

Madrid, 6 de agosto de 2020

En cumplimiento de lo establecido en el artículo 226 del Texto Refundido de la Ley del Mercado de Valores, aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre, Codere, S.A. (la "**Sociedad**") comunica la siguiente

## INFORMACIÓN PRIVILEGIADA

### Operación de Refinanciación

Que mediante comunicación de información privilegiada (con número de registro 413) de fecha 3 de agosto de 2020, la Sociedad (junto con sus filiales) informó al mercado que su filial inglesa Codere Finance 2 (UK) Limited ("**Codere UK**") tenía previsto iniciar un procedimiento de *scheme of arrangement* bajo ley inglesa (el "**Scheme**") con el propósito de implementar la anteriormente anunciada operación de refinanciación (la "**Operación**") de las actuales emisiones de bonos co-emitidas por Codere UK y Codere Finance 2 (Luxembourg) S.A. (los "**Bonos Existentes**").

### **Practice Statement Letter**

La Sociedad se complace en anunciar, que en el día de hoy, Codere UK ha remitido una *Practice Statement Letter* a los tenedores de los Bonos Existentes (los "**Bonistas Existentes**"), notificándoles formalmente de la intención de Codere UK de lanzar el *Scheme*.

Se advierte que los Bonistas Existentes deben prestar especial consideración a la *Practice Statement Letter*. Entre otros asuntos, la *Practice Statement Letter* indica que Codere UK espera que:

- La primera vista ante la corte inglesa en relación con el *Scheme* tenga lugar en torno al 3 de septiembre de 2020; y
- todos los Bonistas Existentes voten conjuntamente como una única clase cuando consideren el *Scheme*.

GLAS Specialist Services Limited, actuando como agente de información (*information agent*) para la Compañía y Codere UK (el "**Agente de Información**") ha confirmado a la Compañía y a Codere UK que la *Practice Statement Letter* ha sido:

- Enviada a Euroclear Bank S.A./N.V., and Clearstream Banking, *société anonyme*, Luxembourg, para su distribución entre los Bonistas Existentes;
- enviada a GLAS Trust Corporation Limited como agente (*trustee*) (el "**Trustee**") de los Bonos Existentes, para su distribución entre los Bonistas Existentes; y
- publicada en la página web del Agente de Información, en el siguiente link <https://glas.agency/2020/07/13/codere-s-a/>

### **Datos de contacto de Codere UK**

Asimismo, se comunica que la dirección de Codere UK es la siguiente:

Suite 1, 3rd Floor, 11-12 St. James's Square, Londres, SW1Y 4LB

Luis Argüello  
Secretario no consejero del Consejo de Administración

**THIS PRACTICE STATEMENT LETTER DOES NOT CONSTITUTE AN OFFER OR INVITATION TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE ANY SUCH OFFER OR INVITATION OR SOLICITATION IN SUCH JURISDICTION. NONE OF THE SECURITIES REFERRED TO IN THIS PRACTICE STATEMENT LETTER MAY BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.**

**THE SCHEME CREDITORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE SCHEME, INCLUDING THE MERITS AND RISKS INVOLVED.**

**THE EXISTING NOTES TRUSTEE MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THIS PRACTICE STATEMENT LETTER AND EXPRESSES NO OPINIONS WHATSOEVER AS TO THE MERITS OF THE PROPOSAL AS PRESENTED TO THE EXISTING NOTEHOLDERS IN THIS PRACTICE STATEMENT LETTER. THIS PRACTICE STATEMENT LETTER IS BEING DELIVERED TO THE EXISTING NOTEHOLDERS SOLELY AT THE INSTIGATION OF THE SCHEME COMPANY WITHOUT THE PRIOR APPROVAL OR CONSENT OF THE EXISTING NOTES TRUSTEE. THE EXISTING NOTES TRUSTEE HAS NOT BEEN INVOLVED IN NEGOTIATING OR FORMULATING THIS PRACTICE STATEMENT LETTER AND THE PROPOSALS SET OUT HEREIN. THE EXISTING NOTES TRUSTEE THEREFORE MAKES NO ASSESSMENT OF THE IMPACT OF THE PROPOSAL AS PRESENTED TO THE EXISTING NOTEHOLDERS, EITHER AS A CLASS OR AS INDIVIDUALS. ACCORDINGLY, THE EXISTING NOTES TRUSTEE URGES EXISTING NOTEHOLDERS WHO ARE IN DOUBT AS TO THE MEANING OF THE PROPOSALS SET OUT IN THIS PRACTICE STATEMENT LETTER (INCLUDING ANY TAX CONSEQUENCES) TO SEEK THEIR OWN INDEPENDENT ADVICE.**

**From:** Codere Finance 2 (UK) Limited (the "Scheme Company")

**To:** The Scheme Creditors (as defined in paragraph 5 below)

**To:** GLAS Trust Corporation Limited, in its capacity as Existing Notes Trustee (as defined in paragraph 2(a) below)  
45 Ludgate Hill  
London EC4M 7JU

**Cc:** GLAS Specialist Services Limited, in its capacity as Information Agent (as defined in paragraph 6 below)  
45 Ludgate Hill  
London EC4M 7JU

## PRACTICE STATEMENT LETTER

6 August 2020

Dear Sir/Madam

### **Proposed scheme of arrangement in relation to the Scheme Company under Part 26 of the Companies Act 2006**

**THIS LETTER CONCERNS MATTERS WHICH MAY AFFECT YOUR LEGAL RIGHTS AND ENTITLEMENTS AND YOU MAY THEREFORE WISH TO TAKE APPROPRIATE LEGAL ADVICE ON ITS CONTENTS.**

### **PURPOSE OF THIS LETTER**

1. The Scheme Company is sending you this letter in accordance with the practice statement issued on 26 June 2020 (the "**Practice Statement**") by the Chancellor of the High Court of Justice of England and Wales (the "**Court**"), in relation to a proposed scheme of arrangement under Part 26 of the Companies Act 2006 between the Scheme Company and the Scheme Creditors (as defined in paragraph 5 below) (the "**Scheme**").<sup>1</sup>
2. You are being contacted as the Scheme Company believes that you are or may be a holder of either or both of:
  - (a) the EUR 500 million 6.750 per cent. senior secured notes due 2021 (*Rule 114A ISIN: XS1513765922; Common Code: 151377262; Regulation S: ISIN: XS1513765922, Common Code: 151376592*) (the "**Existing Euro Notes**") pursuant to an indenture dated 8 November 2016 between, amongst others, the Scheme Company, Codere Finance 2 (Luxembourg) S.A. ("**Codere Finance**") and GLAS Trust Corporation Limited as the Trustee (the "**Existing Notes Trustee**") (as amended, modified or supplemented from time to time, the "**Existing Notes Indenture**"); and
  - (b) the USD 300 million 7.625 per cent. senior secured notes due 2021 (*Rule 144A: ISIN: XS1513776614, Common Code: 151377661; Regulation S: ISIN: XS1513776374, Common Code: 151377637*) (the "**Existing Dollar Notes**" and, together with the Existing Euro Notes, the "**Existing Notes**") also pursuant to the Existing Notes Indenture.
3. Codere Finance is the original issuer of the Existing Notes which are governed by New York law. On 23 July 2020, the Scheme Company, through its entry into an amendment and accession agreement, became a co-obligor of all of Codere Finance's obligations under the Existing Indenture and the Existing

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<sup>1</sup> Practice Statement (Companies: Schemes of Arrangement under Part 26 and Part 26A of the Companies Act 2006).

Notes and agreed to be bound by all of the provisions of the same on a primary, joint and several basis as if it had been an original party to the Existing Indenture and the Existing Notes (the "**Co-Obligor Accession**").

4. In accordance with the Revised Lock-Up Agreement (as defined in paragraph 63 below) and as described in the consent solicitation statement launched on 17 July 2020, the Scheme Company is now proposing that the Scheme be implemented in order to effect certain amendments to the Existing Notes. Such amendments are an important part of the wider transaction pursuant to which Codere S.A. (the "**Parent**") and its subsidiaries are seeking to raise vital additional liquidity on an urgent basis. As explained further in this letter, the success of the transaction as a whole is dependent on the Scheme becoming effective.
5. Each person who is an ultimate beneficial holder of the Existing Euro Notes (an "**Existing Euro Noteholder**") and/or an ultimate beneficial holder of the Existing Dollar Notes (an "**Existing Dollar Noteholder**"; the Existing Dollar Noteholders and the Existing Euro Noteholders are referred to herein as the "**Existing Noteholders**") as at the "Record Date" for the purposes of voting at the Scheme Meeting (as defined in paragraph 9) which will be confirmed in the Scheme Documentation (as defined in paragraph 146 below) (the "**Record Date**") is a scheme creditor (each a "**Scheme Creditor**" and together the "**Scheme Creditors**") for the purposes of the Scheme. Undertakings, addressed to the Scheme Company and the Court, will be sought from the Existing Notes Trustee and Bank of America, N.A., London Branch as the Common Depository that, amongst other things, they will each not exercise any voting rights at the Scheme Meeting (as defined in paragraph 9 below).
6. This letter is being sent to GLAS Specialist Services Limited in its capacity as the information agent under the Scheme (the "**Information Agent**") for the purpose of making it available to Scheme Creditors by:
  - (a) distributing it to Scheme Creditors via Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") (together the "**Clearing Systems**");
  - (b) distributing it to the Existing Notes Trustee; and
  - (c) making it available at <https://glas.agency/2020/07/13/codere-s-a/> (the "**Scheme Website**").
7. Announcements in respect of this letter will also be made:
  - (a) via the Irish Stock Exchange where the Existing Notes are listed (through Walkers Capital Markets Limited as listing agent in respect of the Existing Notes);
  - (b) via the *Comisión Nacional de Mercado de Valores* ("**CNMV**"); and
  - (c) available on the 'CNMV Filings' section of the Codere website (<https://www.grupocodere.com/en/shareholders-investors/cnmv-filings/>).

8. If you have assigned, sold or otherwise transferred your interests in the Existing Notes, or intend to do so before the Record Date, which will be confirmed in the Explanatory Statement (as defined below), you should forward a copy of this letter to the person or persons to whom you have assigned, sold or otherwise transferred such interests or the person or persons to whom you intend to assign, sell or otherwise transfer such interests.
9. The purpose of this letter is to inform you of:
  - (a) the Scheme Company's intention to propose the Scheme;
  - (b) the background to, and the proposed objectives of, the Scheme;
  - (c) the basis on which the Scheme Company considers the Court has jurisdiction in relation to the Scheme;
  - (d) the Scheme Company's intention to apply to the Court at the Royal Courts of Justice, 7 Rolls Building, Fetter Lane, London EC4A 1NL at a directions hearing on or about 3 September 2020 (the "**Convening Hearing**") (which may take place remotely, using Skype for Business or a similar format) to seek an order convening meetings of the Scheme Creditors for the purpose of considering and, if thought fit, approving the Scheme (the "**Scheme Meeting**") (a notice confirming the precise date of the hearing will be distributed as described in paragraph 138 below);
  - (e) the intended class composition for the purposes of voting on the Scheme at the Scheme Meeting; and
  - (f) the reasons why the Scheme Company considers that the Scheme Creditors should support the Scheme.

