Report on Limited Review

CODERE, S.A. AND SUBSIDIARIES
Interim Condensed Consolidated Financial Statements
for the three-month period ended
March 31, 2020

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REPORT ON LIMITED REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

To the Shareholders of CODERE, S.A. AND SUBSIDIARIES at the request of Board of Directors:

Report on the interim condensed consolidated financial statements

Introduction

We have carried out a limited review of the accompanying interim condensed consolidated financial statements (hereinafter the interim financial statements) of CODERE, S.A. (hereinafter the parent) and subsidiaries (hereinafter the Group), which comprise the consolidated balance sheet at March 31, 2020, and the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity, and the condensed explanatory notes, all of which condensed and consolidated for the three-month period then ended. The parent's directors are responsible for the preparation of said interim financial statements in accordance with the requirements established by IAS 34, "Interim Financial Reporting", adopted by the European Union for the preparation of interim condensed financial reporting in conformity with rule three of Circular 3/2018 of the CNMV, Spain's securities market regulator. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of review

We have performed our limited review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Reporting Performed by the Independent Auditor of the Entity”. A limited review of interim financial statements consists of making enquiries, primarily of personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit carried out in accordance with regulations on the auditing of accounts in force in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

During the course of our limited review, which under no circumstances can be considered an audit of accounts, no matter came to our attention which would lead us to conclude that the accompanying interim financial statements for the three-month period ended March 31, 2020 have not been prepared, in all material respects, in accordance with the requirements established by International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union in conformity with rule three of Circular 3/2018 of the CNMV, Spain's securities market regulator, for the preparation of interim financial statements.

Domicilio Social: C/ Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Emphasis paragraphs

We draw attention to the matter described in Note 1.a.1 of the accompanying condensed interim consolidated financial statements, which indicate that a large part of the Group's face-to-face businesses continues to be closed, due to the mandatory restrictions and lockdown brought on by the COVID-19 health crisis in all its markets since the end of March, and to the fact that this situation creates significant liquidity tensions for the Group in terms of meeting its obligations and commitments assumed in the normal course of business. The Group estimates its financial needs for the next twelve months to be approximately 70-100 million euros.

As explained in the abovementioned Note, the Group's directors have presented the condensed consolidated interim financial statements under the going concern principle, based on the expected success of the measures currently being implemented, which primarily entail obtaining additional financing and achieving the gradual recovery of the Group's revenue, and could be affected by developments in the pandemic in the regions in which the Group operates.

These circumstances indicate that a material uncertainty exists that may cast significant doubts on the Group's capacity to continue as a going concern. This matter does not modify our conclusion.

Additionally, we draw attention to the matter described in accompany explanatory Note 2, which indicates that the abovementioned accompanying interim financial statements do not include all the information that would be required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. Therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2019. This does not modify our conclusion.

Paragraph on other issues

This report has been prepared at the request of Board of Directors of the Group with regard to the publication of the quarterly financial report required by article 120 of Royal Decree 4/2015, of October 23 in which it is approved the text of the Securities Market Law further developed by Royal Decree 1362/2007, of October 19.

ERNST & YOUNG, S.L.

(signed in the original version)

José Enrique Quijada Casillas

May 28, 2020

CODERE, S.A. and subsidiaries

Interim condensed consolidated financial statements
for the three-month period ended
March 31, 2020

CODERE, S.A. AND SUBSIDIARIES
Interim condensed consolidated statement of financial position at March 31, 2020 and Dec. 31, 2019
(Thousands of euros)

ASSETS	Note	Mar. 31, 2020	Dec. 31, 2019
Non-current assets		**1,165,932**	**1,337,559**
Intangible assets	5	333,909	374,012
Right-of-use assets		228,057	254,689
Property, plant and equipment	6	301,930	350,584
Investment properties	6	44,167	52,669
Goodwill	7	201,190	232,292
Investments in equity-accounted investees	8	367	526
Non-current financial assets	8	18,659	19,957
Non-current loans		14,505	15,397
Held-to-maturity investments		4,154	4,560
Deferred tax assets		37,653	52,830
Current assets		**351,145**	**312,963**
Inventories		9,769	10,731
Other accounts receivable		134,163	142,860
Trade receivables		29,042	28,752
Current tax assets		18,615	26,574
Sundry receivables		39,337	33,627
Accrued tax receivable		47,169	53,907
Financial assets		39,691	43,345
Other loans and investments		39,691	43,345
Accruals and deferred income		17,457	12,930
Cash and cash equivalents		150,065	103,097
TOTAL ASSETS		**1,517,077**	**1,650,522**

The March 31, 2020 figures are unaudited.
The accompanying notes are an integral part of these interim condensed consolidated financial statements

CODERE, S.A. AND SUBSIDIARIES
Interim condensed consolidated statement of financial position at March 31, 2020 and Dec. 31, 2019
(Thousands of euros)

EQUITY AND LIABILITIES	Note	Mar. 31, 2020	Dec. 31, 2019
Equity attributable to equity holders of the parent	9	**(180,421)**	**(38,008)**
Issued capital		509,715	509,715
Share premium		563,178	563,178
Legal reserve and retained earnings		(974,325)	(911,729)
Revaluation reserves		3,317	3,343
Translation differences		(185,184)	(140,864)
Profit/(loss) for the year attributable to equity holders of the parent		(97,123)	(61,651)
Non-controlling interests		**61,640**	**81,057**
Total equity		**(118,781)**	**43,049**
Non-current liabilities		**1,234,560**	**1,221,529**
Deferred revenue		-	-
Non-current provisions	10	20,540	21,988
Non-current payables	12.a	1,131,374	1,103,815
Bank borrowings		128,774	76,990
Issued notes		793,367	787,931
Other borrowings		209,233	238,894
Deferred tax liabilities		82,646	95,726
Current liabilities		**401,298**	**385,944**
Provisions and other	11	8,323	7,396
Bank borrowings	12.b	22,553	20,646
Notes and other marketable securities	12.b	25,288	11,737
Other non-trade payables	12	233,846	229,819
Trade payables		91,324	92,203
Current tax liabilities	12	19,964	24,143
TOTAL EQUITY AND LIABILITIES		**1,517,077**	**1,650,522**

The March 31, 2020 figures are unaudited.
The accompanying notes are an integral part of these interim condensed consolidated financial statements

CODERE, S.A. AND SUBSIDIARIES
Interim condensed consolidated statement of profit or loss for the three-month periods ended March 31, 2020 and 2019
(Thousands of euros)

	Note	First quarter 2020	First quarter 2019 (*)
Operating income	3	277,107	352,454
Revenue		275,778	343,927
Other income		1,329	8,527
Operating expenses		(286,458)	(319,197)
Raw materials and consumables used and other external expenses		(8,603)	(12,556)
Employee benefits expense		(44,617)	(49,484)
Depreciation and amortization		(46,501)	(43,231)
Change in provisions for bad debt		(514)	(380)
Other operating expenses		(184,223)	(213,546)
Asset impairment		(2,000)	-
Gain/(loss) on derecognition/disposal of assets		(1,082)	(403)
OPERATING PROFIT/(LOSS)		**(10,433)**	**32,854**
Finance income		849	619
Finance costs		(25,628)	(29,349)
Net exchange (losses)/gains		(49,784)	(2,676)
PROFIT/(LOSS) BEFORE TAX		**(84,996)**	**1,448**
Income tax	13	(15,333)	(8,307)
Share of profit/(loss) of equity-accounted investees		(84)	(103)
PROFIT/(LOSS) FOR THE PERIOD		**(100,413)**	**(6,962)**
Attributable to:			
Non-controlling interests		(3,290)	1,656
Equity holders of the parent		(97,123)	(8,618)
Basic and diluted earnings per share (euros)	17	**(0.85)**	**(0.06)**
Basic and diluted earnings per share from continuing operations attributable to equity holders of the parent (euros)	17	**(0.82)**	**(0.07)**

(*) Figures restated to include the effect of accounting inconsistencies (see note 2.a.4).
Unaudited figures.
The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CODERE, S.A. AND SUBSIDIARIES
Interim condensed consolidated statement of comprehensive income for the three-month periods ended March 31, 2020 and 2019
(Income and expense recognized in equity)
(Thousands of euros)

	First quarter 2020	First quarter 2019
Profit/(loss) for the period	**(100,413)**	**(6,962)**
Foreign currency translation differences	(45,957)	3,526
Hedging instruments	-	-
Other comprehensive income	**(45,957)**	**3,526**
Total comprehensive income/(loss) for the period	**(146,370)**	**3,436**
Attributable to equity holders of the parent	**(130,025)**	**(8,299)**
Attributable to non-controlling interests	**(16,345)**	**4,863**

Unaudited figures.

CODERE, S.A. AND SUBSIDIARIES
Interim condensed consolidated statement of changes in equity
(Thousands of euros)

	Share capital	Share premium	Retained earnings	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, 2019	**509,715**	**563,178**	**(911,729)**	**3,343**	**(140,864)**	**(61,651)**	**(38,008)**	**81,057**	**43,049**
Profit/(loss) for the period	-	-	-	-	-	(97,123)	**(97,123)**	(3,290)	**(100,413)**
Variation of translation differences and others	-	-	(945)	-	(31,957)	-	(32,902)	(13,055)	**(45,957)**
Total comprehensive income	**-**	**-**	**(945)**	**-**	**(31,957)**	**(97,123)**	**(130,025)**	**(16,345)**	**(146,370)**
Effects of hyperinflation	-	-	-	-	(12,364)	-	**(12,364)**	(24)	(12,388)
Reversal of revaluation reserves	-	-	-	(26)	-	-	**(26)**	-	**(26)**
Dividend distribution	-	-	-	-	-	-	**-**	(3,048)	**(3,048)**
Amounts transferred to retained earnings	-	-	(61,651)	-	-	61,651	**-**		
Total changes in equity			**(61,651)**	**(26)**		**61,651**	**(26)**	(3,408)	**(3,074)**
Balance at March 31, 2020	**509,715**	**563,178**	**(974,325)**	**3,317**	**(185,184)**	**(97,123)**	**(180,421)**	**61,640**	**(118,781)**

The March 31, 2020 figures are unaudited.

