to formalize them in writing and adapt them for the GDPR; and a review of IT security at the Codere Group with respect to the prevention of data leaks and data production and controls;
- A review of the procedures in place for notifying and reporting security breaches and managing them internally and the protocols for responding to information subpoenas from control bodies and/or authorities.

Application to the Codere Group Business Units located outside of the EU

The GDPR applies to all EU member states but its scope of application encompasses companies that while not resident in the EU handle the personal data of EU citizens.

In 2017, in order to make the personal data transferred to the countries in the Americas in which it operates and to other non-EU countries compatible, the Codere Group reviewed data protection regulations in Mexico, Colombia, Panama, Argentina and Uruguay. The Group paid special attention to the personal data protection standards for Ibero-American states approved by the Ibero-American Data Protection Network (RIPD for its acronym in Spanish).

3. Society

The Group earmarks some of its resources to the development of the local communities in which it carries out its activities by championing the mission of spreading responsible gaming values, work that consists of spreading best gaming practices and initiatives designed to prevent any adverse fallout from gaming.

a. Responsible gaming

Responsible gaming

The Codere Group, in its capacity as an operator of games of chance, is committed to offering an appropriate, healthy and closely regulated amusement environment in order to ensure its customers receive a gaming proposition protected by all the required guarantees. It pledges to collect all corresponding taxes and minimize any undesired impacts on society as a result of its business activities.

The Codere Foundation

Responsible gaming
Regulatory pressure

The Codere Foundation lies at the heart of the Group's Corporate Social Responsibility effort and is strategically committed to dissemination, reporting transparency and international expansion of the responsible gaming concept.

In 2017, the Foundation extended its commitment to sponsoring congresses that emphasize the need for appropriate public gaming policies. It works to ensure the stability of the regulatory framework and the provision to customers of a gaming proposition that fosters responsible gaming, all while guaranteeing the viability of the business, the maintenance of sector jobs and tax collection by the various authorities.

2017 was marked by two important developments:

- Firstly, the launch of the Foundation's own website;
- Secondly, the publication of its first report on how gaming is perceived by society in Italy: "*Percezione sociale del gioco d'azzardo in Italia"*. This study, compiled in collaboration with the Bruno Visentini Foundation, replicates one of the two influential reports published by the Foundation in Spain every year under the same title and in collaboration with Madrid's Carlos III University (UC3M). The Spanish report was issued for the eighth time in 2017.

Other noteworthy initiatives undertaken by the Codere Foundation in 2017:

- Publication of the "*Anuario sobre el juego en España 2016/2017"* [Gaming in Spain Yearbook], the other annual report compiled with UC3M and the benchmark source of gaming sector information for the Spanish media;
- Publication of "*Diagnóstico del marco normativo y tributario de los juegos con apuestas en México*" [Diagnosis of the regulatory and tax regime for betting-gaming in Mexico], the first in-depth study of the gaming sector in Mexico, prepared with the help of the National Autonomous University of Mexico;
- Sponsorship of the third edition of the "*Código del juego*" [Code of gaming]. The Codere Foundation's publications are part of the Group's strategic commitment to transparency in the sector.

Elsewhere, the Group's commitment to legality was also evidenced by:

- Sponsorship of the "*II Congreso sobre seguridad jurídica y democracia en Iberoamérica*" [2nd Congress on legal certainty and democracy in Ibero-America] via the Chair of Legal Culture at Girona University at an event celebrated in Buenos Aires in September; and
- The seminar on "*Cumplimiento normativo en los sectores regulados*" [Compliance in regulated sectors] organized by Spain's Regulatory Compliance Association (ACN for its acronym in Spanish) in Madrid in October.

Local commitment to responsible gaming

Responsible gaming

Beyond the work done by the Codere Foundation on the responsible gaming front, the Group's efforts are channeled through its various business units. The local commitments to responsible gaming are framed by the legal requirements of each of the markets the Group operates in and are articulated around **four main axes** with which the Company attempts to reach its stakeholders and the general public: information, training, dissemination and self-exclusion.