## SCHEME OF ARRANGEMENT

10. A scheme of arrangement of the kind proposed by the Scheme Company is a compromise or arrangement provided for under Part 26 of the Companies Act 2006. A scheme of arrangement will take effect between a company and its creditors (or any class of them) and become binding on all the creditors to whom it applies if:
  - (a) the scheme is approved by a majority in number (more than 50 per cent.) representing 75 per cent. in value of the creditors (or each class of creditors) present and voting, either in person or by proxy, at each meeting convened to consider the scheme;
  - (b) the scheme is subsequently sanctioned by the Court; and
  - (c) a copy of the order sanctioning the scheme is delivered to the Registrar of Companies for England and Wales.
11. An overview of the purpose and key features of the Schemes is set out at

paragraphs 91 to 136 of this letter. Further information in relation to the steps to be taken for the Scheme to become effective, and the consequences for Scheme Creditors if the Scheme does become effective, is set out at paragraphs 98 and 103 to 105 of this letter, respectively.

## BACKGROUND TO THE GROUP AND THE TRANSACTION

### *The Scheme Company*

12. The Scheme Company was incorporated in England and Wales as a private limited company on 16 July 2020, with registration number 12748135. The registered office of the Scheme Company is Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB. The Scheme Company has its centre of main interests in England. The Scheme Company is now part of the Group and is a direct, wholly-owned subsidiary of the Parent.
13. On 23 July 2020, through its entry into an amendment and accession agreement, became a co-obligor of all of Codere Finance's obligations under the Existing Indenture and the Existing Notes and agreed to be bound by all of the provisions of the same on a primary, joint and several basis as if it had been an original party to the Existing Indenture and the Existing Notes. The assumption of the rights and obligations by the Scheme Company was undertaken with the consent of the Existing Noteholders under and in accordance with the terms of the Existing Notes Indenture.
14. When soliciting the consent of the Existing Noteholders to the accession of the Scheme Company to the Existing Notes Indenture as a co-obligor, the Existing Noteholders were made aware that such accession would facilitate the proposal by the Scheme Company of a scheme of arrangement under the Companies Act 2006. The Existing Noteholders were also made aware that the Scheme Company anticipated using a scheme of arrangement to make certain amendments to the terms of the Existing Notes, including to extend the maturities of the Existing Notes. Existing Noteholders holding in excess of 90 per cent. of each series of Existing Notes consented to the accession of the Scheme Company to the Existing Notes Indenture as a co-obligor.

### *Background to the Group*

15. The Parent was incorporated in Spain on 20 July 1998 as a public limited company (*sociedad anónima*). Its registered office and headquarters are located at Avenida de Bruselas, 26 in Alcobendas (Madrid, Spain). Its shares are listed on the Madrid stock exchange. The Parent and its direct and indirect subsidiaries are referred to in this letter as the "**Group**". A simplified structure chart of the Group is included in the Annex to this letter.
16. The Group is a leading international gaming operator. As of 29 February 2020, the Group operated nearly 56,000 slot machines, more than 29,000 bingo seats and nearly 8,500 sports betting terminals in Latin America (Mexico, Argentina, Uruguay, Panama and Colombia), Spain and Italy, across various gaming venues, including 148 gaming halls, nearly 1,200 arcades, over 9,100 bars, 245 sports betting shops and four horse racetracks. The Group is also a provider of online gaming services in Spain, Mexico, Colombia and Panama.

17. The Group employs over 12,000 people world-wide. It is the industry leader in terms of market share in the majority of its markets, with in excess of 3.6 million monthly visits (excluding visits to arcades and slot routes) reported as of January 2020.

*The Group's existing financing arrangements*

18. As well as the Existing Notes, the Group has the following main financing arrangements in place:
  - (a) Codere Newco S.A.U. is the borrower under a EUR 95 million super senior revolving credit facilities agreement originally dated 24 October 2016, as amended, modified or supplemented from time to time (the "**RCF**") between, amongst others, the Parent, Codere Newco S.A.U., the lenders named therein (the "**RCF Lenders**") and GLAS Trust Corporation Limited as the security agent. The RCF is governed by English law and has a maturity date of 15 November 2020;
  - (b) Codere Newco S.A.U. and the Parent are the obligors under a EUR 50 million super senior surety bond facility agreement originally dated 5 April 2017 (the "**SBF**") between, amongst others, the Parent, Codere Newco S.A.U., the other obligors named therein and Amtrust Europe Limited as the finance provider. The SBF is governed by Spanish law and has no definitive maturity date but may terminate in accordance with its terms; and
  - (c) Codere Finance is the issuer of EUR 85 million super senior notes due September 2023 (the "**Interim Notes**"), as further described in paragraphs 50 to 55 below.
19. The Existing Notes, the RCF, the SBF and the Interim Notes each benefit from substantially the same guarantee and security package granted by certain Group companies (the "**Obligors**"). The SBF also benefits from cash-collateral in respect of 10 per cent. of the amounts outstanding, along with security over the account where such collateral is deposited.
20. The inter-relationship between the Existing Notes, the RCF, the SBF and the Interim Notes (and the security and guarantees in relation thereto) is governed by an English law intercreditor agreement originally dated 7 November 2016, as most recently amended and restated on 23 July 2020, between, amongst others, the Parent and GLAS Trust Corporation Limited (as security agent) (the "**Intercreditor Agreement**"). GLAS Trustees Limited, as trustee for the holders of the Interim Notes, acceded to the Intercreditor Agreement on 29 July 2020.
21. Pursuant to the terms of the Intercreditor Agreement, the RCF, the SBF and the Interim Notes rank senior to the Existing Notes with respect to the proceeds of any enforcement of security. Under the Intercreditor Agreement, the RCF, the SBF and the Interim Notes rank *pari passu* amongst themselves, and the Existing Euro Notes and the Existing Dollar Notes rank *pari passu* amongst themselves.

22. Pursuant to an agreement among lenders (the "**Agreement Among Lenders**") dated 23 July 2020, there are arrangements in place whereby the agent in respect of the Interim Notes (the "**Interim Notes Agent**") will turn over any enforcement proceeds to the RCF Lenders until the RCF is discharged, and amendments to certain terms of the Interim Notes will not be made without the consent of a majority of the RCF Lenders.

#### *Impact of Covid-19 on the Group's operations*

23. The Group's operations have been significantly disrupted by the Covid-19 pandemic and the resulting "lockdown" imposed in each of the Group's operating markets. As explained by the Parent in various public announcements made during and since March 2020, the Group suffered a complete shutdown of its retail operations due to mandatory restrictions and lockdowns for several months. Whilst phased re-openings have been possible across some of the Group's markets, namely Italy, Spain, its racetracks in Uruguay and a few halls in Mexico, the majority of its operations remain closed. Revenue levels in the reopened markets remain below those experienced prior to the start of the Covid-19 pandemic.
24. Although the Group's online gaming offering has been able to operate throughout the period, this division only represented c. 4.3 per cent. of sales in FY2019 and the suspension of major sports leagues and events world-wide as a result of the pandemic has negatively impacted sports betting activity via the Group's online facilities.
25. The closure of the Group's physical locations for a long period coupled with lower revenue levels upon re-opening, and the fact that major live sporting events were, on the whole, suspended in a number of countries for several months, has had an adverse impact on the cash flow of the Group. While the Group believes the impact on revenue levels and cash flow will be temporary and has taken significant steps to provide the Group with sufficient runway to return to normalised levels of free cash flow generation as it gradually re-opens all its operations, as explained further below the Group urgently needs the additional funding that is being sought as part of the Transaction (as defined in paragraph 42 below).

#### *Steps taken to mitigate the impact of Covid-19*

26. The Group has taken extensive measures to mitigate the impact of the Covid-19 pandemic on its business wherever possible. The nature and extent of such measures have been disclosed to Scheme Creditors and to the public, primarily through the issuance of four public statements relating to the Covid-19 pandemic and contingency planning, dated 9 March 2020, (the "**First Covid-19 Statement**"), 16 March 2020 (the "**Second Covid-19 Statement**"), 23 March 2020 (the "**Third Covid-19 Statement**") and 27 April 2020 (the "**Fourth Covid-19 Statement**"), which each appear on the Parent's website at <https://www.grupocodere.com/en/shareholders-investors/cnmv-filings/>.
27. In the First Covid-19 Statement, the Group confirmed that, given the measures taken by the Italian government, its 11 bingo halls in Italy would close for a period and its slot route operations in the country would be affected by reduced bar opening hours.

28. Prior to the Second Covid-19 Statement, the Group took action to preserve its liquidity position and to ensure business continuity. As set out in the Second Covid-19 Statement, such action included steps to achieve, amongst other things, a reduction in all non-critical activity in the Group's halls and headquarters (including operational and investment initiatives), the utilisation of available credit lines (at local and corporate levels) and securing additional financing in Mexico (on 13 March 2020 the Group secured a MXN 500 million (EUR c. 20 million) bank loan with a maturity date falling in 2025), and prioritising certain payments with a reduction in and/or delayed payment of fixed operating expenses such as gaming taxes, personnel costs, rents and supplies.
29. In the Third Covid-19 Statement, the Group confirmed the closure of nearly all of its retail operations, and listed some additional measures that it had taken, including drawing on the remainder of the RCF, providing an additional EUR 41 million of liquidity and analysing additional avenues to reduce costs, including by making use of local measures introduced in each jurisdiction to support companies affected by the pandemic, limiting cash outflows to critical items and extending payment terms.
30. In the Fourth Covid-19 Statement, amongst other things, the Parent announced that, due to the complete shutdown of its retail operations and the lack of clarity around re-opening (both in terms of timing and ongoing restrictions), the Group would look for financing options to raise approximately EUR 100 million. Commencing in late April 2020, the Group took soundings as to potential transactions that would address this liquidity need from certain existing creditors and third parties.
31. The enforced closure of its operations for a sustained period (most markets remain closed as at the date of this letter) and the regulations now in place in relation to social distancing have had a significant impact on the Group's ability to generate revenue which has, in turn, impacted its cash flow. Despite the steps taken by the Group described in paragraphs 26 to 27 above, in May 2020 it became evident that the Group would require an additional injection of funding to enable it to manage its short to medium-term cash flow position.
32. Concurrently with the discussions detailed in paragraphs 34 to 36 below, the Group has been able to re-open some of its venues and facilities with social distancing measures in place, as detailed in paragraph 23. Whilst such re-opening has undoubtedly positively impacted the Group's prospects, it has been limited to Spain, Italy and certain assets in other markets and, as such, has not obviated the need for additional liquidity.
33. Indeed, by mid-June, the Group's financial projections indicated that further liquidity would be required for general operational purposes over and above the initial EUR 100 million estimated need. In addition, it became evident during discussions with certain existing financial creditors that, in addition to liquidity for general operational purposes, the Group would need to raise enough funding to allow for the RCF to be repaid ahead of its original maturity in November 2021 (the RCF now has a maturity date of 15 November 2020 as explained in paragraph 59), as it is a condition of the RCF Lenders' consent to the Group incurring additional super senior debt that they are repaid in full from that debt.