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

CODERE, S.A. AND SUBSIDIARIES
Interim condensed consolidated statement of changes in equity
(Thousands of euros)

	Share capital	Share premium	Retained earnings	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, 2018	**509,715**	**563,178**	**(867,193)**	**3,497**	**(160,086)**	**(40,411)**	**8,700**	**83,422**	**92,122**
Profit/(loss) for the period	-	-	-	-	-	(8,618)	**(8,618)**	1,656	**(6,962)**
Variation of translation differences and others	**-**	**-**	**-**	**-**	**319**	**-**	**(319)**	**3,207**	**3,526**
Total comprehensive income					319	(8,618)	**(8,299)**	4,863	(3,436)
Effects of hyperinflation	-	-	-	-	4,996	-	**4,996**	(56)	4,940
Reversal of revaluation reserves	-	-	176	(26)	-	-	**150**	-	**150**
Business combinations	-	-	-	-	-	-	**-**	(2,287)	**(2,287)**
Dividend distribution	-	-	-	-	-	-	**-**	-	**-**
Amounts transferred to retained earnings	-	-	(40,411)	-	-	40,411	**-**	-	**-**
Total changes in equity	-	-	**(40,235)**	**(26)**	**-**	**40,411**	**150**	(2,287)	**(2,137)**
Balance at March 31, 2019	**509,715**	**563,178**	**(907,428)**	**3,471**	**(154,771)**	**(8,618)**	**5,547**	**85,942**	**91,489**

Unaudited figures
The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows for the three-month periods ended March 31, 2020 and 2019
(Thousands of euros)

	Note	First quarter 2020	First quarter 2019
Profit/(loss) before tax		(84,996)	1,448
Net finance cost		74,563	31,406
Operating profit		(10,433)	32,854
Non-cash expenses		50,745	45,903
Depreciation and amortization	5 & 6	46,501	43,231
Other operating expenses		2,000	-
Capitalized lease expense		1,900	1,776
Effect of inflation on earnings		344	896
Non-cash income	19	(331)	(430)
Changes in working capital		7,572	(22.233)
Inventories		962	248
Accounts receivable		(6,013)	(10,284)
Accounts payable		16,522	(7,999)
Other		(3,899)	(4,198)
Income tax paid		(5,383)	(10,556)
NET CASH FROM OPERATING ACTIVITIES		**42,170**	**45,538**
Payment for purchases of property, plant and equipment		(23,040)	(24,734)
Loans to establishment owners: cash outflows		(5,884)	(5,172)
Loans to establishment owners: cash inflows		5,916	4,824
Payments for investments		-	(1,500)
Proceeds from disposals		-	-
Dividends received		-	-
Net change in other financial assets		22	(578)
Interest received		472	532
NET CASH USED IN INVESTING ACTIVITIES		**(22,514)**	**(26,628)**
Drawdown of Codere's senior debt		41,000	-
Repayment of Codere's senior debt		-	-
Drawdown of other borrowings		409	-
Repayment of other borrowings		(663)	(908)
Change in borrowings		**40,746**	**(908)**
Proceeds from bank loans		19,433	9,041
Repayment of bank loans		(4,489)	(5,334)
Change in other bank loans		**14,944**	**3,707**
Capitalized lease payments (IFRS 16)		**(16,992)**	**(17,870)**
Dividend payments		**(2,244)**	**(2,196)**
Repayment of other financial borrowings (net)		2,131	(484)
Payments for other financial borrowings		(243)	(295)
Change in other financial borrowings		**1,888**	**(779)**
Other cash flows due to impact of exchange rates on collections and payments		**(1,782)**	**(1,518)**
Buyback of own equity instruments		(90)	(1,157)
Disposal of own equity instruments		86	881
Net investment in own shares		**(4)**	**(276)**
Interest paid		**(3,168)**	**(4,026)**
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**33,388**	**(23,866)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**53,044**	**(4,956)**
Reconciliation			
Cash and cash equivalents, opening balance		103,097	81,775
Effect of changes in exchange rates on cash and cash equivalents		(6,076)	(1,100)
Cash and cash equivalents, closing balance		150,065	75,719
Net increase/(decrease) in cash and cash equivalents		**53,044**	**(4,956)**

Unaudited figures
The accompanying notes are an integral part of these interim condensed 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).

The Company'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 the Company 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).

2. BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATION PRINCIPLES

a) Basis of preparation

These interim condensed consolidated financial statements for the three-month period ended March 31, 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim financial reporting* and other prevailing financial reporting standards.

As stipulated in IAS 34, the interim condensed consolidated financial statements do not include all of the information and disclosures required under the International Financial Reporting Standards for annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for 2019, which were authorized for issue by the Parent's Board of Directors at a meeting held on February 27, 2020. These interim condensed consolidated financial statements are presented solely with the intention of updating the contents of the latest complete set of annual consolidated financial statements prepared by the Group, emphasizing the new activities, events, and circumstances materializing in the first three months of 2020, without duplicating the information reported in that last set of annual consolidated financial statements.

In addition, the contents of these financial statements have been adapted for the templates included in CNMV (Spain's securities market regulator) Circular 3/2018 on interim reporting by issuers with securities admitted to trading on organized exchanges with respect to half-yearly financial statements, interim management reports and, as warranted, quarterly financial reports. That Circular was published in the official state journal on June 28, 2018 and took effect on January 1, 2019; it repealed Circular 1/2008, previously issued by the CNMV and the subsequent changes made to that circular by virtue of Circular 5/2015.

The purpose of the new Circular is to adapt the contents of issuers' separate and consolidated six-monthly financial statements for the changes introduced in:

The International Financial Reporting Standards, especially as a result of effectiveness, since January 1, 2018, of IFRS 9 *Financial instruments* and IFRS 15 *Revenue from contracts with customers*.

Spanish regulations, essentially Bank of Spain Circular 4/2017 and Royal Decree 583/2017, amending the accounting plan applicable to insurance companies and the rules governing the issuance of consolidated annual financial statements by insurance groups and entities.

Note that application of the above Circular has not resulted in any significant differences in the various interim condensed consolidated financial statement headings.

The main matters that vary with respect to the 2015 Circular relate to the addition of a series of modifications to the structure of the interim statement of financial position in order to provide additional disclosures with respect to the items comprising financial assets (disclosures previously provided in the accompanying notes) and to the disclosures provided in the notes to the interim financial statements (mainly related to dividends, segment reporting, the remuneration accrued by directors and officers and related-party transactions), all of which have been factored in in drawing up the interim condensed consolidated financial statements for the three months ended March 31, 2020.

a.1) Going concern

At March 31, 2020, the Group presented negative working capital in the amount of 50,152 thousand euros (year-end 2019: negative 72,980 thousand). Note that that situation is affected mainly by the non-trade payables disclosed in note 12. Note, however, that the separate capital and reserves of Codere, S.A. (the Group Parent) amounted to 704 million euros at March 31, 2020 (including share capital of 510 million euros).

Sources of uncertainty

On March 11, 2020, the World Health Organization escalated the status of the public health crisis triggered by the expansion of the coronavirus (COVID-19) to that of a global pandemic. The speed at which events are unfolding, in Spain and abroad, is causing an unprecedented health crisis that is set to impact the macroeconomic environment and the Group's business performance. To tackle that situation, each of the countries in which the Group operates has decreed measures designed to mitigate the risk of transmission; those decisions imply the temporary closure of leisure and entertainment premises, including our business establishments.

At the time of writing, most of the Group's physical establishments were closed due to the mandatory restrictions and lockdowns imposed in response to Covid-19 in all of its markets from the second half of March. The closures have had an adverse impact on our revenue of an estimated 60 million euros in the first quarter of 2020. The prevailing situation is causing the Group significant liquidity problems in terms of servicing its obligations and upholding the commitments assumed in the ordinary course of its business activities. The Group estimates that the temporary closure of its establishments and the gradual recovery in business once they reopen will generate financing needs of between 70 and 100 million euros over the next 12 months, which could be affected by the evolution of the pandemic in the different regions where the Group operates

Mitigating factors

As a consequence of the foregoing, the Parent's directors have rolled out a contingency plan with a view to preserving liquidity and guaranteeing business continuity. The measures being implemented include the following:

- Additional fund-raising: on March 13, 2020, the Group arranged a loan in the amount of MXP 500 million due 2025. It has also drawn down 86 million euros under the corporate super senior revolving credit facility (i.e., 41 million euros of additional liquidity to bring the total to nearly 140 million euros).

- The Group is also pursuing a number of initiatives with a view to securing short-term finance. For example, it has mandated two top-tier investment banks to look for around 100 million euros of additional liquidity by maximizing undrawn amounts across existing facilities. The idea is that, following that search, the Board of Directors will be presented with financing proposals from individual fixed-income investors or syndicates of institutional investors. In parallel, the Group is negotiating with another bank which has extended it financing in the past the possibility of raising another 50 to 100 million US dollars in Mexico. Both options could be complementary, depending on existing capacity in the Group. Lastly, a group of noteholders has contacted the Group, offering to participate in the new liquidity arrangement; they are offering the possibility of negotiating a package deal, which would include the rollover of the existing notes until the socio-economic situation resolves itself.

- Deferral of the coupon payment on the 500 million euro and 300 million US dollar senior secured notes scheduled for April 30, 2020 until May 30, 2020, availing of the 30-day grace period contemplated in article 6, section 6.0.1. of the note agreement. The amount of the coupon is approximately 27 million euros.

- Deferral of the coupon payment forms part of the contingency plan Codere is continuing to deploy in order to preserve liquidity and ensure the continuity of its business. Those notes fall due on October 31, 2021; the balances currently outstanding are 300 million US dollars (equivalent to 272 million euros) and 500 million euros. The Parent's directors plan to start to take the steps needed to renegotiate that financing in the near future.

- Prioritization of payments to maximize liquidity and ensure business continuity. Cash outflows are being limited to stipulated critical payments (including wages, taxes and debt service) while the Group's premises remain closed.

- Measures have also been taken to reduce staff costs through use of the short-time work and furlough schemes available during the lockdown; in addition, the Group's executives have voluntarily renounced some of their remuneration.

- Negotiations are underway with significant counterparties in the various markets to reduce, delay or extend payment periods to align them with the current situation. The Group is also looking to arrange credit backed by the government guarantee schemes available in Italy and Spain which could inject additional liquidity in the coming months.

- Negotiations are in process with the Group's landlords seeking forgiveness or deferral of the payment of rent on gaming rooms for as long as operations remain suspended. In parallel, the Group is negotiating with suppliers the deferral of payments on existing debts and the reduction of non-essential services.

- The Group has paralyzed its capital expenditure program, including investment in growth-driven maintenance (upgrade of gaming machines and refurbishment of gaming rooms). All non-critical projects and initiatives have been put on hold to cut back on spending.