- **Information**

The Codere Group is aware of the importance of directly providing its customers with pertinent information about the risks posed by gaming and about best gaming practices. This is one of the cornerstones of the responsible gaming effort and it translates into the preparation and distribution of printed materials featuring appropriate warnings.

For example, in October, Codere Italy launched a campaign against profiteering by distributing material to customers and employees in all of its gaming halls featuring the slogan "*L'usura non è un gioc*" [Profiteering is no game]. This initiative is part of the extension and expansion of Codere Training, a training platform for operators developed with the help of experts which the Group launched in Italy in 2016.

In Argentina the Company created the figure of 'responsible gaming counsellor'. There are currently 82 such counsellors at Codere Argentina distributed throughout all of its halls; they are tasked with informing and supporting any customers requesting their services and distributing brochures with information about the problems which gaming can lead to.

- **Training**

The Codere Group has a long-standing commitment to developing the organization's professionals who come into direct contact with its customers, educating new hires as necessary. In 2017, Codere Italy continued to operate its Training Platform for operators, providing online training about the legal framework, gaming issues and profiteering. The Company also participated in training courses imparted by the Italian Higher Health Institute for gaming operators (208 hours in total). In the rest of the countries in which the Codere Group operates the operators receive continuous training that consistently emphasizes the principles of responsible gaming.

- **Dissemination**

This cornerstone relates to the commitment to sparking analysis and debate and materializes in the promotion of seminars and round-table events. Specifically, in 2017, the Codere Group participated actively in round-table events on responsible gaming organized in Colombia by Coljuegos, the entity that administrates, operates and issues rules on the games that form part of the state monopoly, in which representatives from civil society and the gaming industry participated.

In Italy, the Company continued to hold its travelling workshop, first created in 2011, designed to promote respect for the law (under the slogan 'in the name of legality 2.0'), holding it last year in March.

- **Self-exclusion**

The last cornerstone of the local responsible gaming effort is self-exclusion, which involves giving customers with issues and their relatives the choice of signing up, voluntarily, for a register that then denies them access to games once their identity has been verified in gaming halls. It offers a framework for actively engaging with players where legislation so permits and is particularly strong in Spain, Argentina and Panama.

Commitment to employees

Responsible gaming

The Codere Group's most important asset is its employees as they are the vessels for the values that represent the essence of the Company and which they must embed into all of their duties in order to deliver the Group's objectives.

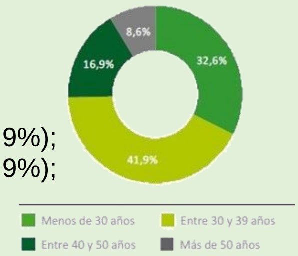
As a result, the Group is firmly committed to fostering teamwork, collaboration and interpersonal relationships among its employees, all in a safe and healthy workplace.

Employee training and development are also a key component of the Codere Group's strategy, which embraces diversity as the driver of business development, innovation and enhanced competitiveness.

- ***Talent, efficiency and commitment***

The Codere Group's professionals drive innovation, transformation and project development. The Codere Group believes it is vital to invest in their learning and professional growth if it is to attain the targets set in its Business Plan and ensure due value creation for the organization's various stakeholders. To this end, the Codere Group leverages:

- The 'Integrated People Management Model', which is underpinned by technology that enables its standard application globally and the analysis and measurement of its impact;
- Continuous employee training and development programs;
- Proactive internal communication, reaching out to all employees to drive motivation towards the business endeavor embodied by the Codere Group; and
- Internal promotion policies designed to foster talent and development.