As such, the Group is seeking to raise a total of EUR 250 million pursuant to the Transaction (as defined in paragraph 42 below), which includes the Scheme.

*Steps taken to access additional liquidity*

34. Since April 2020, the Group and its advisers have been engaging with certain existing creditors and third-party finance providers to discuss the Group's additional liquidity needs. It was established that the RCF Lenders were not willing to increase their lending to the Group. However, on 28 April 2020, a number of holders of the Existing Notes formed a committee (the "**Ad Hoc Committee**") in order to discuss the potential provision of additional funding and the amendments to the Existing Notes that would be required as a result.
35. In parallel to discussions and negotiations with the Ad Hoc Committee, the Parent engaged independent financial advisers to seek to arrange alternative third-party financing. Detailed discussions ensued with potential financing providers. In early June it became apparent that the Group would need part of the funding it was looking to raise on an urgent basis before the end of July in order to meet its operating expenses and to allow it to pursue a more comprehensive debt restructuring.
36. Following extensive discussions with the Ad Hoc Committee, on 13 July 2020 the Group and the Ad Hoc Committee agreed a term sheet (the "**Amendments and New Money Term Sheet**") containing the key commercial terms relating to (i) the issuance of the Interim Notes (as defined in 41) and (ii) the Transaction, including the provision of additional liquidity pursuant to the New Notes (as defined in 42) and certain amendments to the Existing Notes.
37. Despite extensive negotiations with potential alternative financing providers, no such provider was able to offer a solution that was as attractive, in economic terms, for the Group as the Transaction. Whilst an alternative transaction initially pursued by the Group (in parallel to its discussions with the Ad Hoc Group) would likely have met the Group's immediate and short-term liquidity needs, it did not offer the complete, longer-term solution that the Transaction offers as it would not have addressed the wider issues with the Group's capital structure and the fact that a substantial part of the Group's debt was due to mature in 2021, and would have necessitated transactions with the Existing Noteholders and the RCF Lenders at a later date and before the original maturities of the relevant debt instruments, which the Group could not be certain would be implemented successfully.
38. The amendments proposed in respect of the Existing Notes include, amongst other things, an extension of maturity to November 2023. The Group has been advised by its auditors that an extension of maturity in respect of the Existing Notes which takes effect prior to the end of 2020 would mean that the Existing Notes would not need to be included as a 'current liability' in the Group's accounts, thereby allowing the Group to issue its FY2020 accounts on a 'going concern' basis. If the maturity of the Existing Notes were not extended, the accounts would be issued on a 'qualified' basis which itself would likely have negative consequences for the Group's operations and financial arrangements.
39. The amendments to the Existing Notes do not directly result in additional liquidity being provided (noting, however, that the amendments would allow

part of the applicable coupon to accrue as PIK rather than being entirely cash-pay). However, it is a condition to the provision of additional liquidity pursuant to the Amendments and New Money Term Sheet that the amendments to the Existing Notes, including the maturity extension, become effective. In addition, the extension of the maturity of the Existing Notes will provide the Group with the time it will need to normalise its business following the impact of the Covid-19 pandemic with a view to facilitating the refinancing of its debt on a going concern basis thereafter.

40. The Scheme Company believes that the terms of the Transaction are the most attractive terms for additional liquidity and offer the best holistic solution to the Group's existing capital structure. The Scheme Company also believes that engagement of certain holders of the Existing Notes (i.e. the Ad Hoc Committee) in the Transaction provides compelling evidence of its stakeholders' continuing support of the Group and its prospects.

## THE PROPOSED TRANSACTION

41. The Amendments and New Money Term Sheet provided for the issuance of EUR 85 million additional liquidity to be provided to the Group in the form of New York law governed notes to be issued by Codere Finance (the "**Interim Notes**"). As further described in paragraphs 68 to 70, the Interim Notes were issued on 29 July 2020 in order to meet the Group's urgent liquidity need and to provide a stable platform from which the Group can launch the Scheme and pursue the Transaction (as defined in paragraph 42 below).
42. The Amendments and New Money Term Sheet also provides for:
  - (a) certain amendments to the Existing Notes including an extension of maturity (the "**Existing Notes Amendments**") as further explained in paragraph 49 below;
  - (b) EUR 165 million additional liquidity to be provided to the Group in the form of New York law governed notes to be issued by Codere Finance (the "**New Notes**"), as further explained in paragraphs 51 to 58 below;
  - (c) the repayment and discharge in full of the RCF as further explained in paragraphs 59 and 60 below; and
  - (d) the payment of certain fees as further explained in paragraph 61 below to the Existing Noteholders and the Ad Hoc Committee,(a) to (d) above together being the "**Transaction**".

### *Need for the Scheme*

43. As explained in more detail below, the Scheme is being proposed in order to implement the Existing Notes Amendments. Absent the Scheme, the Existing Notes Amendments would require the affirmative consent of holders of at least 90 per cent. in value of each series of Existing Notes, under the terms of the Existing Notes Indenture.
44. The Scheme Company considers the 90 per cent. threshold unlikely to be

achievable because, whilst it is aware that there are certain Existing Noteholders with relatively large holdings of the Existing Notes, there are also a large number of Existing Noteholders with very small holdings. As a logistical matter, the Scheme Company considers that it may be the case that a sufficient number of those smaller Existing Noteholders would not respond to the relevant consent requests so as to meet the 90 per cent. threshold. This is notwithstanding the fact that holders of over 90 per cent. by value of each series of Existing Notes consented to the Co-Obligor Accession as, under the relevant procedures of the Clearing Systems, the Scheme Company understands that the consent process applicable to the Co-Obligor Accession was different to, and simpler than, the consent process that is required in order for an Existing Noteholder to accede to the Revised Lock-Up Agreement (and so consent to the Transaction). The level of consent received in respect of the Co-Obligor Accession is not necessarily, therefore, indicative of the level of consent likely to be received in respect of the wider Transaction.

45. By utilising the Scheme, the Existing Notes Amendments can be effected with the consent of 75 per cent. in value and a majority in number of the Existing Noteholders voting on the Scheme. The Scheme Company considers this threshold more likely to be achievable, particularly in light of the high level of support indicated by the execution of the Revised Lock-Up Agreement, as further described in paragraph 64 below.
46. The steps required for the issuance of the New Notes, the repayment and discharge of the RCF and the payment of certain fees relating to the Transaction are conditional on the Existing Notes Amendments taking effect. As such, the success of the Transaction as a whole is dependent on the Scheme becoming effective.
47. As explained further in paragraphs 103 to 106 below, it is the Group's view that if the additional liquidity to be provided by the New Notes as part of the Transaction is not received, it is likely that the Scheme Company, Codere Finance and Codere Newco S.A.U. (the RCF borrower) will enter insolvency proceedings. It is also likely that some or all of the Obligors, being the Group companies that have provided guarantees and security in respect of the Existing Notes, Interim Notes, the RCF and the SBF, and other Group companies will enter insolvency proceedings. As described further below, it is the Group's view that in the event the Transaction were to fail, the prospects of the Group and its key stakeholders, or indeed a third party, agreeing an alternative transaction that would leave the Group with a viable capital structure and enable it to pay its near-term liabilities: (i) the RCF debt on its maturity date (15 November 2020), (ii) the October coupon in respect of the Existing Notes within the applicable 30 day grace-period and (iii) amounts that would then be outstanding in respect of its operational obligations (including repayment of over Euro 60 million of extended payables), are very low.
48. As well as providing essential liquidity on an urgent basis to allow the Group to continue to trade, the additional liquidity to be provided by the New Notes as part of the Transaction would allow for the repayment and discharge of the RCF and ensure adequate headroom thereafter during a gradual and potentially uneven period of recovery. The stability that would be provided by the additional liquidity and other terms of the Transaction (including the extension of maturity of the Existing Notes) will ensure the continued operation of the

Group for the benefit of all stakeholders, and a foundation from which the Group can deliver long-term value for its stakeholders.

#### *Existing Notes Amendments*

49. Pursuant to the terms of the Scheme, upon the completion of the Transaction the Existing Notes will be amended to give effect to the Existing Notes Amendments being, in summary:
- (a) the extension of the maturity of the Existing Notes from 1 November 2021 to 1 November 2023;
  - (b) an increase in interest payable in respect of each series of Existing Notes as follows:
    - i. Existing Euro Notes: a mandatory 4.50 per cent. cash-pay coupon plus either (A) a further 5 per cent. cash-pay coupon or (B) a further 6.25 per cent. PIK coupon, capitalising on each coupon payment date, the election between (A) and (B) being at the option of Codere Finance; and
    - ii. Existing Dollar Notes: a mandatory 4.50 per cent. cash-pay coupon plus either (A) a further 5.875 cash-pay coupon or (B) a further 7.125 per cent. PIK coupon, capitalising on each coupon payment date, the election between (A) and (B) being at the option of Codere Finance;
  - (c) the amendment of the covenants contained in the Existing Notes Indenture to:
    - i. allow additional super senior debt capacity in respect of the New Notes; and
    - ii. include the additional restrictions to covenants and baskets as set out in the announcement made by the Parent on 24 July 2020; and
  - (d) the addition of a liquidity covenant requiring the Parent and its "Restricted Group Members" under the Existing Indenture to maintain a minimum of EUR 40 million of cash, cash equivalents and undrawn committed financing available, to be tested monthly unless (i) the Consolidated Net Leverage Ratio (as defined in the Existing Notes Indenture) is below 3.0x or (ii) the credit rating of the Existing Notes is at B-/B3 or higher.

