Olympic Entertainment Group AS

Consolidated Annual Report 2017

Beginning of reporting period	1 January 2017
End of reporting period	31 December 2017

Business name	Olympic Entertainment Group AS
Registration number	10592898
Address	Pronksi 19, Tallinn 10124
Telephone	+372 667 1250
Fax	+372 667 1270
E-mail	info@oc.eu
Website	www.olympic-casino.com
Core activity	Provision of gaming services
Auditor	AS PricewaterhouseCoopers

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Corporate profile

Olympic Entertainment Group AS with its subsidiaries (hereinafter the "Group" or "OEG") is the leading provider of gaming services in the Baltic States (Estonia, Latvia and Lithuania) and operates casinos in Slovakia, Italy and Malta.

Olympic Entertainment Group AS is the Group's ultimate holding company, organising the strategic management and financing of the Group. The operations of local casinos are controlled by local subsidiaries.

The shares of Olympic Entertainment Group AS are listed on Tallinn Stock Exchange (OMX: OEG1T).

As at 31 December 2017, the Group had a total of 115 casinos and 27 betting points. At 31 December 2017, the Group operated 24 casinos in Estonia, 53 in Latvia, 17 in Lithuania, 6 in Slovakia, 14 in Italy and 1 in Malta. The Group employed 2,938 employees in 6 countries.

Group entities include:

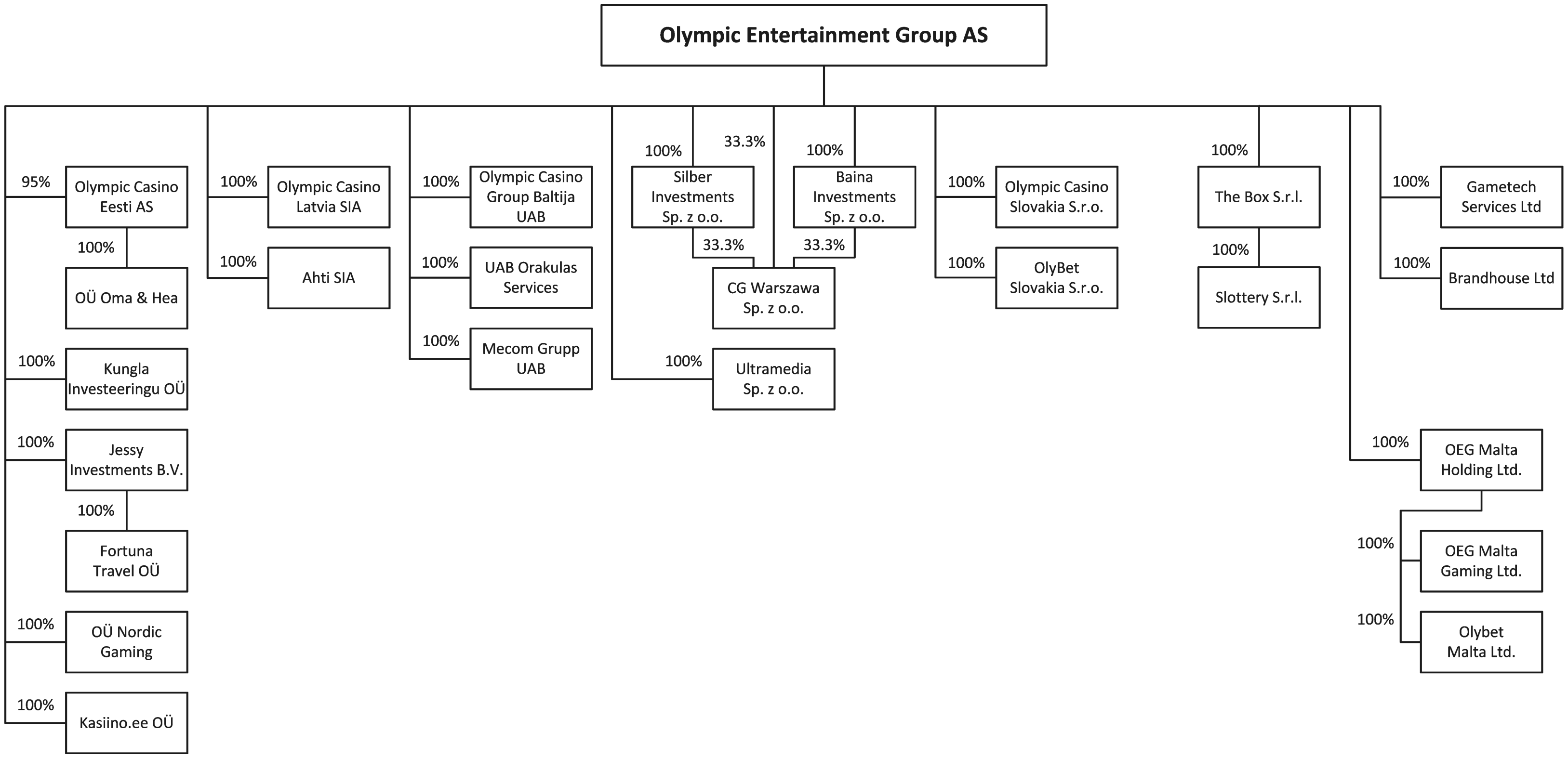
	Domicile	Ownership 31.12.2017	Ownership 31.12.2016	Area of activity
Olympic Casino Eesti AS	Estonia	95%	95%	Gaming services
Kungla Investeeringu OÜ	Estonia	100%	100%	Bar services
OÜ Oma & Hea	Estonia	95%	95%	Bar services
Fortuna Travel OÜ	Estonia	100%	100%	Hotel operations
Nordic Gaming OÜ	Estonia	100%	100%	Holding activities
Kasiino.ee OÜ	Estonia	100%	100%	Internet solutions
Olympic Casino Latvia SIA	Latvia	100%	100%	Gaming services
Ahti SIA	Latvia	100%	100%	Bar services
Olympic Casino Group Baltija UAB	Lithuania	100%	100%	Gaming services
Mecom Grupp UAB	Lithuania	100%	100%	Bar services
UAB Orakulas*****	Lithuania	0%	100%	Gaming services
UAB Orakulas Services	Lithuania	100%	0%	Software services
Silber Investments Sp. z o.o.*	Poland	100%	100%	Holding activities
Baina Investments Sp. z o.o.*	Poland	100%	100%	Holding activities
CG Warszawa Sp. z o.o.**	Poland	100%	100%	Gaming services
Ultramedia Sp. z o.o.	Poland	100%	100%	Holding activities
Olympic Casino Slovakia S.r.o	Slovakia	100%	100%	Gaming services
OlyBet Slovakia S.r.o.	Slovakia	100%	100%	Gaming services
Olympic Casino Bel IP***	Belarus	0%	100%	Gaming services
The Box S.r.l.	Italy	100%	100%	Holding activities
Jackpot Game S.r.l.****	Italy	0%	100%	Gaming services
Slottery S.r.l.	Italy	100%	100%	Gaming services
Jessy Investments B.V.	Holland	100%	100%	Holding activities
Gametech Services Ltd	Jersey	100%	100%	Software services
Brandhouse Ltd	Jersey	100%	100%	Holding activities
OEG Malta Holding Ltd	Malta	100%	100%	Holding activities
OEG Malta Gaming Ltd	Malta	100%	100%	Holding activities
Olybet Malta Ltd	Malta	100%	0%	Gaming services