Commitment to employees – Key metrics for 2017	
Total headcount	13,339 (at year-end 2017)
Year-end headcount by gender	7,925 men (59.41%) / 5,414 women (40.59%)
Year-end headcount by skill profile	Senior management: 14; Executives: 101; Middle managers: 2,253; Skilled professionals: 1,842; Clerical staff: 593; Unskilled workers: 8,536.
Headcount by age bracket	Under 30 (32.6%); Aged between 30 and 39 (41.9%); Aged between 40 and 50 (16.9%); Over 50 (8.6%). 
Permanent vs. temporary contracts	91.75% permanent vs. 8.25% temporary (year-end 2017)
Employee nationalities	The Codere Group employs people of 41 different nationalities. Over ten nationalities are represented by 20 employees or more.
Total number of training hours	80,782 hours (excluding Brazil)
Number of training hours per employee	6.3 hours per employee.

- ***Employee education and in-house training***

Responsible gaming

The Codere Group views education as an effective tool for ensuring responsible gaming and preventing abusive conduct. The most important initiatives developed by the Group in the responsible gaming training arena in 2017 included:

- The rollout of a support program for students of the Liceo-13 high school in Uruguay in collaboration with the NGO, Reaching U - Hípica Rioplatense de Uruguay (HRU), which finances half of this project for the provision of basic secondary schooling to 40 students at this high school, which has one of the worst academic records in the country and is located in the same neighborhood as the Maroñas Racetrack. The total cost of the program, which is being executed by Fundación Cimientos, is $40,000 per year for three years.
- Also in Uruguay, the Codere Group offered support with infrastructure and equipment to a number of schools in the vicinity of its racetracks in which over 950 people are studying.

In collaboration with the Secretary of Sports in Uruguay, the gym at the Maroñas Racetrack accommodates two groups of boxing classes as part of the state program for combating drug addiction called "Knock-out".

- In Panama, two schools, República de Guatemala (Juan Díaz) and República de Sudáfrica (Colón), benefitted from partial financing by the Codere Group for the rehabilitation of a multi-purpose sports pitch and playground, as well as the provision of water fountains and disinfectants to make students aware of the importance of hygiene in disease prevention.

- **Commitment to the community and its surroundings**

The Codere Group's community commitment is largely channeled through collaborations designed to contribute to local communities in the areas in which the Company operates along **three key lines of initiative**: education; training and employment; and philanthropy and local development, all framed by its stakeholders' interests.

- ***Training and employment***

The Codere Group's commitment to its business communities extends to the provision of job training to young people. It is aware that the best contribution it can make to society is to generate opportunities for the local population. In 2017, the Group remained very active in this arena, particularly in Uruguay, offering:

- Training plans for jockeys and stable hands;
- A first work experience program which gives over 100 young people work experience in the customer service field every year;
- The Jockey School at the Presidente Remón Racetrack in Panama, where a talk was given to students titled "A drug-free youth" as part of the Codere Group's collaboration with the “Hogares Crea” Foundation.

Philanthropy and local development

In 2017, the Codere Group continued to contribute to local development by means of philanthropy, specifically donations and the organization of activities designed to improve the living conditions and prospects of the people living in the communities nearest to the Group's operating centers, notably:

- Cooperation between the Company and its employees for the provision of aid to the victims of the earthquakes that shook Mexico in September, particularly at the shelter set up in the Las Américas Racetrack. During the nine days in which the shelter was operational, over 12 tonnes of aid were collected and grouped into 2,100 care packages; also, 5,000 liters of water were made available. In total, five trucks distributed provisions in the states of Chiapas, Oaxaca, Morelos and Guerrero and in Mexico City. In addition, local employees donated 10,000 Mexican pesos (465 euros) to the two employees directly affected by the quake. The Codere Group donated 170,000 Mexican pesos (7,900 euros) to assist these two families. The Company also provided 250,000 Mexican pesos (11,630 euros) worth of food and donated 580,000 Mexican pesos (27,000 euros) to the Red Cross. In total, the Group donated 1 million pesos (46,500 euros) to help the victims.
- In Argentina, the Group focused its socially responsible activity on donations to various entities and associations such as Hogar de Niños María Luisa, a hospice that takes in disadvantaged minors to which it donated 100,000 Argentine pesos (over 4,800 euros) in 2017, and the firefighters' volunteer programs, to which it earmarks 21,000 Argentine pesos (a little over 1,025 euros) monthly.
- In Uruguay, the Group contributed funds for the organization of different cultural and tourism promotion activities in its local communities, collaborating with the Pérez Scremini Foundation, which helps children with cancer, to which it donated 70,000 Uruguayan pesos (around $2,500), on the sale of tickets for the official box at the Maroñas Racetrack for the Jockey Club Prize on 1 October 2017.
- The Mexican and Panamanian operations participated in different initiatives for combating infant malnutrition, as well as donating toys and gifts as part of other initiatives.