#### *The additional liquidity*

50. As explained in paragraphs 68 to 70 below, the Interim Notes, which were issued on 29 July 2020 and are not part of the Transaction or the Scheme proposal, will accrue cash pay interest at 12.75 per cent. until the effective date of the Existing Notes Amendments (i.e. the completion of the Transaction), after which the Interim Notes will accrue cash pay interest at 10.75 per cent..
51. As part of the Transaction, the Group will receive EUR 165 million of

additional liquidity in form of the New Notes to be issued by Codere Finance.

52. It is anticipated that the New Notes will be issued following (and conditional on) sanction of the Scheme and effectiveness of the Existing Notes Amendments. The New Notes will accrue cash pay interest at 10.75 per cent. Interest will be payable every six months on September 30 and March 31 with the first interest payment date being 30 September 2020. The New Notes will be issued under the same indenture as the Interim Notes. It is expected that the New Notes will be rated on the same basis, or better, as the Existing Notes on or before their issuance, and will be listed on The International Stock Exchange, being the Channel Islands securities exchange, within 60 days of being issued.
53. The Interim Notes and the New Notes (together the "**2023 Notes**") will share the same security and guarantee package as the Existing Notes, including as amended pursuant to the Existing Note Amendments.
54. The Interim Notes are super senior obligations and currently rank (i) equally in right of payment with all other existing and future super senior indebtedness of Codere Finance (including under the RCF and the SBF) and (ii) super senior in respect of the enforcement of security alongside the RCF and the SBF, and ahead of the Existing Notes. As mentioned above, the RCF Lenders and the Interim Notes Purchasers are party to the Agreement Among Lenders in respect of any enforcement proceeds received by the Interim Notes Purchasers in the period until the RCF has been discharged.
55. The New Notes will also be super senior obligations of Codere Finance. As it is proposed that the RCF is repaid and discharged in full upon the completion of the Transaction from the proceeds of the New Notes, the New Notes (together with the Interim Notes) will rank (i) equally in right of payment with all other existing and future super senior indebtedness of Codere Finance (including under the SBF) and (ii) super senior in respect of the enforcement of security alongside the SBF, and ahead of the Existing Notes.

#### *Amendments to the Intercreditor Agreement*

56. As part of the issuance of the Interim Notes, the Intercreditor Agreement was amended to reflect the agreements reached between the relevant parties with respect to the ranking and priority of the Interim Notes and the New Notes (as described in paragraph 54 above).
57. As referred to above, pursuant to the Agreement Among Lenders, the RCF Lenders and the Interim Notes Agent have agreed that any enforcement proceeds received in respect of the Interim Notes will be turned over to the RCF Lenders until the RCF is discharged, and that amendments to certain terms of the Interim Notes will not be made without the consent of a majority of the RCF Lenders.

#### *Scheme Creditors' rights to purchase New Notes*

58. Subject to provision of the requisite securities law confirmations and compliance with the other requirements contained in the Scheme, each Scheme Creditor will have the opportunity to purchase its *pro rata* share of the New Notes by making an election in that respect as part of the Scheme process

(further details on how to make such election will be set out in the Scheme Documentation (as defined in 146 below)) (any Scheme Creditor that elects to purchase New Notes being a "**New Notes Purchaser**"). In order for the Group to have certainty that it will receive the funding it urgently requires from the issuance of the New Notes, prior to the launch of the Scheme and as part of the lock-up process, the Parent entered into 'backstop' arrangements with certain Existing Noteholders. Please see paragraphs 77 to 79 for further details.

#### *RCF Standstill and repayment of the RCF*

59. On 23 July 2020, the Parent, the RCF Lenders and the RCF Agent, amongst others, entered into a standstill, amendment and waiver agreement (the "**RCF Standstill**"). The RCF Lenders provided certain waivers as part of the RCF Lenders' commitment to support the Transaction and the issuance of the Interim Notes. The Parent agreed to, amongst other things, amend the maturity date of the RCF to 15 November 2020 (originally due to mature in November 2021).
60. Also pursuant to the RCF Standstill, the Parent and certain other members of the Group provided various undertakings, including to apply the proceeds of the issuance of the New Notes (such issuance, the "**New Notes Issuance**") towards the repayment and discharge in full of the RCF. As mentioned above, it was a condition of the RCF Lenders' consent to the Group incurring additional super senior debt that they are repaid in full from that debt. That said, the repayment of the RCF will improve the stability of the Group's capital structure.

#### *Fees payable in respect of the Transaction*

61. The Amendments and New Money Term Sheet contemplates the payment of certain fees in connection with the Transaction. Such fees are the Early Bird Consent Fee, the Consent Fee and the Backstop Fee in respect of the New Notes (each as defined and further described in paragraphs 80 to 90 below).

### **THE ORIGINAL LOCK-UP AGREEMENT, THE REVISED LOCK-UP AGREEMENT, THE ISSUANCE OF THE INTERIM NEW NOTES AND THE INTERCREDITOR AMENDMENTS**

#### *The Original Lock-Up Agreement*

62. On 13 July 2020, the Parent, certain other members of the Group, the Ad Hoc Committee and the Information Agent entered into a lock-up agreement (the "**Original Lock-Up Agreement**") thereby confirming their commitment to support and take steps to give effect to the terms of the Amendments and New Money Term Sheet, subject to the terms of the Original Lock-Up Agreement and the Amendments and New Money Term Sheet. On the same date, other Existing Noteholders acceded to the Original Lock-Up Agreement meaning that, on the Effective Date (as defined in the Original Lock-Up Agreement), Existing Noteholders holding approximately 57.5 per cent. of the Existing Notes were a party to it.

*The Revised Lock-Up Agreement*

63. In order to extend the time period provided in the Original Lock-Up Agreement to agree the documentation required for the Interim Notes to be issued, the relevant parties agreed to certain amendments to the Original Lock-Up Agreement. However, as certain of those consents were provided after the Lock-Up Date (as defined in the Original Lock-Up Agreement), it was necessary to enter into a revised lock-up agreement (the "**Revised Lock-Up Agreement**") in place of the Original Lock-Up Agreement reflecting those amendments and certain other required and consequential amendments. All of the initial parties to the Original Lock-Up Agreement entered into the Revised Lock-Up Agreement on 21 July 2020.
64. In this letter, the Existing Noteholders that are party to the Revised Lock-Up Agreement are referred to as the "**Consenting Noteholders**". As of 5 August 2020, 80.40 per cent. by value of the Existing Noteholders had acceded to the Revised Lock-Up Agreement.
65. The Information Agent published the Revised Lock-Up Agreement (and the Original Lock-Up Agreement) on the Scheme Website on 21 July 2020 and has shared copies with the Existing Notes Trustee. The Revised Lock-Up Agreement was also made available via the Clearing Systems, the Irish Stock Exchange, the CNMV and the Parent's website (as was the Original Lock-Up Agreement).
66. Each party to the Revised Lock-Up Agreement has agreed, amongst other things:
- (a) to promptly take all actions which it is able to take and which are necessary or reasonably desirable to support, facilitate, implement, consummate or otherwise give effect to the terms of the Amendments and New Money Term Sheet as soon as reasonably practicable;
  - (b) to the extent that it is legally entitled to do so, to vote in favour of any matter requiring approval under the Existing Notes Indenture, or the Intercreditor Agreement, any matter requiring shareholder or board approval and the Scheme within any reasonably requested timeframe as is necessary or desirable to implement the term of the Amendments and New Money Term Sheet; and
  - (c) not to take or encourage any action that could reasonably be expected to frustrate, delay, impede or prevent the implementation of the terms of the Amendments and New Money Term Sheet, or that is inconsistent with them.
67. The Revised Lock-Up Agreement will remain in place until it is terminated by agreement or by notice in accordance with its terms. If not so terminated, the Revised Lock-Up Agreement also provides for automatic termination on the earliest to occur of various events, including a Scheme Meeting at which the Scheme is not approved by the requisite majorities of the relevant Scheme Creditors.

### *Issuance of the Interim Notes*

68. Given the urgency of the Group's immediate liquidity need, certain (but not all) of the Ad Hoc Committee (being the Interim Notes Purchasers) agreed to purchase the Interim Notes following certain conditions contained in the Revised Lock-Up Agreement being satisfied. Such conditions included that the Lock-Up Date Conditions (as defined in the Revised Lock-Up Agreement) had been satisfied, and that the relevant documents relating to the Interim Notes were in agreed form as per the terms of the Revised Lock-Up Agreement.
69. The Lock-Up Date Conditions (as defined in the Revised Lock-Up Agreement) were satisfied on 24 July 2020. Having been agreed between the relevant parties, the purchase agreement relating to the Interim Notes was entered into on 24 July 2020 and the remaining documents, including an indenture and global note, were entered into on 29 July 2020 (together, the "**Interim Notes Documents**"). On 29 July 2020, the conditions precedent to the effectiveness of the Interim Notes Documents (including the required amendments to the Intercreditor Agreement) were satisfied and the Interim Notes were issued to the Interim Notes Purchasers. The Interim Notes had an issue price of 97 per cent..
70. The Scheme Company notes that the issuance by Codere Finance of the Interim Notes occurred prior and separately to and outside of the Scheme, and was not dependent nor conditional in any way on the Scheme becoming effective. Given that many of the Group's operations are still closed as at the date of this letter and those that are open are generating revenues below the levels achieved prior to Covid-19, the issuance of the Interim Notes has afforded the Group a platform from which it can:
- (a) launch the Scheme in order to implement the Existing Notes Amendments;
  - (b) seek to raise further essential liquidity in the form of the New Notes; and
  - (c) continue to trade and meet its operational obligations whilst the Scheme and the Transaction are implemented.

### **THE NEW NOTES AND THE BACKSTOP ARRANGEMENTS**

#### *Scheme Creditors can elect to participate in the New Notes Issuance*

71. As mentioned above, as part of the Transaction each Scheme Creditor (whether or not it has acceded to the Revised Lock-Up Agreement), will be eligible to purchase its *pro rata* share of the New Notes (which will have an aggregate value of EUR 165 million) by reference to its holding of the Existing Notes as at the Record Date (its "**Pro Rata Proportion**"). As will be explained and notified to the Scheme Creditors in the Scheme Documentation, the deadline for electing to participate in the New Notes Issuance will be a date falling shortly after the date of the Scheme Meeting. A Scheme Creditor that wishes to participate in the New Notes Issuance will be entitled to nominate an Affiliate or Related Fund (each as defined in the Revised Lock-Up Agreement) (a "**Nominated Participant**") to purchase its Pro Rata Proportion in its place.

72. Details around the mechanics for such purchase will be set out in the Scheme Documentation (as defined in paragraph 146 below) which, subject to receiving the requisite approval from the Court, will be sent to Scheme Creditors shortly after the Convening Hearing.