- The Group is also analyzing a range of measures designed to reduce its cash burn, including the temporary reduction of staff costs by availing of the extraordinary schemes rolled out in the various jurisdictions to support companies affected by the lockdown.

The Group estimates that, despite capacity restrictions and reduced customer numbers, its operations will gradually return to normal. It has prepared estimates on the basis of a hypothetical gradual recovery curve that runs from June 2020 until December 2020, assuming that revenue will be back at 75% of normal levels by year-end, which could be affected by the evolution of the pandemic in the different regions where the Group operates.

As detailed above, the Group is taking opportune steps in order to manage the situation and minimize its impact, framed by its belief that the current situation will prove transitory. As a result, the Parent's directors have prepared the accompanying interim condensed consolidated financial statements on a going-concern basis, underpinned by their positive outlook for the measures in the process of being negotiated, which are expected to culminate in such a manner as to enable the Group's business continuity.

a.2) New and amended standards and interpretations issued

The accounting standards used to prepare the accompanying interim condensed consolidated financial statements are the same as those used to prepare the annual consolidated financial statements for the year ended December 31, 2019.

To date there are no new standards, amendments to standards that would have an impact on interim condensed consolidated financial statements as of March 31, 2020.

There have been no relevant changes in financial leases in the period from January to March 2020.

International Financial Reporting Standard 9 (IFRS 9) took effect in 2018. Although that new standard did not have any impact on the measurement of classification of the Group's financial instruments, the introduction of the prescribed expected credit loss approach did.

At March 31, 2020, as a result of the Covid-19 outbreak and ensuing pandemic (refer to the "Going concern" and "Events after the reporting period" notes), in keeping with the guidance issued by the European Securities and Markets Authority (ESMA) on May 20, 2020 in relation to the accounting implications of the Covid-19 outbreak on interim financial statements in 2020, the Group updated its assessment of its expected credit losses to account for the above-mentioned global developments.

It conducted that assessment country by country and by class of accounts receivable analyzing the following parameters:

- Financial situation of the debtor and impact of Covid-19 thereon.
- Recent collection records debtor by debtor and trends therein.
- Age of the debt.
- Existence of accounts payable that could be offset against the balances due from the debtors in question.
- Trend in macroeconomic variables and statistics.
- Other aspects of relevance to determining whether credit risk exists.

On the basis of those criteria, the Group only detected indications of a significant increase in credit risk in the Panamanian segment, to which end it recognized additions to credit impairments losses at March 31, 2020 as follows:

129 thousand euros of additional impairment losses corresponding to the expected credit loss associated with accounts receivable from gaming developers and other debtors.

In addition, as stipulated in IFRS 9, the Group considered the term for the collection of certain receivables which, while deemed certain to be collected, could take longer to collect than initially agreed. As a result, the Group rediscounted its receivables to present value, recognizing an impairment loss totaling 566 thousand euros against first-quarter 2020 finance costs.

a.3) Comparative information

The interim condensed consolidated financial statements for the three months ended March 31, 2020 are presented in thousands of euros. In keeping with IAS 34, the interim consolidated statement of financial position, the interim consolidated statement of profit or loss, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity, the interim consolidated statement of cash flows and the notes accompanying the interim condensed consolidated financial statements include the figures for the end of the preceding annual period or the comparable interim period of the previous financial year, as warranted.

Classification of Argentina as a hyperinflationary economy

The Argentine economy has qualified as a hyperinflationary economy since 2018, to which end the Codere Group has been applying the corresponding inflation adjustments to the financial information of the entities whose functional currency is the Argentine peso since July 1, 2018.

IAS 29 *Financial reporting in hyperinflationary economies*, the main effects of hyperinflationary accounting are as follows:

- The cost of non-monetary assets and liabilities and the various items of equity, since their acquisition or recognition on the statement of financial position, is restated at year-end to reflect the change in the purchasing power of the currency as a result of hyperinflation.

- The gain or loss corresponding to the impact of inflation for the year on the net monetary position is reflected in profit or loss.

- The various items of the statement of profit or loss and the statement of cash flows are adjusted by the change in the price index from the dates the items of income and expense were originally recorded with a balancing entry in net finance costs and a reconciliation item in the statement of cash flows, respectively.

- All of the components of the financial statements of the Argentine entities have been translated at the closing exchange rate, specifically 70.63 Argentine pesos per euro as at March 31, 2020.

The main impacts on the Codere Group's first-quarter 2020 consolidated financial statements of the considerations outlined above are:

	Thousands of euros
Revenue	(1,435)
Net finance costs	1,259
Profit/(loss) for the period	(3,355)
Equity attributable to equity holders of the parent	75,450
Fixed assets	108,073

a.4) Accounting inconsistencies in 2019

In 2019, the Codere Group detected certain accounting inconsistencies in its interim reports for that year. The inconsistencies were duly disclosed to the regulator and the market in a series of price-sensitive notices filed between October and November 2019. The inconsistencies in question only affected the 2019 numbers and had no impact on the prior-year figures. They were disclosed in the interim financial statements for the nine-month period ended September 30, 2019, which were published on December 18, 2019 (where the Group also disclosed the impact on the other interim earnings disclosures made earlier in the year) and in the 2019 annual consolidated financial statements, which were published on February 28, 2020. The impact of those inconsistencies on the profit reported for the first quarter of 2019 was 5 million euros and has been corrected in the profit or loss provided for comparative purposes.

a.5) Critical issues concerning the measurement and estimation of uncertainty

Preparation of the interim condensed consolidated financial statements in accordance with IFRS-EU requires management to use judgment and make estimates and assumptions that affect application of its accounting policies and the recognized amounts of assets, liabilities, income and expenses. The related estimates and assumptions are based on historical experience and other factors deemed reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount of the assets and liabilities that are not readily apparent from other sources.

These estimates and assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognized in the period of the change to the extent the change affects that period only and to the period of the change and future periods if the change affects both.

The interim condensed consolidated financial statements disclose all aspects related with the uncertainty deriving from the public health emergency caused by the global Covid-19 pandemic.

a.6) Earnings per share (EPS)

The Group has calculated its earnings per share for the three months ended March 31, 2020 and 2019. The diluted earnings per share amounts coincide with the basic earnings per share figures as there were no potentially dilutive shares at the end of either interim reporting period.

a.7) Seasonality

The Group's historical earnings performance suggests that the Group's transactions, taken as a whole, are not subject to seasonality factors that result in significant variations throughout the year.

b) Accounting policies

The consolidated financial statements were prepared from the accounting records of Codere, S.A. and the consolidated entities and are presented in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). These interim condensed consolidated financial statements have been presented using the historical cost convention, except for the Group's available-for-sale and derivative financial instruments, which are measured at fair value, its land and buildings, which were measured at their fair value as at the date of first-time application of IFRS-EU, and the items affected by hyperinflation accounting in Argentina under IAS 29 (note 2.a.3).

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.

In preparing these interim condensed consolidated financial statements for the three months ended March 31, 2020, the Group applied the same accounting calculation policies and methods as were used to prepare its consolidated annual financial statements for the year ended December 31, 2019.

c) Significant milestones during the reporting period

On March 11, 2020, the World Health Organization escalated the status of the public health crisis triggered by the expansion of the coronavirus (COVID-19) to that of a global pandemic. The speed at which events are unfolding, in Spain and abroad, is causing an unprecedented health crisis that is set to impact the macroeconomic environment and the Group's business performance. To tackle that situation, each of the countries in which the Group operates has decreed measures designed to mitigate the risk of transmission; those decisions imply the temporary closure of leisure and entertainment premises, including our casinos.

As of the date of writing, all of the Group's physical establishments were closed due to the mandatory restrictions and lockdowns imposed in response to Covid-19 in all of its markets from the second half of March. The Group has taken a series of measures in an effort to mitigate the consequences of Covid-19. Refer to note 2.a.1 for further details.

As a result of the impact of the pandemic, S&P Global Ratings and Moody's Investor Services have downgraded Codere's corporate credit ratings and the ratings assigned to its senior secured notes.

On the financing front, on March 13, 2020, the Group arranged a MXP 500 million loan due 2025. It has also drawn down an additional 41 million euros under its corporate super senior revolving credit facility (boosting total liquidity to nearly 140 million euros).

With respect to the information in note 4.e) regarding the lawsuit-related disclosures provided in the Group's 2019 annual consolidated financial statements, note that no significant developments have taken place in the first three months of 2020 requiring disclosure in these interim condensed consolidated financial statements.

3. SEGMENT INFORMATION

The operating segments have been determined on the basis of the reports used 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, several classes of different operations converge in a single line of business; for example, there are gaming machines in certain bingo halls and casinos.

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

Italy: Gaming machine operations, gaming machine network operators and bingo hall operations.

Mexico: Bingo hall operations, including electronic bingo and gaming machines. Also, the operation of bookmaking establishments, the Las Américas Racetrack and the Banamex Convention Center.

Argentina: The operation of bingo halls equipped with gaming machines.

Colombia: The operation of gaming machines, bingo halls and casinos.

Uruguay: Operation of the Casino Carrasco Hotel and HRU.

Panama: The operation of racetracks, gaming machines, casinos and sports-betting establishments.

Brazil: The operation of sports-betting establishments.

Holdcos: Management and business support services.

Online: The Group began to report the results of its Online business unit separately on January 1, 2019; that business had previously been included within the Mexican, Colombian and Spanish business segments.

a) Operating segments

The following tables break down certain of the information presented in the interim consolidated condensed statement of profit or loss for the three months ended March 31, 2020 and 2019 by the Group's operating segments (amounts expressed in thousands of euros).