In 2017, Codere Panama launched a blood donation drive and helped the "Fundación del Niño con Leucemia y Cáncer" raise money by participating in marathons in the Panama City and in the province of Chiriquí.

- In Colombia, the Group's commitment to the community materialized, as is customary, in support for "Fundación United for Colombia". The Company contributed to the program for the rehabilitation of victims of the Colombian armed conflict by paying for 111 athletes' inscriptions for the most recent edition of the charity half marathon in Bogota.
- In Codere Italia, the Group's effort was concentrated on the promotion of transparency and responsible gaming principles. In 2017, the Company participated in three conferences under the scope of the *"Innamòrati di te"* [Fall in love with yourself] project which works to raise awareness about domestic violence. In early October, Codere Italy donated 40 kits containing high-visibility clothing for working on the ground to the civil protection association of Maddaloni, a town near Naples where one of its gaming halls is located. In addition, at Christmas, this unit raised money in its gaming hall for research into rare diseases and it purchased products from local businesses in the area hit by the earthquake in the center of the country for adding to the employee Christmas hampers.

Education

In 2017, the Group carried out several initiatives in Uruguay and Panama, focused primarily on school education. The most important initiatives undertaken in this arena included:

- The rollout of a support program for students of the Liceo-13 high school in Uruguay in collaboration with the NGO, Reaching U - Hípica Rioplatense de Uruguay (HRU), which finances half of this project for the provision of basic secondary schooling to 40 students at this high school, which has one of the worst academic records in the country and is located in the same neighborhood as the Maroñas Racetrack. The total cost of the program, which is being executed by Fundación Cimientos, is $40,000 per year for three years.
- Also in Uruguay, the Codere Group offered support with infrastructure and equipment to a number of schools in the vicinity of its racetracks in which over 950 people are studying. In collaboration with the Secretary of Sports in Uruguay, the gym at the Maroñas Racetrack accommodates two groups of boxing classes as part of the state program for combating drug addiction called "Knock-out".
- In Panama, two schools, República de Guatemala (Juan Díaz) and República de Sudáfrica (Colón), benefitted from partial financing by the Codere Group for the rehabilitation of a multi-purpose sports pitch and playground, as well as the provision of water fountains and disinfectants to make students aware of the importance of hygiene in disease prevention.

4. Environmental management

The Codere Group views respect for the environment and sustainability in every aspect of its value chain as the key to its long-term success. It is therefore committed to protecting the environment and natural resources in the communities in which it operates, with the following initiatives standing out in 2017:

Spain

In July 2017, Codere's head offices obtained silver LEED certification, an internationally renowned quality seal awarded by the Green Building Council to efficient buildings.

The certification process began in early 2016 and lasted 18 months. It entailed a series of actions to increase the environmental efficiency of the Group's head offices, notably better sorting of waste for recycling and the installation of efficient water diffusers in its taps.

The most important initiative undertaken at the building in 2017 was the replacement of the old lighting system with LED bulbs on every floor. The substitution of all the incandescent and fluorescent bulbs (total installed capacity of 130,000 watts) has led to electricity savings of around 48% (the new LED devices have capacity of 70,500 watts). The switch has also paved the way for enhanced lighting levels, going from an average of 510 lux to 850 lux, improving working conditions throughout and reducing the heat and other contaminating emissions associated with the old technology.