#### *Maximum New Notes Commitment*

73. When electing to participate in the New Notes Issuance (the mechanics for which will be explained in the Scheme Documentation (as defined in paragraph 146)), a Scheme Creditor will be asked to specify the maximum value of the New Notes that it (or its Nominated Participant) commits to purchase (subject to satisfying any applicable requirements in respect of such purchase) (its "**Maximum New Notes Commitment**"). The Maximum New Notes Commitment may be more than or less than the relevant Scheme Creditor's Pro Rata Proportion.
74. If a Scheme Creditor's Maximum New Notes Commitment is more than its Pro Rata Proportion, that Scheme Creditor will be an "**Oversubscriber**".

#### *New Notes allocation process*

75. Under the terms of the Scheme, the Scheme Creditors will be asked to confirm their Maximum New Notes Commitment by no later than a specified date (the "**Subscription Deadline**"). After the Subscription Deadline, the Maximum New Notes Commitments of all of the Scheme Creditors will be reviewed by the Information Agent who will calculate the value of New Notes that each Scheme Creditors will purchase pursuant to the Transaction (such amount being each Scheme Creditor's "**New Notes Subscription Amount**").
76. The Scheme Documentation (as defined in paragraph 146 below) will set out the detailed mechanics around the calculation of each Scheme Creditor's New Notes Subscription Amount but, in summary:
- (a) *first round allocations*: each Scheme Creditor will be allocated its Pro Rata Proportion of the New Notes or, if its Maximum New Notes Commitment is less than its Pro Rata Proportion, it will be allocated its Maximum New Notes Commitment. The value of the New Notes not allocated in any allocation round (if any) will be the "**Allocation Shortfall**";
  - (b) *second round allocations*: each Oversubscriber will be allocated its *pro rata* share of the Allocation Shortfall resulting from the previous allocation round by reference to its holdings of Existing Notes as a proportion of the holdings of Existing Notes of all Oversubscribers participating in that allocation round (its "**Pro Rata Shortfall Amount**") or, if the allocation of its Pro Rata Shortfall Amount would result in an allocation above its Maximum New Notes Commitment, it will be allocated an amount of the Allocation Shortfall that would result in its overall allocation equalling its Maximum New Notes Commitment. Once an Oversubscriber has been allocated its Maximum New Notes Commitment, it will not participate in any further allocation

rounds. This second round allocation process will be repeated until the Allocation Shortfall is zero, or there are no Oversubscribers that have not been allocated their Maximum New Notes Commitment; and

- (c) *third round allocations*: any Allocation Shortfall that remains after the second round allocations will be allocated to the Backstop Providers on a *pro rata* basis by reference to an individual Backstop Provider's Backstop Commitment as a proportion of all Backstop Commitments (in each case as defined in paragraph 77 below).

#### *Backstop arrangements*

- 77. In order for the Group to have certainty that it would receive the funding it urgently required and continues to require from the issuance of the New Notes, prior to the launch of the Scheme and as part of the lock-up process, the Parent entered into 'backstop' arrangements with certain Existing Noteholders (the "**Backstop Providers**"). Pursuant to the Revised Lock-Up Agreement, the Backstop Providers between them agreed to backstop the New Notes (the total amount backstopped by an individual Backstop Provider being its "**Backstop Commitment**"). The amount to be backstopped by a Backstop Provider was specified in a schedule agreed between the Backstop Providers and the Parent.
- 78. As further described in paragraph 86, the Group has agreed to pay certain fees to the Backstop Providers in respect of the backstop arrangements for the New Notes. The Group is of the view that it was necessary to agree to the payment of such fees in order to gain the certainty it requires that the necessary funding will in fact be available to it, and to be in a position to ultimately obtain the relevant support for the Transaction.
- 79. Scheme Creditors should note that funding will only become available to the Group pursuant to the backstop arrangements for the New Notes if the Transaction completes, which itself requires the Scheme to become effective.

#### **FEES**

##### *Early Bird Consent Fee*

- 80. As per the terms of the Revised Lock-Up Agreement, subject to the completion of the Transaction, Existing Noteholders who (i) had acceded to the Original Lock-Up Agreement at or before 4.00 p.m. (London time) on 20 July 2020 and (ii) acceded to the Revised Lock-Up Agreement prior to 4.00 p.m. on the Lock-Up Date (as defined in the Revised Lock-Up Agreement) will receive a consent fee equal to their *pro rata* share of 0.5 per cent. of the principal amount of the Existing Notes (the "**Early Bird Consent Fee**"), such *pro rata* share to be based on holdings of Existing Notes notified to the Information Agent at least five Business Days prior to the completion of the Transaction.
- 81. The Information Agent will notify eligible Consenting Noteholders of the amount of the Early Bird Consent Fee payable to them at least three Business Days in advance of the anticipated completion date in respect of the Transaction ("**Consent Fee Notification Date**"). In calculating the amount of the Early Bird Consent Fee payable, the Information Agent will convert any holdings of the Existing Dollar Notes into EUR amounts using an available spot rate of

exchange selected by it (acting reasonably) at or about 11:00 a.m. on the Business Day immediately preceding the Consent Fee Notification Date. The Early Bird Consent Fee will be paid in full and in cash, free and clear of all withholding taxes to eligible Consenting Noteholders within five Business Days of the completion of the Transaction.

82. Recipients of the Early Bird Consent Fee are also eligible to receive the Consent Fee (as defined in 83 below). Existing Noteholders holding 78.88 per cent. in value of the Existing Euro Notes and 77.13 per cent. in value of the Existing Dollar Notes, with 78.28 per cent. of the Existing Notes in aggregate (notionally converted to EUR in accordance with the Revised Lock-Up Agreement) had acceded to the Original Lock-Up Agreement and the Revised Lock-Up Agreement prior to the relevant deadlines and are therefore eligible to receive an Early Bird Consent Fee following the completion of the Transaction.

#### *Consent Fee*

83. As per the terms of the Revised Lock-Up Agreement, subject to the completion of the Transaction, Existing Noteholders that acceded to the Revised Lock-Up Agreement at or before 4p.m. (London time) on 27 July 2020 will receive a consent fee equal to their *pro rata* share of 0.5 per cent. of the principal amount of the Existing Notes (the "**Consent Fee**"), such *pro rata* share to be based on holdings of Existing Notes notified to the Information Agent at least five Business Days prior to the completion of the Transaction.
84. The Information Agent will notify eligible Consenting Noteholders of the amount of the Consent Fee payable to them on the Consent Fee Notification Date. In calculating the amount of the Consent Fee payable, the Information Agent will convert any holdings of the Existing Dollar Notes into EUR amounts using an available spot rate of exchange selected by it (acting reasonably) at or about 11:00 a.m. on the Business Day immediately preceding the Consent Fee Notification Date. The Early Bird Consent Fee will be paid to eligible Consenting Noteholders in full and in cash, free and clear of all withholding taxes within five Business Days of the completion of the Transaction.
85. Recipients of the Consent Fee are also eligible to receive the Early Bird Consent Fee. As at 4.00 p.m. on 27 July 2020, 80.40 per cent. of the Existing Noteholders had acceded to the Revised Lock-Up Agreement and are therefore eligible to receive a Consent Fee following the completion of the Transaction.

#### *Backstop fee*

86. The Backstop Providers will between them in aggregate receive a fee (the "**Backstop Fee**") equal to 2.5 per cent. of the aggregate principal amount backstopped, i.e. EUR 165 million (the principal amount of the New Notes), to be shared on a *pro rata* basis by reference to an individual Backstop Provider's Backstop Commitment as a proportion of all Backstop Commitments.
87. The Backstop Fee will be paid upon the issuance of the New Notes by way of deduction against the issue price of the New Notes being issued to the Backstop Providers.

*Work Fee (paid prior to and outside of the Scheme)*

88. Under the terms of the Revised Lock-Up Agreement and the Amendments and New Money Term Sheet, the Parent agreed to pay the Ad Hoc Committee a fee for the work done, the time spent and risk undertaken acting in that capacity, i.e. (i) negotiating and agreeing the terms of Amendments and New Money Term Sheet with the relevant parties, and (ii) agreeing the implementation mechanics required to effect the terms of the Amendments and New Money Term Sheet (the "**Work Fee**").
89. Given the urgency of the Group's liquidity need, the Scheme Company believes that it was appropriate for the Group to incur the Work Fee. The Work Fee compensates the Ad Hoc Committee (i) by reference to the amount of work that has been and was likely to be involved in the essential role the Ad Hoc Committee has played in driving the Transaction forward in the timescales required as compensation for time spent, expenses and the opportunity cost of allocating resources away from other investments and (ii) on the basis that the Ad Hoc Committee bore financial risk (proportionate to the size of their holdings) by agreeing to receive material confidential information in order to engage in meaningful negotiations, thereby rendering them unable to trade their holdings for so long as that information remained non-public.
90. The Work Fee, which does not form part of the Scheme and is not dependent nor conditional on the Scheme becoming effective, was payable upon the Interim Notes being issued and, as such, was paid on 29 July 2020 (prior to the launch of the Scheme process). The aggregate amount of the Work Fee paid equalled 1 per cent. of the principal amount of the Existing Notes, i.e. EUR 7,647,950. The Work Fee was shared *pro rata* between the members of the Ad Hoc Committee by reference to their holdings of the Existing Notes on 29 July 2020. The Scheme Company considers that this fee is *de minimis* and not material (looked at in isolation or together with the Early Bird Consent Fee and/or the Consent Fee).

## **PURPOSE OF THE SCHEME**

91. As explained above, pursuant to the Transaction, the Group is seeking to make certain amendments to the Existing Notes. Under the terms of the Existing Notes Indenture, the amendments being sought require the consent of 90 per cent. by value of the holders of the Existing Euro Notes (the "**Existing Euro Noteholders**") and 90 per cent. by value of the holders of the Existing Dollar Notes (the "**Existing Dollar Noteholders**") pursuant to a consent solicitation process.
92. The Scheme would, if approved, allow for the Existing Notes Amendments to be made with the consent of only a majority in number representing 75 per cent. in value of the Existing Noteholders present and voting at a creditors' meeting convened by the Court in respect of the Scheme. As further explained in paragraphs 115 to 132 below, it is proposed that the Existing Euro Noteholders and the Existing Dollar Noteholders vote together as one class in respect of the Scheme and so the relevant threshold would only need to be met in respect of the Existing Noteholders as a whole.