First-quarter 2020 statement of profit or loss	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Online	Inter-segment transactions (*)	Total
Operating income												
External customers	40,503	60,416	63,356	4,908	60,222	16,997	-	14,646	-	16,059	-	277,107
Inter-segment	-	-	-	-	-	-	-	-	11,288	-	(11,288)	-
	40,503	60,416	63,356	4,908	60,222	16,997	-	14,646	11,288	16,059	(11,288)	**277,107**
Operating expenses												
Depreciation and amortization	(8,435)	(18,360)	(5,147)	(1,387)	(4,808)	(1,998)	(107)	(3,999)	(1,367)	(893)	-	(46,501)
Change in provision for bad debt	(367)	-	-	(25)	(122)	-	-	-	-	-	-	(514)
Other operating expenses	(27,781)	(42,536)	(46,974)	(3,485)	(60,285)	(11,449)	(16)	(11,980)	(13,640)	(19,297)	-	(237,443)
Asset impairment								(2,000)				(2,000)
	(36,583)	**(60,896)**	**(52,121)**	**(4,897)**	**(65,215)**	**(13,447)**	**(123)**	**(17,979)**	**(15,007)**	**(20,190)**	**-**	**(286,458)**
Gain/(loss) on derecognition/disposal of assets	(561)	(306)	13	(2)	(224)	(2)	-	-	-	-	-	(1,082)
Inter-segment expenses	(5,364)	(2,288)	(2,501)	(558)	(416)	(333)	-	(799)	-	971	11,288	-
OPERATING PROFIT/(LOSS)	**(2,005)**	**(3,074)**	**8,747**	**(549)**	**(5,633)**	**3,215**	**(123)**	**(4,132)**	**(3,719)**	**(3,160)**	**-**	**(10,433)**
Finance income - external	114	419	193	6	22	17	-	17	34	27	-	849
Finance income - inter-segment	-	-	-	-	-	-	-	-	11,271	-	(11,271)	-
Finance costs - external	(844)	(3,112)	(276)	(293)	(476)	(822)	-	(1,450)	(15,511)	(32)	-	(22,816)
Finance costs - inter-segment	(351)	(9,161)	-	(152)	(1,298)	36	-	(553)	-	208	11,271	-
Change in financial asset impairment provisions	-	-	-	-	-	-	-	-	(2,812)	-	-	(2,812)
Net exchange differences	-	(38,499)	(857)	(5,998)	-	(1,030)	(77)	311	(3,542)	(92)	-	(49,784)
NET FINANCE INCOME/(COST)	**(1,081)**	**(50,353)**	**(940)**	**(6,437)**	**(1,752)**	**(1,799)**	**(77)**	**(1,675)**	**(10,560)**	**111**	**-**	**(74,563)**
PROFIT/(LOSS) BEFORE TAX	**(3,086)**	**(53,427)**	**7,807**	**(6,986)**	**(7,385)**	**1,416**	**(200)**	**(5,807)**	**(14,279)**	**(3,049)**	**-**	**(84,996)**
Income tax	187	-	(4,447)	(188)	650	87	-	131	(11,518)	(235)	-	(15,333)
Share of profit/(loss) of equity-accounted investees	-	22	-	-	(106)	-	-	-	-	-	-	(84)
PROFIT/(LOSS) FOR THE PERIOD	**(2,899)**	**(53,405)**	**3,360**	**(7,174)**	**(6,841)**	**1,503**	**(200)**	**(5,676)**	**(25,797)**	**(3,284)**	**-**	**(100,413)**
GROUP PROFIT/(LOSS)												
Attributable to:												
Non-controlling interests	(161)	(695)	19	(18)	(953)	-	-	(1,494)	-	12	-	(3,290)
Equity holders of the parent	(2,738)	(52,710)	3,341	(7,156)	(5,888)	1,503	(200)	(4,182)	(25,797)	(3,296)	-	(97,123)
GROUP PROFIT/(LOSS)	**(2,899)**	**(53,405)**	**3,360**	**(7,174)**	**(6,841)**	**1,503**	**(200)**	**(5,676)**	**(25,797)**	**(3,284)**	**-**	**(100,413)**

(*) 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)

First-quarter 2019 statement of profit or loss	Spain	Mexico	Argentina	Colombia	Italy	Uruguay	Brazil	Panama	Holdcos	Online	Inter-segment transactions (*)	Total
Operating income												
External customers	49,928	86,350	76,446	5,238	86,467	18,807	-	19,223	-	9,995	-	352,454
Inter-segment	-	-	-	-	-	-	-	-	7,042	-	(7,042)	-
	49,928	86,350	76,446	5,238	86,467	18,807	-	19,223	7,042	9,995	(7,042)	**352,454**
Operating expenses												
Depreciation and amortization	(8,046)	(16,473)	(4,574)	(1,499)	(4,906)	(2,527)	(121)	(3,536)	(824)	(725)	-	(43,231)
Change in provision for bad debt	(279)	-	-	(101)	-	-	-	-	-	-	-	(380)
Other operating expenses	(35,093)	(48,552)	(56,817)	(2,981)	(79,456)	(13,575)	(46)	(13,310)	(10,002)	(15,753)	-	(275,586)
	(43,418)	**(65,025)**	**(61,391)**	**(4,581)**	**(84,362)**	**(16,102)**	**(167)**	**(16,846)**	**(10,826)**	**(16,478)**	**-**	**(319,197)**
Gain/(loss) on derecognition/disposal of assets	(165)	(23)	1	(166)	(70)	-	-	-	20	-	-	(403)
Inter-segment expenses	(2,782)	(2,797)	(3,025)	(637)	(385)	(144)	-	(912)	-	3,640	7,042	-
OPERATING PROFIT/(LOSS)	**3,563**	**18,505**	**12,031**	**(146)**	**1,650**	**2,561**	**(167)**	**1,465**	**(3,764)**	**(2,843)**	**-**	**32,854**
Finance income - external	47	308	60	1	130	5	-	22	46	-	-	619
Finance income - inter-segment	-	-	-	-	-	-	-	-	11,293	-	(11,293)	-
Finance costs - external	(1,199)	(6,693)	(2,031)	(398)	(857)	(1,068)	(4)	(1,779)	(15,139)	(15)	-	(29,183)
Finance costs - inter-segment	(79)	(8,842)	-	(108)	(1,471)	(118)	-	(514)	-	(161)	11,293	-
Change in financial asset impairment provisions	-	(158)	-	-	-	-	-	-	(8)	-	-	(166)
Net exchange differences	-	2,869	(1,510)	390	-	(1,316)	(99)	198	(3,178)	(30)	-	(2,676)
NET FINANCE INCOME/(COST)	**(1,231)**	**(12,516)**	**(3,481)**	**(115)**	**(2,198)**	**(2,497)**	**(103)**	**(2,073)**	**(6,986)**	**(206)**	**-**	**(31,406)**
PROFIT/(LOSS) BEFORE TAX	**2,332**	**5,989**	**8,550**	**(261)**	**(548)**	**64**	**(270)**	**(696)**	**(10,750)**	**(3,049)**	**-**	**1,448**
Income tax	(193)	(3,185)	(5,249)	(53)	107	336	-	(245)	(783)	801	-	(8,307)
Share of profit/(loss) of equity-accounted investees	-	(135)	-	-	32	-	-	(451)	-	-	-	(103)
PROFIT/(LOSS) FOR THE PERIOD	**2,139**	**2,669**	**3,301**	**(314)**	**(409)**	**400**	**(270)**	**(696)**	**(11,533)**	**(2,248)**	**-**	**(6,962)**
GROUP PROFIT/(LOSS)												
Attributable to:												
Non-controlling interests	406	1,249	105	62	79	-	-	(245)	-	-	-	1,656
Equity holders of the parent	1,733	1,420	3,196	(376)	(488)	400	(270)	(287)	(11,533)	(2,248)	-	(8,618)
GROUP PROFIT/(LOSS)	**2,139**	**2,669**	**3,301**	**(314)**	**(409)**	**400**	**(270)**	**(532)**	**(11,533)**	**(2,248)**	**-**	**(6,962)**

(*) All inter-segment transactions are at arm's length and correspond mainly to expenses borne by the holding companies that are incurred on behalf of the rest of the Group companies.

(Thousands of euros)

Statement of financial position at March 31, 2020	**Spain**	**Mexico**	**Argentina**	**Colombia**	**Italy**	**Uruguay**	**Brazil**	**Panama**	**Holdcos**	**Online**	**Total**
Intangible assets	53,384	160,603	54,169	(17)	19,795	14,945	399	13,989	8,823	7,819	**333,909**
Right-of-use assets	27,560	80,140	28,791	4,752	22,399	4,457	-	55,319	4,636	3	**228,057**
Property, plant and equipment	53,070	124,515	38,621	7,527	11,577	48,365	-	17,328	445	482	**301,930**
Investment properties	1,845	42,322	-	-	-	-	-	-	-	-	**44,167**
Goodwill	29,863	57,555	30,395	-	47,444	5,864	-	30,069	-	-	**201,190**
Investments in equity-accounted investees	-	316	-	-	51	-	-	-	-	-	**367**
Non-current financial assets	6,104	1,274	1,777	342	5,314	-	-	3,716	32	100	**18,659**
Deferred tax assets	4,023	16,209	80	152	7,395	4,580	-	2,471	545	2,198	**37,653**
Other non-current assets	-	-	-	-	-	-	-	-	-	-	**-**
Current assets	35,264	108,550	21,153	4,060	64,080	20,377	94	10,577	72,960	14,030	**351,145**
TOTAL ASSETS	**211,113**	**591,484**	**174,986**	**16,816**	**178,055**	**98,588**	**493**	**133,469**	**87,441**	**24,632**	**1,517,077**
Deferred income	-	-	-	-	-	-	-	-	-	-	**-**
Provisions	238	4,870	2,139	519	10,624	22	21	1,170	462	475	**20,540**
Non-current borrowings	48,163	136,385	30,942	3,377	24,828	43,729	-	58,701	867,419	476	**1,214,020**
Current liabilities	60,907	133,301	42,353	7,507	59,147	18,649	226	14,840	45,562	18,806	**401,298**
TOTAL LIABILITIES	**109,308**	**274,556**	**75,434**	**11,403**	**94,599**	**62,400**	**247**	**74,711**	**913,443**	**19,757**	**1,635,858**

(Thousands of euros)

4. CHANGES IN THE SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

a) Changes in the scope of consolidation

The changes arising in the first three months of 2020:

- The Group's shareholdings in Hotel Icela S.A.P.I. de C.V. and Calle Icela S.A.P.I. de C.V. increased from 49% to 50% on February 12, 2020.

- On March 6, 2020, the gaming machine business in Spain set up an economic interest group called Juego Responsable A.I.E., taking a 50% interest.

The changes arising in the first three months of 2019:

- Palace Bingo, S.R.L. and Gestioni Marconi, S.R.L. were merged into Operbingo Italia, S.p.A. on January 1, 2019, leaving the Group with 100% interests in those subsidiaries.

- Codere Gaming Italia, S.R.L. was merged into Codere Italia, S.R.L. on January 1, 2019, leaving the Group with a 100% interest.

- Codere Gibraltar Marketing Services Limited was incorporated in the UK on January 4, 2019; it is part of the Online business segment.