Staying in Madrid, the Sala Canoe gaming complex was selected by the Group's infrastructure and equipment department for pilot-testing expansion of its energy efficiency project in 2017. The idea underpinning this project is to have the Group's heaviest consuming premises acquire next-generation electric auto transformers capable of generating energy savings. The pilot test carried out at Sala Canoe delivered energy savings of 11.5% and the goal is to continue with a similar test at the corporate offices in Madrid with the aim of subsequently exporting the model to the gaming halls in Latin America, starting with Mexico.

Argentina

Green Codere Program: The purpose of this program is to raise environmental awareness and protection through recycling:

- Paper recycling: in the Lomas de Zamora, Temperley, Lanús, San Martín, Ramos Mejía, San Justo, Morón and Lomas del Mirador Halls in alliance with *Cooperativa Jóvenes en Progreso de Lomas de Zamora*, the organization responsible for collecting the paper waste in all the facilities and subsequently recycling it. A total of 194,131 kg of paper and board were collected in 2017.
- Vegetable oil recycling: in alliance with RBA Ambiental, which collects the used vegetable oil from all of the gaming halls and corporate offices for subsequent conversion into biofuel. Codere Argentina also signed an agreement with towns participating in the BIO provincial plan in 2017. A total of 7,835 liters of used oil were collected from all of the halls in 2017.
- Plastic recycling: the collection and subsequent donation of plastic lids to multiple causes (Hospital Garrahan, Hospital de Niños de San Justo, Tomás Rodríguez, among others). Over 100 large bags full of lids collected in all the gaming halls and central offices were donated in 2017.

Uruguay

Environmental awareness at Codere Uruguay involves developing energy efficiency plans, efficient use of water and waste management. In 2017, the following activities stood out:

- Energy: The Maroñas Racetrack was equipped with self-generation systems to light the track and buildings. In addition, the lighting system in the official box was upgraded to a smart lighting system made up of LED lights. In the last quarter of 2017 it installed 400 photovoltaic panels with PV generation capacity of 100 KW.
- Water: The racetracks use recycled water for cleaning, watering, the kitchens and showers.
- Waste: The Maroñas Racetrack has reduced the generation of solid waste to 5 tonnes a day by means of responsible practices designed to preserve the environment and keep the neighborhood clean.

Mexico

Green Codere Program: In line with the new environmental regulations in the City of Mexico in 2017 a waste sorting campaign was implemented at this business unit. The Green Codere movement informed all employees about the new garbage sorting criteria which step up recycling and improve the handling of biodegradable materials.

5. Customers and supply chain

Anti-money laundering
Data protection
Responsible gaming

With the aim of satisfying its customers, the Codere Group has always sought to offer them continuously the best service, taking the actions needed to meet their demands and suggestions and ensure in this manner a satisfactory long-term relationship.

Out of transparency, but also as an attempt to engage employees in the task of making the Group's operations successful, at the end of 2015, it created the **Clientmeter** - a tool for controlling the activity of the Group's customers in its halls. It is published on an internal web channel by means of a corporate newsletter which is sent out fortnightly to around 5,000 Group employees in its eight operating markets. The metrics tracked by the Clientmeter include:

- The number of active club members (members of the loyalty club and customers registered by card who have played in the last month);
- New club members (members playing for the first time during the last month);
- Total members registered in the Codere Group's database.

The data encompass the Group's operations in Argentina, Mexico, Colombia, Italy and Panama, the online operations in Spain and the Canoe bingo hall. The data corresponding to December 2017 revealed: 381,396 active club members club (+6% year-on-year); 2,699,745 customers in the database (+25% year-on-year) and 42,557 new customers.

Elsewhere, on the AML and Know Your Customer (KYC) front, in 2017 the Group conducted:

- 4,941 due diligences of different kinds with respect to third parties (natural and legal persons) with which the Group has business or contractual relationships;
- 625 due diligences with respect to Group personnel;
- In parallel, it processed 1,330 express endorsements of the Group's Code of Ethics and Anti-Corruption Manual across its various business units.