93. The Scheme will affect the claims of the Existing Noteholders arising directly or indirectly in relation to, or arising out of or in connection with, the Existing Notes under the Existing Notes Indenture (the "**Scheme Claims**"). The Scheme Claims of the Scheme Creditors are to be amended by the Scheme in order to give effect to the Existing Notes Amendments.
94. From the Scheme Effective Date (as defined in 98 below), the Scheme Company will be authorised to execute the documents required to implement the Existing Notes Amendments as contemplated by and in connection with the Scheme (the "**Notes Amendment Documents**") for and on behalf of the Scheme Creditors.
95. From the date that the conditions to the implementation of the Transaction (as set out in the Scheme and the relevant documents) have been satisfied or waived in accordance with the terms of the Scheme, the documents required to implement the Transaction (including the Notes Amendment Documents) will become effective in the order set out in the Scheme. As such, on such date:
- (a) pursuant to the terms of the Scheme:
    - i. the Existing Notes Amendments will become effective and the Scheme Claims of the Scheme Creditors will be amended accordingly;
    - ii. certain releases as set out in the Scheme will come into effect; and
  - (b) in addition, but conditional upon the Existing Notes Amendments being approved through the Scheme:
    - i. the New Notes will be issued to those Scheme Creditors that have elected to participate in the New Notes Issuance;
    - ii. the RCF will be repaid and discharged in full and any documents required to effect the same will become effective;
    - iii. certain fees payable to the advisers to the various parties to the Transaction will be paid; and
    - iv. the Backstop Fee in respect of the New Notes will be paid (by way of a deduction against the issue price in respect of the New Notes being issued to the Backstop Providers).
96. The Scheme will provide that within five Business Days of the Transaction becoming effective, the Early Bird Consent Fee and the Consent Fee will be paid to the eligible Scheme Creditors.
97. Further details of the Scheme will be set out in the explanatory statement (the "**Explanatory Statement**") to be provided in connection with the Scheme, which, provided that the Court gives its permission to convene the Scheme Meeting, will be made available to Scheme Creditors shortly after the Convening Hearing.

## **CONDITIONS TO THE EFFECTIVENESS OF THE SCHEME**

98. In order for the Scheme to become effective on its terms and legally binding on the Company and the Scheme Creditors (the "**Scheme Effective Date**"), amongst other things:
- (a) the Scheme must be approved by a majority in number representing 75 per cent. or more in value of the Scheme Creditors present and voting (in person or by proxy) at the Scheme Meeting convened for the purpose of considering the proposed Scheme;
  - (b) the Scheme must be sanctioned by the Court; and
  - (c) an official copy of the court order sanctioning the Scheme must be delivered to the Registrar of Companies for England and Wales.

## **CONDITIONS TO THE EFFECTIVENESS OF THE EXISTING NOTES AMENDMENTS AND THE TRANSACTION**

99. The terms of the Scheme and the Transaction (including the Existing Notes Amendments) shall be implemented under, and in accordance with, the documents required to effect the Transaction (including the Notes Amendment Documents) (the "**Transaction Documents**"). The Transaction (including the Existing Notes Amendments) is conditional upon the Scheme Effective Date occurring, Chapter 15 Recognition being obtained and the other conditions precedent under the Scheme and the Transaction Documents being fulfilled or waived in accordance with the terms thereof.
100. Pursuant to the terms of the Scheme, the Scheme Company will be granted authority to execute the Notes Amendment Documents on behalf of the Scheme Creditors on and from the Scheme Effective Date. However, the Notes Amendment Documents can only become effective in accordance with the terms of the Scheme and the terms of the Notes Amendment Documents.

## **SCHEME CREDITORS WILL BE AFFECTED BY THE SCHEME**

101. If the Scheme becomes effective, the Scheme will affect all Scheme Creditors. All Scheme Creditors (including those who do not vote in favour of the Scheme or those who do not vote at all in respect of the Scheme) will be bound by the terms of the Scheme, along with the Scheme Company and the Existing Notes Trustee.
102. The detailed terms of the Scheme will be included within the Scheme Documentation (as defined in paragraph 146 below).

## **CONSEQUENCES OF THE FAILURE OF THE SCHEME**

103. In the absence of the Scheme and the Transaction becoming effective, given the Group's current operating environment and the fact that it does not expect to reach its pre-Covid-19 operating levels until well into 2021, the Scheme Company and the Parent consider that the Group would not have sufficient

liquidity to (i) repay the RCF when it matures on 15 November 2020 (ii) to pay the coupon that would be due in respect of the Existing Notes on 31 October 2020 (the "**October Coupon**") (which the Scheme Company notes is subject to a 30 day grace-period under the Existing Notes Indenture) or (iii) pay the amounts that would then be outstanding in respect of its operational obligations (including repayment of over Euro 60 million of extended payables). If the Scheme were to fail, the RCF Standstill would terminate. There would then be events of default in respect of the RCF and the Interim Notes giving rise to acceleration rights in favour of the relevant creditors. If exercised, such acceleration rights would bring forward the repayment dates of the RCF and the Interim Notes and, in turn, lead to events of default and acceleration rights under the Existing Notes and other facilities of the Group.

104. The prospects of the Group and its key stakeholders, or indeed a third party, agreeing an alternative transaction that would enable the Group to repay the RCF and pay the October Coupon on the relevant payment dates (or earlier in the event of acceleration action) are very low. As such, the Group considers that, in the absence of the Transaction becoming effective including the failure of the Scheme, the Scheme Company, Codere Finance and Codere Newco S.A.U. (the principal obligors under the Existing Notes and the RCF) would enter formal insolvency proceedings. The Obligors in respect of the RCF and the Existing Notes would also likely enter formal insolvency proceedings.
105. Whilst it is possible that any insolvency officeholders appointed in respect of the Group may look to run sales processes in respect of parts of the Group's business, or may look to follow some other strategy to realise value, at present it is not possible to predict with any certainty the basis on which such alternative strategy might proceed. Indeed, the Scheme Company could not know at present whether there would be buyers in the market for the relevant assets were a sales process to be pursued, for example. Similarly, whilst assumptions could be made in respect such sales processes or alternative strategies and returns to creditors could be modelled on that basis, again the Group could not, at present, have any confidence that such assumptions would be reasonable or that any estimate of returns to creditors would be reliable within a reasonable range. This uncertainty is significantly increased by the current economic climate ensuing from the impact of the Covid-19 pandemic.
106. As such, it is the Scheme Company's view that formal insolvency proceedings (as described above) are the most likely outcome in the absence of the Scheme as there would be very considerable uncertainty in relation to whether it would be possible to pursue an alternative strategy. Given the nature of the Group's business, certain of the Group companies hold licences from the relevant regulatory authorities which are essential to the Group's operations. In the majority of cases, entry into insolvency proceedings by a Group company that is a license holder would be cause for termination of the license(s) held by it. For this reason and more generally, formal insolvency proceedings would be likely to result in substantial value destruction in respect of the Group and, as a result, substantial losses for the Existing Noteholders.

## **SCHEME JURISDICTION**

107. The Scheme Company considers that the Court has domestic jurisdiction under

English law to sanction the Scheme because the Company is incorporated and registered in England and Wales. Further, no rule of trans-national law, including in Regulation (EU) No 1215/2012 on Jurisdiction and Recognition and Enforcement of Judgments in Civil and Commercial Matters ("**Brussels (Recast) Regulations**"), excludes that jurisdiction. In particular, if the Brussels (Recast) Regulations applies in relation to the Scheme, the Court would have jurisdiction under the Brussels (Recast) Regulations because a number of Scheme Creditors (holding Existing Notes) are domiciled in England and Wales and are subject to the personal jurisdiction of the Court by virtue of having their head office, central administration or principal place of business in the jurisdiction of the Court.

108. The Scheme Company is in the process of procuring opinions from independent experts that the Scheme and the Transaction is likely to be recognised, and given effect to, in the jurisdictions in which the Group has material operations.

## **US CHAPTER 15 RECOGNITION**

109. As the Existing Notes are governed by New York law and certain of the Scheme Creditors are expected to be US persons, the Scheme Company will seek recognition ("**Chapter 15 Recognition**") under Chapter 15 of the US Bankruptcy Code (the "**Chapter 15 Filing**"). In order to help ensure enforcement in the US and to give effect to the Scheme (if approved by the requisite majority of Scheme Creditors and sanctioned by the Court) in the US, the Scheme Company has resolved to seek Chapter 15 Recognition and to commence the Chapter 15 Filing with the US Bankruptcy Court. Having taken legal advice (privilege in which is not waived), the Scheme Company considers that the Scheme is likely to be recognised by the US Bankruptcy Court as a foreign main proceeding.
110. Chapter 15 of the US Bankruptcy Code is designed to give judicial access to a foreign debtor (or representative thereof) to, among other things, protect the foreign debtor's US assets and authorise the foreign debtor or its representative to administer the foreign debtor's US assets. Chapter 15 is predicated on principles of comity and the fair and efficient administration of cross-border insolvencies. Chapter 15 functions through "recognition" of a foreign proceeding.
111. If the US Bankruptcy Court recognises the Scheme as a foreign "main" proceeding of the Company, the stay of actions and selected other provisions of the US Bankruptcy Code automatically take effect within the United States. If the US Bankruptcy Court recognises the Scheme as a foreign "non-main" proceeding of the Scheme Company, the US Bankruptcy Court must be petitioned for further relief. Once a foreign proceeding is "recognised" under Chapter 15, foreign judgments generally will be enforced unless "manifestly contrary to the public policy of the United States", which is a very demanding standard to meet.
112. The Scheme Company, through its foreign representative, will request that the US Bankruptcy Court holds a recognition hearing as soon as possible after the Scheme Effective Date. The granting of Chapter 15 Recognition will be a condition to the completion of the Transaction.

113. Notice of the Chapter 15 Filing and the relevant dates will be served upon all interested parties including the following:
- (a) the Scheme Company;
  - (b) the Existing Notes Trustee;
  - (c) Milbank LLP as counsel to the Ad Hoc Committee;
  - (d) all persons or bodies authorised to administer the Scheme proceedings;
  - (e) all parties required to be given notice under Rule 2002(q)(1) of the Federal Rules of Bankruptcy Procedure (the "**US Bankruptcy Rules**");
  - (f) the Information Agent; and
  - (g) such other parties with an interest in the relevant proceedings that have timely requested notice pursuant to the US Bankruptcy Rules.
114. Additionally, the Scheme Company will publish notice of the Chapter 15 Filing in the same manner as set out in paragraphs 6 and 7 above.