- Operibérica, S.A.U. acquired 100% of Game Asturias, S.L.U. on March 19, 2019.

b) Business combinations

There were no business combinations in the first quarter of 2020.

b.1) 1Q19

Company name	Form of incorporation	Acquisition date	Consideration	Shareholding acquired by the Group, %
GAME ASTURIAS, S.L.U.	LLC (sole proprietorship)	March 19, 2019	1,303	100%

5. INTANGIBLE ASSETS

The reconciliation of the carrying amount of intangible assets at the beginning and end of the reporting period is as follows:

	Thousands of euros	
Cost	**Balance at Mar. 31, 2020**	**Balance at Dec. 31, 2019**
Licenses	304,838	341,541
Trademarks	25,396	30,555
Rights	246,537	247,526
Software	66,444	70,873
Other intangible assets	36,200	33,144
Total	**679,415**	**723,639**
Accumulated amortization		
Licenses	(125,892)	(135,115)
Rights	(150,488)	(145,743)
Software	(51,093)	(49,815)
Other intangible assets	(16,453)	(17,375)
Total	**(343,926)**	**(348,048)**
Provisions	**(1,580)**	**(1,579)**
Carrying amount	**333,909**	**374,012**

"Licenses" and "Brands" declined in Mexico due to the impact of peso depreciation against the euro.

The Group had no material contractual commitments for the acquisition or sale of intangible assets at either March 31, 2020 or December 31, 2019.

6. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the reporting period is as follows:

	Thousands of euros	
	Balance at Mar. 31, 2020	**Balance at Dec. 31, 2019**
Amusement machines	290,659	313,101
Gaming machines and sports-betting terminals	36,017	36,672
Other fixtures, fittings and tools	94,827	102,365
Computer equipment	48,528	49,603
Prepayments and PP&E in progress	14,310	21,149
Vehicles	3,494	3,607
Land	15,528	15,464
Buildings	153,956	177,237
Refurbishment of leased premises	245,306	266,726
Plant and machinery	85,291	86,533
Total	**987,916**	**1,072,457**

Accumulated depreciation		
Amusement machines	(205,620)	(213,134)
Gaming machines and sports-betting terminals	(26,407)	(26,023)
Other fixtures, fittings and tools	(77,453)	(83,163)
Computer equipment	(40,840)	(40,932)
Vehicles	(2,563)	(2,569)
Buildings	(94,899)	(108,126)
Refurbishment of leased premises	(158,110)	(168,162)
Plant and machinery	(64,463)	(63,462)
Total	**(670,355)**	**(705,571)**
Provisions	**(15,631)**	**(16,302)**
Carrying amount	**301,930**	**350,584**

The declines under "Amusement machines", "Other", "Buildings" and "Refurbishment of leased premises" are mostly attributable to the depreciation of the Mexican and Colombian pesos against the euro. The change in “Prepayments and PP&E in progress” reflects the derecognition of programs in gaming rooms in Mexico.

"Provisions" mainly include fixed-asset impairment charges in respect of the Casino Carrasco Hotel in Uruguay in the amount of of 4,840 thousand euros at both reporting dates and the Colombian operations in the amount of 8,652 thousand euros at March 31, 2020 (December 31, 2019: 8,818 thousand euros).

The reconciliation of the carrying amount of “Investment properties”, which corresponds primarily to the Banamex Center, at the beginning and end of the reporting period:

	Thousands of euros	
Investment properties	**Mar. 31, 2020**	**Dec. 31, 2019**
Cost	72,240	86,647
Accumulated depreciation	(28,073)	(33,978)
Carrying amount	**44,167**	**52,669**

The Group had no material contractual commitments for the purchase or sale of any items of property, plant or equipment at either March 31, 2020 or December 31, 2019.

7. GOODWILL

The reconciliation of the carrying amount of goodwill by cash-generating unit at the beginning and end of the reporting period:

					Thousands of euros
	Balance at Dec. 31, 2019	**Additions**	**Derecognitions**	**Translation differences (*)**	**Balance at Mar. 31, 2020**
Spain	29,863	-	-	-	29,863
Argentina	47,092	-	-	(16,697)	30,395
Italy	47,444	-	-	-	47,444
Panama	31,276	-	(2,000)	793	30,069
Mexico	70,024	-	-	(12,469)	57,555
Uruguay	6,593	-	-	(729)	5,864
	232,292	**-**	**(2,000)**	**(29,102)**	**201,190**

(*) “Translation differences” includes the effect of the hyperinflation in Argentina (note 2.a.3)

The amount derecognized in the first quarter of 2020 corresponds to an impairment loss in Panama.

The breakdown of goodwill at the reporting date by cash-generating unit, distinguishing between the initially-recognized cost and subsequent impairment losses, is as follows:

					Thousands of euros
		Impairment losses			
	Cost	2018 and earlier	2019	Mar. 31, 2020	Carrying amount
Spain	109,191	(79,328)	-	-	29,863
Argentina	30,395	-	-	-	30,395
Italy	116,578	(69,134)	-	-	47,444
Panama	32,069	-	-	(2,000)	30,069
Mexico	81,885	(24,330)	-	-	57,555
Uruguay	5,864	-	-	-	5,864
	375,982	**(172,792)**	**-**	**(2,000)**	**201,190**

a.1) Method used to determine the cash-generating units' recoverable amounts and the key assumptions used in the calculations:

The Group tests its non-financial assets (goodwill and other non-current assets) for impairment annually or more often if events or changes in circumstances indicate a potential impairment. Against that backdrop, at the reporting date, the fact that the Group had closed mayor part of of its physical business establishments due to the mandatory restrictions and lockdowns imposed in response to Covid-19 was deemed an indication of impairment, prompting it to perform impairment tests at March 31, 2020.

The Parent's directors expect that if the indications of impairment persist in three months' time, it will conduct impairment tests once again at June 30, 2020.

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 2020 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 were prepared by the Codere Group's management in 2019 and were approved by the Board of Directors on January 14, 2020.

However, in light of the impact of the global public health crisis generated by the coronavirus pandemic (Covid-19), the Group has since revised its projections.

For 2020 and 2021 the new forecasts are based on the detailed projections approved by each business unit, layering in the best estimates for the businesses' outlook making certain assumptions about when the premises currently closed in each region will reopen and how long it will take for demand to recover; specifically, the demand recovery curve assumes that revenue will be back at levels of 80% by the end of the year. The new projections were prepared by the Codere Group's management after the March 31, 2020 reporting date and were approved by the Board of Directors on May 24, 2020.

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 each 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 2020 budgets, revised to reflect the impact of the Covid-19 pandemic in 2020 and 2021, and those needed for the natural development of businesses that have yet to reach maturity were factored into the projections.

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 each CGU's terminal value is based mainly on 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 March 31, 2020.

The need to factor the impact of Covid-19 on cash flow generation into the cost of capital calculations has made it necessary to make a distinction in the capital structure modeling exercise between a short-term structure and a medium/long-term structure. The short-term capital structure reflects the inevitable change in financing conditions deriving from the need to fund operations as a result of the impact of Covid-19 on business operations, while the medium/long-term capital structure reflects normalization of the capital structure in the context of business continuity and the return to more usual operating and financing conditions.

In both instances the average cost of capital uses data observations taken mainly from external sources.

With respect to the short-term structure, the key assumption is that capital will be used essentially to fund liquidity needs generated by the impact of Covid-19. Based on that assumption that all capital will be earmarked to liquidity funding, the cost of capital was based, for each CGU, on a cost of funds built from the risk-free rate in each region, determined using yield curves for bonds issued by certain benchmark sovereigns (Germany and the US); the country risk premiums were then calculated by looking at the yield curves for the various sovereign issuers (10-year bond curves in the eurzozone and emerging market bond index (EMBI) spreads for Latin American issuers). Business risk was then layered in using the unlevered beta multiplied by the equity risk premium. In addition, a financing risk premium was factored in to reflect the Group's financial risk profile and recent credit ratings actions to yield the total cost of equity and of capital as a whole.

For the long-term capital structure, the cost of equity was obtained using the capital asset pricing model (CAPM); the risk-free rate was determined using yield curves for bonds issued by certain benchmark sovereigns (Germany and the US); the country risk premiums were then calculated by looking at the yield curves for the various sovereign issuers (10-year bond curves in the eurzozone and emerging market bond index (EMBI) spreads for Latin American issuers). Levered business risk was then layered in using the levered beta multiplied by the equity risk premium to obtain the total cost of equity.

In both instances (i.e., for both the short-term and the long-term capital structure estimates), in light of the readings observed, it was noted that the yield curves for the bonds issued by certain European governments and by the Argentine government imply returns that are not consistent with the risks and inflation prevailing in those countries' macroeconomic environments. In the case of the European states analyzed, the returns are well below those that might be expected in light of current European Central Bank monetary policy; in Argentina, they are not applicable as the yields incorporate risks specific to the issuer - the possibility of default on US dollar issues - that are not representative of a risk-free investment in Argentina. As a result, those yield curves have been adjusted upwards and downwards, respectively.

In Europe, the size of the correction was determined by reference to the yield on BBB issues in US dollars, corrected by the inflation differential between the US and the eurozone. In Argentina, the reference used was the yield on CCC-rated US-dollar issues, obtained using data published by the Federal Reserve.

To calculate the cost of debt, the calculations start from the benchmark risk-free rates for each region for external borrowings (long-term swaps in euros and sovereign bonds in US dollars). The calculations then factor in the implicit spreads on B- issues with respect to the risk-free curves, correcting the spreads for the CGUs with lower country risk premiums (by 75bp for Latin America other than Argentina and by 100bp in Europe).

Lastly, the weighted average cost of capital used for each CGU (shown below) is calculated by using the weighted average of the short-, medium- and long-term capital structure rates (which is also used for the sensitivity analysis).

Key assumptions

Given the global crisis generated by the Covid-19 pandemic, the Group has prepared a series of estimates and projections based on business reopening assumptions in line with the lockdown easing measures being taken in the various countries with respect to mobility and permitted business activities. The most significant assumptions used to project gaming operations during the period in which the Group has kept its establishments closed and with respect to the subsequent gradual reopening mainly 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 those variables following the interruption of business due to the global Covid-19 pandemic drives variability in revenue during the projection period, specifically for the remainder of 2020 and beginning of 2021 (by which time the Group expects to have its business operations fully up and running again). Other relevant inputs include the projected levels of operational efficiency and gearing, as key drivers of EBITDA margins, and the drop in variable costs during the period in which operations are interrupted. The table below shows the carrying amount assigned to each cash-generating unit at March 31, 2020, 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 March 31, 2020 and the last year of the explicit projection period:

Cash-generating unit	Carrying amount of the CGU assets(1) at March 31, 2020 (thousands of euros)	Impairment loss / reversal of loss at March 31, 2020 (thousands of euros)	After-tax discount rate
Argentina	86,677	-	34.3%
Uruguay	70,708	-	15.1%
Mexico	331,551	-	11.3%
Panama	63,229	(1,670)	9.8%
Colombia	3,082	-	10.5%
Spain	117,559	-	7.7%
Italy	53,140	-	7.9%
Holdcos and other		-	-
Total	725,946	(1,670)	N/A

The impairment tests conducted by the Group indicated the need to write down the carrying amount of the Panamanian unit by 1.6 million euros, to which end it has recognized the corresponding impairment charge against goodwill in the first quarter of 2020.