#### **THE PROPOSED VOTING CLASSES OF SCHEME CREDITORS**

115. More than 50 per cent. in number representing not less than 75 per cent. in value of those creditors who vote at a meeting of creditors convened for the purposes of considering the Scheme must vote in favour of the Scheme in order for it to be approved.
116. Where creditors have rights which are so dissimilar as to make it impossible for them to consult together with a view to their common interest, they must be split into separate classes and a separate scheme meeting must be held for each class of creditor.
117. The Scheme Company has considered the present rights of each of the Scheme Creditors under the Existing Notes and the way in which those rights will be affected under the Scheme and, having taken into account the previous decisions of the Court and having taken legal advice (privilege in which is not waived), has concluded that the Scheme Creditors constitute a single class for the purposes of the Scheme.
118. The Scheme Company considers that the rights of the Scheme Creditors are the same, or not so dissimilar as to make it impossible for them to consult together with a view to their common interest. We set out below the basis for this belief.
119. Each of the Scheme Creditors, being the Existing Euro Noteholders and the Existing Dollar Noteholders, has materially the same rights against the Scheme Company. The Scheme Company is of this view as:
- (a) in the event that the Scheme and, as a consequence, the Transaction are not implemented, the Scheme Company, Codere Finance and Codere Newco S.A.U. would likely enter into insolvency proceedings, as would

some or all of the other Obligors and members of the Group and, therefore, the appropriate comparator to the Scheme is an insolvency where the Existing Notes are unlikely to be repaid in full; and

- (a) the Existing Euro Notes and Existing Dollar Notes rank *pari passu* with each other and benefit from the same security and guarantees. As such, in an insolvency scenario the Scheme Creditors would have materially the same or similar rights against the Obligors and would therefore receive the same level of recovery in proportion to their holdings of the Existing Notes.
120. The Scheme Company does note that, as a result of the commercial negotiations, the Existing Euro Notes accrue interest at a rate of 6.75 per cent. annually whereas the Existing Dollar Notes accrue interest at a rate of 7.625 per cent. annually. On the basis that the likely alternative to the Scheme would be an insolvency, the differences in the interest rates would likely be of no consequence because the Existing Notes would be accelerated and only accrued interest at the date of insolvency would be provable. As such, the Scheme Company does not believe that this differential in interest rates is sufficient to make it impossible for the Existing Euro Noteholders to consult together with the Existing Dollar Noteholders.
121. If the Scheme becomes effective, the rights of the Scheme Creditors will be compromised in materially the same way. The Scheme Company is of this view as the Existing Notes Amendments will affect each Scheme Creditor's rights in substantially the same way. Although the Scheme Company notes that, following the Existing Notes Amendments coming into effect, the Existing Euro Notes will accrue interest at a different rate to the Existing Dollar Notes, the differential is very small and reflects the fact that the Existing Euro Notes and the Existing Dollar Notes currently accrue interest at differing rates. Therefore, the Scheme Company does not believe that the differential in future interest rates is sufficient to make it impossible for the Existing Euro Noteholders to consult together with the Existing Dollar Noteholders.
122. With respect to the New Notes, all Scheme Creditors will be given the same right to purchase their *pro rata* share of the New Notes, and will be given the same right to commit to purchase more than their Pro Rata Proportion.
123. With respect to the backstop arrangements, whilst only some and not all of the Scheme Creditors are Backstop Providers, the Scheme Company is of the view that the rights of the Scheme Creditors that are Backstop Providers are not so dissimilar to those that are not so as to make it impossible for them all to vote together in one class. It is possible, given the way the New Notes allocation mechanics work, that all Scheme Creditors including the Backstop Providers may only be entitled to purchase their *pro rata* share of the New Notes. In this respect, the Backstop Providers are not offered any additional rights under the Scheme *vis-à-vis* the other Scheme Creditors. Whilst the Backstop Providers will be eligible to payment of a fee in exchange for backstopping the New Notes, such fee is a commercial one being paid for the provision of a commercial service and, in the Scheme Company's view, it is *de minimis* and would not have a material effect on whether a Scheme Creditor would support the Scheme. The Scheme Company also notes that only certain members of the Ad Hoc Committee decided to participate in the backstop arrangements, and yet all of the Ad Hoc Committee have acceded to the Revised Lock-Up

Agreement and are supportive of the Transaction.

124. With respect to the fact that some Scheme Creditors have acceded to the Revised Lock-Up Agreement and others have not, the Scheme Company is of the view that the rights of the Scheme Creditors that are party to the Revised Lock-Up Agreement are not so dissimilar to those that are not a party to it so as to make it impossible for them all to vote together in one class. This is on the basis that:
- (a) all the Scheme Creditors were given the same right to accede to the Original Lock-Up Agreement and the Revised Lock-Up Agreement; and
  - (b) other than potentially being eligible to receive the Early Bird Consent Fee and/or the Consent Fee which, as discussed below, does not, in the Scheme Company's view prevent the Scheme Creditors from voting together in one creditor class, those Scheme Creditors who are party to the Revised Lock-Up Agreement are treated under the Scheme in the same manner as Scheme Creditors who are not party to the Revised Lock-Up Agreement.
125. With respect to the Early Bird Consent Fee and Consent Fee, whilst only those Scheme Creditors that acceded to the Original Lock-Up Agreement and/or the Revised Lock-Up Agreement before the relevant deadlines are entitled to receive the Early Bird Consent Fee and the Consent Fee, the Scheme Company is of the view that the rights of the Scheme Creditors entitled to receive the Early Bird Consent Fee and/or the Consent Fee are not so dissimilar to those that are not so entitled so as to make it impossible for them all to vote together in one class. This is on the basis that:
- (a) all the Scheme Creditors were given the same right to accede to the Original Lock-Up Agreement and the Revised Lock-Up Agreement before the relevant deadlines in order to avail themselves of the Early Bird Consent Fee and the Consent Fee. The fact that there was a material take up of the Early Bird Consent Fee and the Consent Fee, i.e. that the vast majority of the Consenting Noteholders acceded to the Original Lock-Up Agreement and/or the Revised Lock-Up Agreement before the relevant deadlines in respect of such fees, demonstrates that the offer of the Early Bird Consent Fee and the Consent Fee encouraged support for the Scheme and the Transaction in the short timeframe required; and
  - (b) as confirmed by discussions with certain Existing Noteholders, the Scheme Company's view is that the Early Bird Consent Fee and the Consent Fee is *de minimis* and would not have a material effect on whether a Scheme Creditor would support the Scheme.
126. The Scheme Company notes that certain Scheme Creditors were given the opportunity to purchase the Interim Notes and that, due to the urgency of the funding need, and compressed timeframe available, this opportunity was not offered to all Existing Noteholders. In this context, it is noted that the issue and purchase of the Interim Notes occurred outside of the context of the proposed Scheme and is independent of it. The issuance of the Interim Notes was not dependent nor conditional on the Scheme becoming effective, and those Scheme Creditors who are also holders of the Interim Notes are treated under

the Scheme in the same manner as Scheme Creditors who are not holders of the Interim Notes.

127. The Scheme Company notes that certain Scheme Creditors, in their capacity as members of the Ad Hoc Committee, were paid the Work Fee. The Work Fee was paid in July on or around the time of the issuance of the Interim Notes. In this context it is noted that the payment of the Work Fee occurred outside of the context of the proposed Scheme and is independent of it. The Work Fee represents commercial consideration being paid for the provision of a commercial service and risk undertaken by the members of the Ad Hoc Committee. The payment of the Work Fee was not dependent on the Scheme becoming effective, and those Scheme Creditors who are also members of the Ad Hoc Committee are treated under the Scheme in the same manner as Scheme Creditors who are not members of the Ad Hoc Committee. The Scheme Company considers that this fee is *de minimis* and not material (looked at in isolation or together with the Early Bird Consent Fee and/or the Consent Fee).
128. The Group has agreed to pay the fees of the advisers to the Ad Hoc Committee (the "**AHC Advisers' Fees**") in connection with the Transaction. The Scheme Company does not believe that this is sufficient to make it impossible for Scheme Creditors who are members of the Ad Hoc Committee to vote together with those Scheme Creditors who are not. This is because the AHC Advisers' Fees represent commercial consideration being paid for the provision of a commercial service, and an obligation that it was necessary for the Group to incur in order to be able to pursue the Transaction. The AHC Advisers' Fees will be paid to the relevant advisers rather than to members of the Ad Hoc Committee and, as such, the Ad Hoc Committee will derive no financial benefit from the payment of the AHC Advisers' Fees. As such, it is the Scheme Company's view, the payment of the AHC Advisers' Fees would not have a material effect on whether a Scheme Creditor would support the Scheme.
129. It is worth noting that for the purpose of determining the outcome of voting at the Scheme Meeting and the value of the New Notes that each Scheme Creditor is entitled to purchase, where all or part of a Scheme Creditor's holding of Existing Notes are denominated in USD, such holding will be converted into EUR. The relevant USD amount will be notionally converted into EUR by reference to a spot exchange rate to be confirmed in the Scheme Documentation (as defined in paragraph 146) . The Scheme Company does not consider that this difference between the treatment of EUR denominated claims and USD denominated claims gives rise to a class issue.
130. Given the above considerations, it is proposed that one meeting of the Scheme Creditors, the Scheme Meeting, be convened for the purposes of considering and, if the Scheme Creditors think fit, approving the Scheme. Therefore, in order for the Scheme to become effective, it must be approved by more than a majority in number representing not less than 75 per cent. in value of the Scheme Creditors who vote (either in person or by proxy) at the Scheme Meeting.
131. The Scheme Company is aware that one Scheme Creditor, Kyma Capital Limited, has suggested that the proposed voting class should be split into one class for the members of the Ad Hoc Committee and another for all other Scheme Creditors. However, for the reasons set out above, the Scheme

Company is not of that view.

132. **IMPORTANT: If any Scheme Creditor has comments as to the constitution of the Scheme Meeting which is proposed, or any other issues which they consider should be raised with the Court, they should in the first instance contact the Information Agent using the contact details set out in paragraph 150 below.**

## SCHEME CREDITOR ISSUES

133. This letter is intended to provide Scheme Creditors with sufficient information regarding the Scheme and the Transaction so that, should they wish to raise issues that relate to the jurisdiction of the Court to sanction the Scheme or to raise any other issue in relation to the constitution of the Scheme Meeting or which might otherwise affect the conduct of such Scheme Meeting, they may attend and be represented before the Court at the Convening Hearing. Scheme Creditors are also able to raise other issues at the Convening Hearing. Details relating to the court hearings are explained in paragraphs 137 to 143 below.
134. Scheme Creditors should consider taking advice from their professional advisers if they have any concerns in relation to the matters set out in this letter. Any Scheme Creditor with questions or concerns may also contact Clifford Chance LLP, legal advisers to the Scheme Company.
135. Scheme Creditors should be aware that under the terms of the Practice Statement, the Court has indicated that:
- (a) issues which arise as to the constitution of the Scheme Meeting ("**Class Issues**") or which otherwise affect the conduct of those meetings;
  - (b) issues which affect the jurisdiction of the Court to sanction a scheme of arrangement ("**Jurisdiction Issues**"); or
  - (c) any other issues which might lead the court to refuse to sanction the Scheme (other than those relating to the merits of the Scheme or fairness) ("**Other Issues**"),
- should be raised at the Convening Hearing.
136. If Scheme Creditors do not raise these issues at the Convening Hearing, whilst they will still be able to appear and raise objections at the later court hearing to sanction the Scheme (the "**Sanction Hearing**"), the Court at the Sanction Hearing would expect those Scheme Creditors to provide good reasons to explain why they did not previously raise any Class Issues, Jurisdiction Issues or Other Issues. Scheme Creditors should therefore raise any Class Issues, Jurisdiction Issues or Other Issues at the Convening Hearing.

## COURT HEARINGS

137. The Scheme Company intends to apply to the Court at the Convening Hearing for an order granting the Scheme Company certain directions in relation to the Scheme, including permission to convene the Scheme Meeting for the purpose

of considering and, if thought fit, approving the Scheme.

138. The Convening Hearing is currently anticipated to be held on 3 September 2020. As soon as the precise time and details of how to attend the Convening Hearing have been made available by the Court, such details will be:
- (a) notified to Scheme Creditors via the Clearing Systems;
  - (b) notified to the Existing Notes Trustee;
  - (c) made available to Scheme Creditors on the Scheme Website (<https://glas.agency/2020/07/13/codere-s-a/>);
  - (d) published via the Irish Stock Exchange;
  - (e) published via the CNMV; and
  - (f) published on the Codere website (<https://www.grupocodere.com/en/shareholders-investors/cnmv-filings/>).
139. Any change to the date of the Convening Hearing (or any other change to the Scheme timetable as envisaged in this letter) will also be notified as set out in paragraph 138 above as soon as possible.
140. The Scheme Company's applications at the Convening Hearing will be heard by a High Court Judge of the Chancery Division, Companies Court of the High Court of Justice of England and Wales at the Rolls Buildings Courts, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL, or via video link in light of the current Covid-19 pandemic.
141. Scheme Creditors have the right to attend in person or through counsel and make representations at the Convening Hearing, although they are not obliged to do so. Scheme Creditors who wish to attend the Convening Hearing in person or through counsel should contact Clifford Chance (using the contact details below) to obtain instructions for attending the Convening Hearing. At the Convening Hearing, the Scheme Company will also draw to the Court's attention any issues raised by Scheme Creditors in response to this letter.
142. Following the Convening Hearing, provided the Court has given its permission for the Scheme Company to convene the Scheme Meeting, the Scheme Company will notify Scheme Creditors in accordance with the directions of the Court of the time, date and directions on how to attend the Scheme Meeting, set out how Scheme Creditors may vote at the Scheme Meeting and provide further details of the terms of the Scheme. The Scheme Meeting are anticipated to be held on or around 22 September 2020.
143. Scheme Creditors will also have the opportunity to raise objections at the Sanction Hearing at which the Court will decide whether to exercise its discretion to sanction the Scheme (if the Scheme is approved at the Scheme Meeting by the requisite majorities). The Sanction Hearing is anticipated to be held on or around 29 September 2020.

## SCHEME WEBSITE

144. The Information Agent has set up the Scheme Website (<https://glas.agency/2020/07/13/codere-s-a/>) to disseminate information about the Scheme and to facilitate the implementation of the Scheme. Scheme Creditors may download documents relating to the Scheme from the Scheme Website once they have registered online. Scheme Creditors wishing to register online should contact the Information Agent as set out in paragraph 150.
145. If a Scheme Creditor encounters any technical difficulties in accessing any Scheme Documentation (as defined below) via the Scheme Website, please contact the Information Agent as set out in paragraph 150.

## NEXT STEPS

146. If permission to convene the Scheme Meeting is granted by the Court at the Convening Hearing, then you will be provided with (amongst other things) the following important documents:
- (a) a notice convening the Scheme Meeting;
  - (b) the Explanatory Statement relating to the Scheme;
  - (c) the Scheme and all accompanying documentation; and
  - (d) the voting and proxy forms for voting at the Scheme Meeting, including an "Account Holder Letter" which the Scheme Creditors may use to cast their vote in respect of the Scheme and to make certain elections with respect to the New Notes Issuance,
- (together, the "**Scheme Documentation**").
147. The Scheme Documentation will be made available in electronic format to Scheme Creditors by the Information Agent on the Scheme Website.
148. A notice regarding the availability of the Scheme Documentation on the Scheme Website will be circulated to Scheme Creditors via the Clearing Systems and on the Irish Stock Exchange.
149. As explained above, the Scheme Company is of the view that the Scheme is necessary in order to implement the Transaction and to avoid the need to place some or all of the companies in the Group into some form of insolvency proceedings in the near future. For this reason, all Scheme Creditors are encouraged to support the Scheme.

## CONTACT DETAILS AND FURTHER INFORMATION

150. If you have any questions in relation to this letter or the Scheme, please contact the Information Agent or the Scheme Company's legal advisers using the contact details below:

**GLAS Specialist Services Limited**  
45 Ludgate Hill  
London  
EC4M 7JU

Email: [LM@glas.agency](mailto:LM@glas.agency)

Telephone: +44 (0)20 3597 2940

Fax number: +44 (0)20 3070 0113

**Clifford Chance LLP**  
10 Upper Bank Street  
London  
E14 5JJ

Attention: Iain White and Tim Lees

Email: [ProjectClimb2020@CliffordChance.com](mailto:ProjectClimb2020@CliffordChance.com)

#### **CONCLUDING REMARKS**

The board of directors of the Scheme Company unanimously supports the proposals set out in this letter, believing that entry into the arrangements contemplated by the Scheme is in the best interests of the Scheme Company, the Group and the Scheme Creditors. Accordingly, the board of the Scheme Company seeks your support for the Scheme and recommends that you vote in favour of the Scheme at the Scheme Meeting.

**ANNEX**

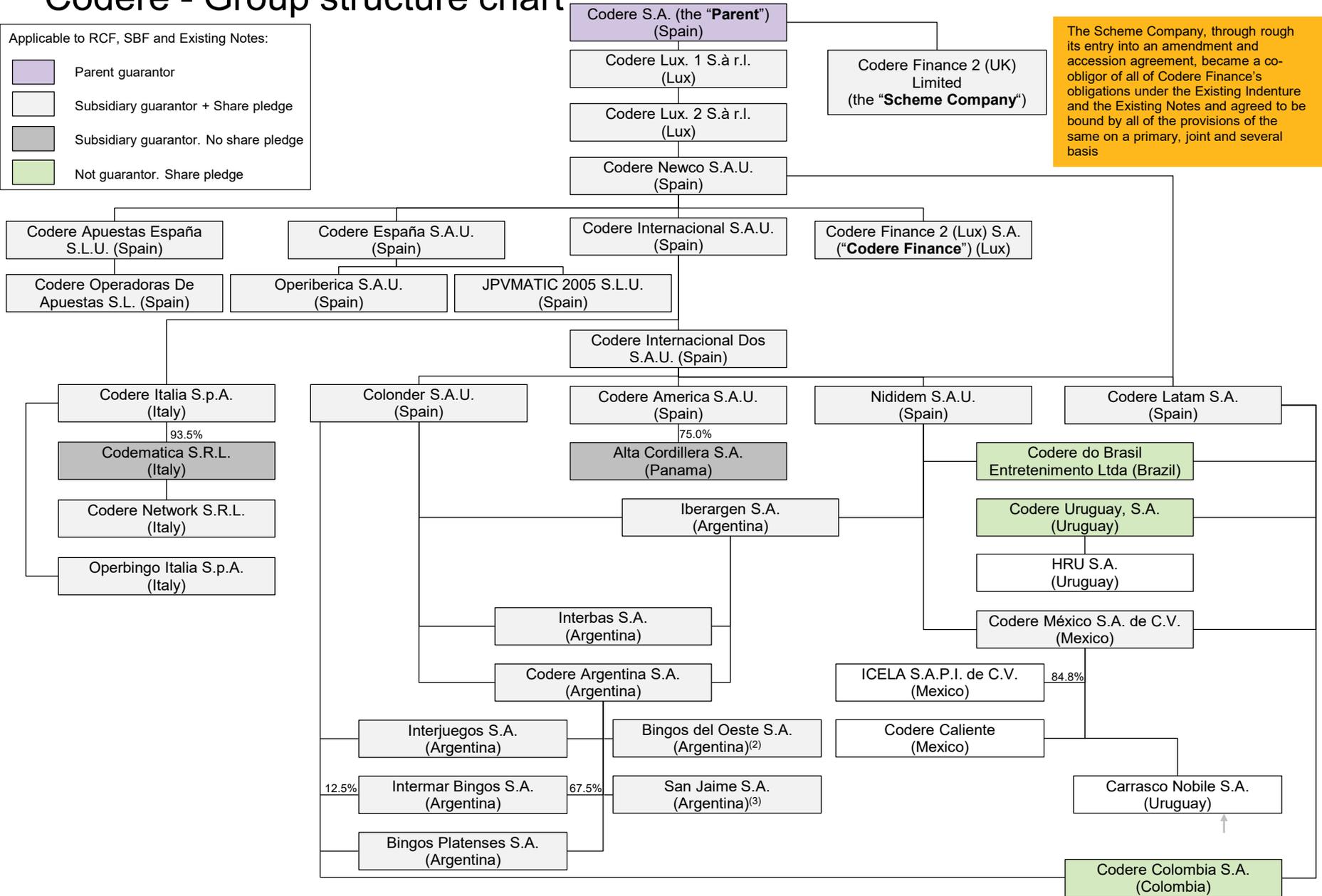
**Simplified Group Structure Chart**

# Codere - Group structure chart

Applicable to RCF, SBF and Existing Notes:

- Parent guarantor
- Subsidiary guarantor + Share pledge
- Subsidiary guarantor. No share pledge
- Not guarantor. Share pledge

The Scheme Company, through its entry into an amendment and accession agreement, became a co-obligor of all of Codere Finance's obligations under the Existing Indenture and the Existing Notes and agreed to be bound by all of the provisions of the same on a primary, joint and several basis



Notes:

Shareholding structure reflects 100% direct or indirect ownership, except as otherwise stated.

(1) Owned by Codere Argentina S.A. (95%) and Bingos Platenses S.A. (5%).

(2) Owned by Codere Argentina S.A. (95%) and Bingos del Oeste (5%).