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	17.0%	28.9%	0.9pp
Mexico	3.0%	3.1%	0.5pp
Banamex Convention Center	3.0%	3.0%	-
Spain(3)	1.8%	7.1%	(0.9)pp
Italy(4)	1.5%	3.4%	(1.2)pp
Panama	2.0%	3.9%	6.2pp
Colombia	3.0%	11.1%	4.6pp
Uruguay (5)	7.0%	8.1%	0.9pp
Holdcos and other	-	-	-
Total	**N/A**	**N/A**	**N/A**

(1) Includes the carrying amount of goodwill, intangible assets, non-current deferred taxes, 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, 2019 (as reported quarterly and translated into local currency using average exchange rates).
(3) Includes the business lines in Spain: AWP machines, sports betting and traditional bingo.
Contemplates the rollout of sports betting in Madrid, the Basque region, Navarre, Valencia, Aragon, Murcia, Galicia, Castile la Mancha, Ceuta, Castile & Leon, Catalonia, La Rioja, Extremadura, Cantabria, Melilla, Asturias and the Balearics.
(4) Encompasses all the business lines operated in Italy (indirect operation of AWP machines, traditional bingos operations, VLT machines and the interconnection network).
(5) Since 2018, he Carrasco and HRU operations have constituted a single CGU given the existence of uniform control, common decision-making and, by extension, common cash and asset management.

Sensitivity analysis - March 31, 2020

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 value in use and the CGUs' 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	42.4%	N/A
Uruguay	24.3%	N/A
Mexico	15.0%	N/A
Panama	9.6%	N/A
Colombia	30.3%	N/A
Spain	17.0%	N/A
Italy	13.7%	N/A
Holdcos and other		N/A

(1) The "N/A's" indicate the fact that the growth rates would have to be negative; as indicated by the terminal-value definition, it is not meaningful to use a negative rate of growth in perpetuity to calculate a terminal value.

8. 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 interim reporting period:

	Thousands of euros					
Item	**Balance at Dec. 31, 2019**	**Additions**	**Derecognitions**	**Transfers**	**Translation differences**	**Balance at Mar. 31, 2020**
Loans and receivables	15,397	975	(1,500)	22	(389)	14,505
Held-to-maturity investments	4,560	18	(453)	32	(3)	4,154
	19,957	**993**	**(1,953)**	**54**	**(392)**	**18,659**

The additions and derecognitions under "Loans and receivables" correspond mainly to the credit extended in Spain and Italy related to Group´s operation.

	Thousands of euros				
Item	**Balance at Dec. 31, 2019**	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Mar. 31, 2020**
Investments in equity-accounted investees	526	-	(122)	(37)	367
	526	**-**	**(122)**	**(37)**	**367**

"Loans and receivables" break down as follows by Group company:

Type	Company holding the asset	Mar. 31, 2020	Thousands of euros Dec. 31, 2019
Non-current loans	Alta Cordillera, S.A.	3,042	2,905
Non-current loans	Operbingo Group, Italy	2,183	2,183
Non-current loans	Operibérica, S.A.	1,296	1,318
Non-current loans	Codere México, S.A.	1,274	1,543
Other smaller loans to third parties		6,710	7,448
		14,505	**15,397**

The breakdown of “Investments held to maturity” is as follows:

	Thousands of euros	
Investment type	**Mar. 31, 2020**	**Dec. 31, 2019**
Hopper deposits	3,432	3,839
Other	722	721
	4,154	**4,560**

9. EQUITY

a) Issued capital and share premium

At the Annual General Meeting held 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 euros and a share premium of 0.0651191 euros per share, of the same class and series as those already outstanding and carrying the same rights, to offset the credit. In the wake of the above capitalization, the Parent's issued capital amounted to 509,714,801.8 euros, represented by 2,548,574,009 shares, each with a par value of 0.2 euros.

At an Extraordinary General Meeting held on October 16, 2017, the Company's shareholders ratified the consolidation and cancelation 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.

The Parent's shares have been traded on the Madrid stock exchange since October 19, 2007.

The Parent's shareholder structure at March 31, 2020 and December 31, 2019:

(Thousands of euros)

	Shareholding (*)	
	%	%
Shareholders	**Mar. 31, 2020**	**Dec. 31, 2019**
Silver Point Capital Management, LLC.	23.19%	23.19%
Martínez Sampedro Family	15.76%	15.76%
José Antonio Martínez Sampedro	14.07%	*14.07%*
Luis Javier Martínez Sampedro	1.69%	*1.69%*
M&G Investment Management Limited	20.97%	20.97%
Abrams Capital Management LLC	8.72%	8.72%
Contrarian Capital Management LLC	7.22%	7.22 %
Alden Global Capital LLC	2.95%	2.95%
Evermore Global Advisors LLC	5.20%	5.20%
VR Global Partners L.P.	2.46%	2.46%
Codere, S.A. (own shares)	0.13%	0.13%
Other minority shareholders	13.40%	13.40%
	100%	**100%**

(*) Figures reported to the Spanish securities market regulator by the shareholders themselves.

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.

In 2019, Luis Javier Martinez Sampedro sold 935 thousand Codere, S.A. shares. The Parent's directors, Norman Sorensen Valdez and Manuel Martinez-Fidalgo acquired 56 thousand and 13 thousand shares, respectively. No members of the Group's key management personnel sold Company shares in the market in the first three months of 2020.

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) Reserve for own shares

At March 31, 2020, the Company held 190,066 own shares (year-end 2019: 189,519) that were carried in equity at 707 thousand euros (year-end 2019: 721 thousand euros). Those 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. The legal reserve stood at 19,953 thousand euros at March 31, 2020 and December 31, 2019.

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) Restrictions on the distribution of dividends

In its capacity as the parent guarantor on the notes issued by Codere Finance 2 (Luxembourg), S.A., the Parent's ability to ratify and pay dividends is limited until the notes are redeemed. As a result, it did not distribute any dividends in the first three months of 2020.

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 the case of Argentina, the distribution of dividends can only be made once the tax losses of previous years have been offset. Currently all subsidiary companies can distribute dividends.

f) Retained earnings

The main movements under this heading in the first three months of 2020 and 2019 were generated by the changes in ownership interests outlined in note 4.

10. NON-CURRENT PROVISIONS

The reconciliation of the carrying amounts of provisions at the beginning and end of the reporting period is provided below:

	Thousands of euros				
	Balance at Dec. 31, 2019	**Additions**	**Derecognitions**	**Translation differences**	**Balance at Mar. 31, 2020**
Provision for retirement bonuses	14,568	711	(723)	(1,108)	13,448
Other provisions	7,420	399	(603)	(124)	7,092
	21,988	**1,110**	**(1,326)**	**(1,232)**	**20,540**

a) Provision for retirement bonuses

This heading includes the amounts payable to employees under collective bargaining agreements that are accrued by several Group companies. The decrease in this heading corresponds to depreciation of the Mexican peso against the euro.

b) Other provisions

At March 31, 2020, this heading includes 1,512 thousand euros recognized by Codere Network, S.p.A. to cover potential liabilities arising from claims ongoing in Italy (year-end 2019: 1,493 thousand euros).

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.

11. CURRENT PROVISIONS

	Thousands of euros	
	Mar. 31, 2020	**Dec. 31, 2019**
Provision for options	1,564	1,552
Other	6,759	5,844
Total current and other provisions	**8,323**	**7,396**

“Other” in the table above mainly includes 4,066 thousand euros (2,831 thousand euros at year-end 2019) of income collected in advance by the Icela Group.

The provision for options includes the provision for the change in the market value of the share put option granted to several executives of Codere Newco, S.A executives in the amount of 1,564 thousand euros.

12. CURRENT AND NON-CURRENT BORROWINGS

a) Non-current borrowings

The breakdown of "Non-current borrowings" is as follows:

	Thousands of euros	
	Mar. 31, 2020	Dec. 31, 2019
Notes issued by Codere Finance 2 (Luxembourg), S.A., HRU, S.A. (Hípica Rioplatense Uruguay, S.A.) and Alta Cordillera, S.A.	793,367	787,931
Bank borrowings	128,774	76,990
Other borrowings	25,716	30,861
Finance lease obligations (note 12.a.4)	183,517	208,033
	1,131,374	**1,103,815**

The decrease in other borrowings reflects the repayment of loans in Mexico.

The increase in non-current bank borrowings reflects the balance drawn down under the 95-million euros super senior multi-currency revolving facility, which is drawn by 86 million euros. Although the balances drawn down under that facility fall due six-monthly, the Group can automatically roll them over until October 31, 2021, the date the Group deems the most appropriate for loan classification purposes. Bank borrowings also increased as a result of a 5-year loan agreement entered into with Banco Invex in March under which the Group has borrowed MXP 500 million (MXP 400 million of which is classified as non-current).

a.1) Issued notes - non-current

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	Mar. 31, 2020	Dec. 31, 2019
Notes issued by Codere Finance 2 (Luxembourg), S.A.	500,000	Euros	7.27%	October 31, 2021	497,165	496,824
Notes issued by Codere Finance 2 (Luxembourg), S.A.	300,000	US dollars	8.18%	October 31, 2021	272,110	265,103
Marketable notes issued by Hípica Rioplatense Uruguay	26,924	US dollars	4.25%	November 29, 2029	19,314	21,763
Marketable notes issued by Hípica Rioplatense Uruguay	3,076	US dollars	4.75%	November 29, 2029	2,433	2,441
Notes issued by Alta Cordillera, S.A.	1,500	US dollars	8,89%	September 13, 2024	1,265	1,227
Notes issued by Alta Cordillera, S.A.	700	US dollars	8,89%	October 2, 2024	590	573
Notes issued by Alta Cordillera, S.A.	200	US dollars	7.50%	July 26, 2024	183	-
Notes issued by Alta Cordillera, S.A.	50	US dollars	7.50%	July 26, 2024	307	-
					793,367	**787,931**

The annual coupon on the euro notes is 6.750%, while the coupon on the US dollar notes is 7.625%, except for the notes issued by Alta Cordillera, which carry a coupon of 7.5%.

The guarantors on the notes issued by Codere Finance 2 (Luxembourg) S.A., the main guarantor, and the 95 million-euro super senior multi-currency revolving facility are:

(Thousands of euros)

Alta Cordillera, S.A. (*)	Codere Argentina, S.A. (**)	Codere Italia, S.p.A (**)
Colonder, S.A.U. (**)	Operibérica, S.A. (**)	Operbingo Italia, S.p.A. (**).
Bingos Platenses, S.A. (**)	Codere España, S.A.U. (**)	Codere Apuestas España, S.L.U. (**).
Codere, S.A. (***)	Codere Internacional, S.A.U (**)	Codere Operadora de Apuestas, S.L.U. (**).
Codere América, S.A.U. (**)	Codere Internacional Dos, S.A.U.(**)	JPVMatic 2005, S.L.U. (**).
Iberargen, S.A. (**)	Codere México, S.A. de C.V. (**).	San Jaime, S.A. (**)
Interbas, S.A. (**)	Codere Network, S.p.A. (**).	
Codere NewCo, S.A.U. (****)	Codere Luxembourg 1 S.a.r.L (**)	
Nididem, S.A.U. (**)	Codere Luxembourg 2 S.a.r.L (**)	
Codere Latam, S.A.U. (**)	Codemática, S.R.L. (*)	
Interjuegos, S.A. (**)	Intermar Bingos, S.A. (**)	
Codere Finance 2 (Luxembourg), S.A. (*****)	Bingos del Oeste, 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.

The Codere Finance 2 (Luxembourg), S.A. notes issue subjects the Parent, in its capacity as the main guarantor, 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, 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 which includes a debt-to-EBITDA covenant.

On August 5, 2019, Alta Cordillera, S.A. issued a 25 million US dollar rolling corporate note program through Codere Trust. Then, on August 22, 2019, it issued notes under the first series (Series A) in the amount of 6 million US dollars. Those notes carry interest at a rate between 7.50 % and 10% and mature between July and September 2024. The issuer has the option of calling some or all the bonds from August 26, 2022.

The notes are unsecured (neither personal nor physical guarantees); they will be serviced exclusively by means of the trust assets. The proceeds can be used to cancel accounts payable to Group companies, finance growth projects or working capital and for other general corporate purposes.

At March 31, 2020, the Group was compliant with all of the restrictions and ratios imposed under its main borrowing agreements. However, the fallout from the Covid-19 pandemic and its specific impact on our operations (refer to note 2.a.1 on the going-concern assessment) means that it probable that the Group will not be able to comply with one or more of its covenants next quarter. The Parent is already in talks with its creditors about this issue and believes that it is highly probable that it will obtain the required waivers.

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 HRU's government concession.

a.2) Non-current bank borrowings

The breakdown of this heading at the reporting dates:

	Effective average interest rate	Maturity	Thousands of euros Mar. 31, 2020	Dec. 31, 2019
Spanish Group	1.69%	2021-2028	498	549
Holdco	8.25%	2022	4,113	7,959
Holdco	Euribor + 4.5%	2021	86,504	42,337
Italian Group	1.43%	2021-2023	1,406	1,409
Icela Group	TIIE (Mex. benchmark rate) + 3.5%	2026	4,844	6,860
Icela Group	TIIE (Mex. benchmark rate) + 4.9%	2025	15,870	-
Mexican Group	1m LIBOR + 6.0%	2020	-	1,009
Mexican Group	TIIE (Mex. benchmark rate) + 5%	2022	1,188	826
Uruguay (Carrasco Nobile)	6.78% - 8.35%	2022 - 2023	14,351	16,041
			128,774	**76,990**

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 arrangements are as follows:

- The most significant borrowings are those owed in Uruguay, in the amount of 14,351 thousand euros at March 31, 2020 (16,041 thousand euros at year-end 2019), specifically debt extended by Nobilis Corredor de Bolsa S.A., Urraburu & Hijos Corredor de Bolsa, S.R.L. and Compañía de Valores Pérez Marexiano S.B.S.A. to the Group company, Carrasco Nobile, S.A.

- A new loan was arranged by Administradora Mexicana de Hipódromo, S.A. de C.V. in the first quarter of 2020 in the amount of MXP 500 thousand; it was extended by Banco Invex with the aim of improving the capital structure in Mexico.

- 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 March 31, 2020, the Group had drawn down 86,000 thousand euros of borrowings and 8,271 thousand dollars and 180 thousand euros under the surety lines (year-end 2019: 45,000 thousand euros of borrowings and 8,271 dollars and 180 thousand euros under the surety lines). Although those balances fall due six-monthly, the Group can automatically roll them over until October 31, 2021, the date the Group deems the most appropriate for classification purposes. The Group had 1,323 thousand euros available for drawdown under that facility at March 31, 2020 (42,395 thousand euros available at year-end 2019).

a.3) Other borrowings

The amount recognized under "Other non-current borrowings", in the amount of 25,716 thousand euros at March 31, 2020 (30,864 thousand euros at December 31, 2019), includes non-current accounts payable by Spanish companies for exclusivity rights in the amount of approximately 10,316 thousand euros (10,280 thousand euros at year-end 2019).

At March 31, 2020, it also includes the sum of 9,662 thousand euros (year-end 2019: 10,790 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.

At March 31, 2020 and December 31, 2019, 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 794 and 893 thousand euros, respectively.

b) Current liabilities

b.1) Bank borrowings

	Thousands of euros	
	Mar. 31, 2020	**Dec. 31, 2019**
Current borrowings	21,610	19,949
Accrued interest	943	697
Total bank borrowings	**22,553**	**20,646**
Total available for drawdown	1,323	42,395
Total drawdown limit	**23,876**	**63,041**

Current borrowings

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 March 31, 2020, the Group had drawn down 86,000 thousand euros of borrowings and 8,271 thousand dollars and 180 thousand euros under the surety lines (year-end 2019: 45,000 thousand euros of borrowings and 8,271 dollars and 180 thousand euros under the surety lines).

At March 31, 2020, current loans were concentrated at Administradora Mexicana de Hipódromo, S.A. de C.V., in the amount of 4,842 thousand euros (1,159 thousand euros at year-end 2019), in Uruguay, in the amount of 5,269 thousand euros (4,852 thousand euros at year-end 2019) and at Mexico Caliente, in the amount of 3,577 thousand euros (4,911 thousand euros at year-end 2019).

b.2) Notes

The balance recognized under "Notes and other marketable securities" within current liabilities includes the interest accrued and outstanding of 22,762 thousand euros on the notes issued by Codere Finance 2 (Luxembourg), S.A. and 2,509 thousand euros on the marketable notes issued by HRU, S.A. (formerly, Hípica Rioplatense de Uruguay, S.A.), due in 2021 and 2022.

b.3) Other non-trade debts, tax debts and deferred levies

	Thousands of euros	
	Mar. 31, 2020	**Dec. 31, 2019**
Taxes payable	114,400	116,793
Deferred gaming taxes	17,928	17,072
Employee benefits payable	21,329	15,289
IFRS 16	48,546	50,234
Other borrowings	51,607	54,574
	253,810	**253,962**

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 application to defer the payment of levies in respect of a specific number of gaming machines in Spain, specifically in Madrid, Cantabria, Valencia and the Balearic Islands. 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:

- Balances owed to Spanish machine suppliers in the amount of 4,155 thousand euros at March 31, 2020 (6,152 thousand euros at December 31, 2019). Payables to suppliers in Argentina stood at 4,823 thousand euros at March 31, 2020 (3,739 thousand euros at year-end 2019). Payables to suppliers in Mexico stood at 24,706 thousand euros at March 31, 2020 (28,936 thousand euros at year-end 2019).

- Current bills payable by the Spanish companies in the amount of 2,957 thousand euros at March 31, 2020 (2,172 thousand euros at December 31, 2019).

- Payables outstanding in connection with the acquisition of companies in Italy in the amount of 1,401 thousand euros at March 31, 2020 (1,616 thousand euros at December 31, 2019).

- Debt incurred to acquire sports-betting terminals in Spain in the amount of 214 thousand euros at March 31, 2020 (355 thousand euros at December 31, 2019).

c) Assets pledged as collateral.

At March 31, 2020, several Group companies had mortgaged fixed assets in a total amount of 57,071 thousand euros (December 31, 2019: 57,833 thousand euros).

13. TAX MATTERS

The reconciliation of tax expense and accounting profit multiplied by the prevailing tax rate:

	Thousands of euros
	First-quarter 2020
Accounting profit/(loss) before tax	(84,996)
At the statutory income tax rate of 25%	(21,249)
Effect of different rates in different countries	1,287
Tax effect of previously unrecognized tax losses and permanent differences	24,206
Derecognition of assets for unused tax losses	11,089
Income tax expense reported in the consolidated statement of profit or loss	**15,333**

Following an analysis of the recoverability of its tax assets, the Group has decided to derecognize assets in respect of tax losses of 11 million euros. The main reason for the new assessment is the impact of the Covid-19 pandemic, which is expected to have an adverse effect on the taxable earnings of the Spanish companies comprising the tax group in 2020, delaying their recoverability.

14. GUARANTEES EXTENDED TO THIRD PARTIES AND OTHER 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). Those 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 sureties and guarantees typical of an operator to Group companies in response to the demands of financial institutions and insurers that the Parent extend such guarantees.

The breakdown of the sureties and guarantees extended by concept at March 31, 2020 and December 31, 2019 is provided below:

	Thousands of euros	
Sureties and guarantees	**Mar. 31, 2020**	**Dec. 31, 2019**
Gaming	107,389	109,606
Non-gaming	35,147	35,486
	142,536	**145,092**

Gaming sureties and guarantees

Within the gaming sureties and guarantees, at March 31, 2020 and December 31, 2019, the most significant amounts correspond to the surety policies guaranteeing performance of the Group's obligations under the terms of the concession granted by the *Amministrazione Autonoma dei Monopoli dello Stato* (Italy's betting and gaming authority, the AAMS for its acronym in Italian) to Codere Network, S.p.A. to activate and run the gaming management network in Italy, specifically in the amount of 36,127 thousand euros at March 31, 2020. Carrasco Nobile, S.A. (the Casino Carrasco Hotel) has also extended the Montevideo municipal authorities surety policies and guarantees to secure due performance of the terms of the concession agreement and payment of the royalty in the amount of 7,254 euros at March 31, 2020. Note that these surety policies and guarantees are not part of the senior facility agreement and are therefore not secured by the latter's guarantee package.

In addition, Codere, S.A. was 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 12,200 thousand euros at both March 31, 2020 and December 31, 2019. Note that those 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 7,326 thousand euros at March 31, 2020.

The other non-bank guarantees extended by Codere, S.A. include guarantees issued by Assicurazioni Generali Spa 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 3,854 thousand euros at March 31, 2020.

In management's opinion, the extension of those guarantees will not give rise to material liabilities beyond the amounts provided.

15. FINANCIAL RISK MANAGEMENT TARGETS AND POLICIES

The interim condensed consolidated financial statements do not include all of the financial risk management information and disclosures required in the Codere Group's annual financial statements. Accordingly, this interim report should be read in conjunction with the 2019 annual consolidated financial statements.

Fair value estimation

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

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

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, 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**	
	Mar. 31, 2020	**Dec. 31, 2019**
Provision for options	(1,564)	(1,552)

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

The carrying amount of the Group's financial assets and financial liabilities (other than its issued notes, whose fair value is detailed below) is not materially different from their fair value at March 31, 2020.

The fair value of the notes, calculated on the basis of their quoted prices, is itemized in the table below (*):

	Thousands of euros	
	Mar. 31, 2020	**Dec. 31, 2019**
Notes issued by Alta Cordillera, S.A.	2,497	1,958
Notes issued by HRU, S.A.	21,997	21,453
Notes issued by Codere Finance II, S.A. (*)	281,275	708,945
	305,769	**732,356**

(*) The reduction in the fair value of the bond is due to the fall in the price of the bond caused by the downgrade of the rating (note 2.c).

16. AVERAGE HEADCOUNT

The average headcounts in the first three months of 2020 and 2019 break down as follows:

	Mar. 31, 2020		Mar. 31, 2019	
	No. of employees		No. of employees	
	Male	Female	Male	Female
Clerical staff	238	364	226	346
Key management personnel (officers)	12	1	13	1
Executives	75	16	73	17
Middle management	1,313	693	1,371	671
Operations	4,191	3,131	4,068	3,131
Technical staff	1,250	401	1,227	360
	7,079	**4,606**	**6,978**	**4,526**

17. EARNINGS PER SHARE

a) Basic and diluted earnings per share:

First-quarter 2020			First-quarter 2019		
Earnings for the period (thousands of euros)	Weighted average number of shares	Earnings per share	Earnings for the period (thousands of euros)	Weighted average number of shares	Earnings per share
(100,413)	118,348,260	(0.85)	(6,962)	118,351,881	(0.06)

b) Basic and diluted earnings per share attributable to equity holders of the parent

First-quarter 2020			First-quarter 2019		
Earnings for the period (thousands of euros)	Weighted average number of shares	Earnings per share	Earnings for the period (thousands of euros)	Weighted average number of shares	Earnings per share
(97,123)	118,348,260	(0.82)	(8,618)	118,351,881	(0.07)

c) Basic and diluted earnings per share from continuing operations attributable to equity holders of the parent

First-quarter 2020			First-quarter 2019		
Earnings for the period (thousands of euros)	Weighted average number of shares	Earnings per share	Earnings for the period (thousands of euros)	Weighted average number of shares	Earnings per share
(97,123)	118,348,260	(0.82)	(8,618)	118,351,881	(0.07)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. To this end, it is assumed that conversion takes place at the beginning of the period or when the dilutive potential ordinary shares are issued in the event of issuance during the year.

The Group had no dilutive potential ordinary shares at either reporting date as it had no outstanding convertible debt issues and the share-based remuneration systems 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 diluted earnings per share in the first quarter of 2020 was 118,348,260 (118,351,881 in 1Q19).

18. RELATED PARTIES

The transactions entered into with related parties that are not part of the Group in the first three months of 2020 and the resulting balances at the respective reporting dates are as follows:

		Thousands of euros	
First-quarter 2020	**Nature of the relationship**	**Other**	**Services rendered**
Jusvil, S.A.	Advisor	-	169
GE3M, S.R.L.	Advisor	-	98
		-	**267**

a. Transactions with significant shareholders

In 2018, a loan in the amount of 11,655 thousand euros (of which 8,300 thousand euros was outstanding at year-end 2019) was arranged between three subsidiaries and M&G Investment Management Limited (Prudential PLC). By March 31, 2020, the Group had paid down a total of 933 thousand euros, between principal and interest, leaving 7,655 thousand euros of principal outstanding as of the reporting date.

The interest accrued at year-end 2019 on loans to related parties amounted to 42 thousand euros. The interest accrued at March 31, 2020 stood at 6 thousand euros. There were no balances payable to related parties at either reporting date.

Transactions with related parties were made on terms equivalent to an arm’s length transaction.

a.1. 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 period are shown below:

	Thousands of euros
Thousands of euros	**First-quarter 2020**
Remuneration for membership of board and/or board committees	313
Variable remuneration in cash	
Other items	
	313

The fixed remuneration received by the Company's directors in the first three months of 2020 and 2019 for membership of the Board of Directors and its various committees (Audit Committee, Compliance Committee and Corporate Governance Committee) was as follows:

	Thousands of euros
Director	**First-quarter 2020**
Pío Cabanillas	50
Norman Sorensen	87.5
Matthew Turner	63
Manuel Martínez-Fidalgo Vázquez	37.5
Timothy Lavelle	37.5
David Reganato	37.5
Masampe, S.L.	
	313

In the first three months of 2020, the Group's key management personnel accrued 1,334 thousand euros of remuneration (1,396 thousand euros in 1Q19). 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 6,704 thousand euros. The Council has approved a new long-term incentive plan that is pending execution and acceptance by its beneficiaries and that the data refer to the previous one.

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 602 thousand euros at March 31, 2020 (500 thousand euros at March 31, 2019).

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 2020 or 2019.

In the first quarter of 2020, the Parent paid director and officer liability insurance.

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 were not party to conflicts with respect to the Company’s interests in the first three months of 2020.

a.2. Balance with Grupo CIE

The Codere Group recognizes an account receivable of 1,583 thousand euros at March 31, 2020 (1,571 thousand euros at December 31, 2019) from a subsidiary of the CIE Group (a minority shareholder in Mexico), Make Pro, S.A. de C.V., for advertising and sponsorship services.

a.3. Transactions with equity-accounted investees and resulting outstanding balances

Reporting date balances with equity-accounted investees (in thousands of euros):

	Thousand euros
	Mar. 31, 2020
PERIOD-END BALANCES:	
1) Trade receivables	1,420
2) Loans extended	2,302
3) Other collection claims	-
TOTAL ACCOUNTS RECEIVABLE (1 + 2 + 3)	**3,722**
4) Trade payables	-
5) Loans received	(11)
6) Other payment obligations	-
TOTAL ACCOUNTS PAYABLE (4 + 5 + 6)	**(11)**

19. CASH FLOW STATEMENT: ADDITIONAL DISCLOSURES FOR RECONCILIATION PURPOSES

In the three months ended March 31, 2020, 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 (331 thousand euros), the losses recognized on the sale or derecognition of fixed assets (1,169 thousand euros), certain items of operating expenses (731 thousand euros) and the effect of inflation on earnings in Argentina (344 thousand euros).

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 three months ended March 31, 2020, the Group incurred 23,040 thousand euros of capital expenditure, incurred a cash outflow of 32 thousand euros in connection with long-term loans, specifically: a net inflow of 127 thousand euros in respect of loans extended to hospitality establishment owners in Spain (loan payments of 797 thousand euros, net of proceeds of 670 thousand euros) and a net inflow of 159 thousand from long-term loans extended to establishment owners in Italy (loan payments of 5,087 thousand euros, net of proceeds of 5,246 thousand euros).

The 40,746 thousand euro increase in borrowings reflects the net drawdown of 41,000 thousand euros under the senior facility, 409 thousand euros of new notes issued by Alta Cordillera, S.A. and the repayment of 663 thousand euros of notes by HRU. The increase in proceeds from bank loans of 19,433 thousand euros corresponds to loans obtained in Mexico. The 4,489 thousand euros of bank borrowings repaid took place in Mexico (1,769 thousand euros), Uruguay (728 thousand euros), Codere Newco (706 thousand euros), Spain (764 thousand euros), Colombia (267 thousand euros) and Italy (255 thousand euros). The movement in other financial borrowings reflected an inflow of 2,131 thousand euros due to the deferral of gaming taxes and the payment of expenses of 243 thousand euros associated with borrowings arranged in Mexico.

“Other cash flows due to impact of exchange rates on collections and payments” reflected an outflow of 1,782 thousand euros.

In the three months ended March 31, 2019, 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 (430 thousand euros), certain items of operating expenses (1,776 thousand euros) and the effect of inflation on earnings in Argentina (896 thousand euros).

As for the cash used in investing activities, during the three months ended March 31, 2019, the Group incurred 24,734 thousand euros of capital expenditure, incurred a cash outflow of 348 thousand euros in connection with long-term loans, specifically: a net outflow of 287 thousand euros in respect of loans extended to hospitality establishment owners in Spain (loan payments of 999 thousand euros, net of proceeds of 712 thousand euros) and a net outflow of 61 thousand from long-term loans extended to establishment owners in Italy (loan payments of 4,174 thousand euros, net of proceeds of 4,112 thousand euros); in addition, the Group paid 1,500 thousand euros to acquire gaming operators in Spain.

The 908 thousand euro decrease in borrowings reflected the repayment of notes in HRU. The increase in proceeds from bank borrowings (9,041 thousand euros) corresponded to loans obtained in Mexico (4,585 thousand euros), Uruguay (4,389 thousand euros) and Spain (67 thousand euros). The 5,334 thousand euros of bank borrowings repaid took place in Mexico (2,507 thousand euros), Uruguay (1,806 thousand euros), Codere Newco (668 thousand euros), Colombia (279 thousand euros) and Italy (74 thousand euros). The movement in other financial borrowings reflected an outflow of 484 thousand euros due to the deferral of gaming taxes and the payment of expenses of 295 thousand euros associated with borrowings at Carrasco.

"Other cash flows due to impact of exchange rates on collections and payments" reflected an outflow of 1,518 thousand euros.

20. EVENTS AFTER THE REPORTING DATE

Codere terminated the liquidity agreement with JB Capital Markets, S.V., S.A.U. (dated November 20, 2018) on April 17, 2020. Other than as disclosed in note 2.a.1 with regard to the going concern assessment, no other significant developments have occurred between the reporting date and the date of authorizing these financial statements for issue.