* Polish subsidiaries Silber Investments Sp. z o.o., Baina Investments Sp. z o.o. and CG Warszawa Sp. z o.o. have submitted their bankruptcy petition to the court on 20 January 2017.
** Polish subsidiary CG Warszawa Sp. z o.o. bankruptcy petition was approved by the court.
*** Olympic Casino Bel IP was liquidated on 29 May 2017, therefore the ownership at 31 December 2017 equals 0.
**** On 28 June 2017 Jackpot Game S.r.l. was merged with Slottery S.r.l., therefore the ownership at 31 December 2017 equals 0.
***** On 31 August 2017 UAB Orakulas was merged with Olympic Casino Group Baltija UAB, therefore the ownership at 31 December 2017 equals 0.

Our vision
Our vision is to be a global casino and resort operator, best known for our excellent service and creative design.

Our mission
To give our guests a customer orientated, secure and safe environment with the finest design and craftsmanship, unparalleled in the industry and supported by the excellence of our name and reputation.

Group's structure at 31 December 2017



Declaration of the management

The members of the management board confirm that according to their best knowledge, the financial statements, prepared in accordance with the accounting standards in force, give a true and fair view of the assets, liabilities, financial position and profit or loss of Olympic Entertainment Group AS and the Group entities involved in the consolidation as a whole, and the management report gives a true and fair view of the development and results of the business activities and financial position of Olympic Entertainment Group AS and the Group entities involved in the consolidation as a whole and contains a description of the main risks and doubts.

Madis Jääger
Chairman of the Management Board

Meelis Pielberg
Member of the Management Board

15 March 2018

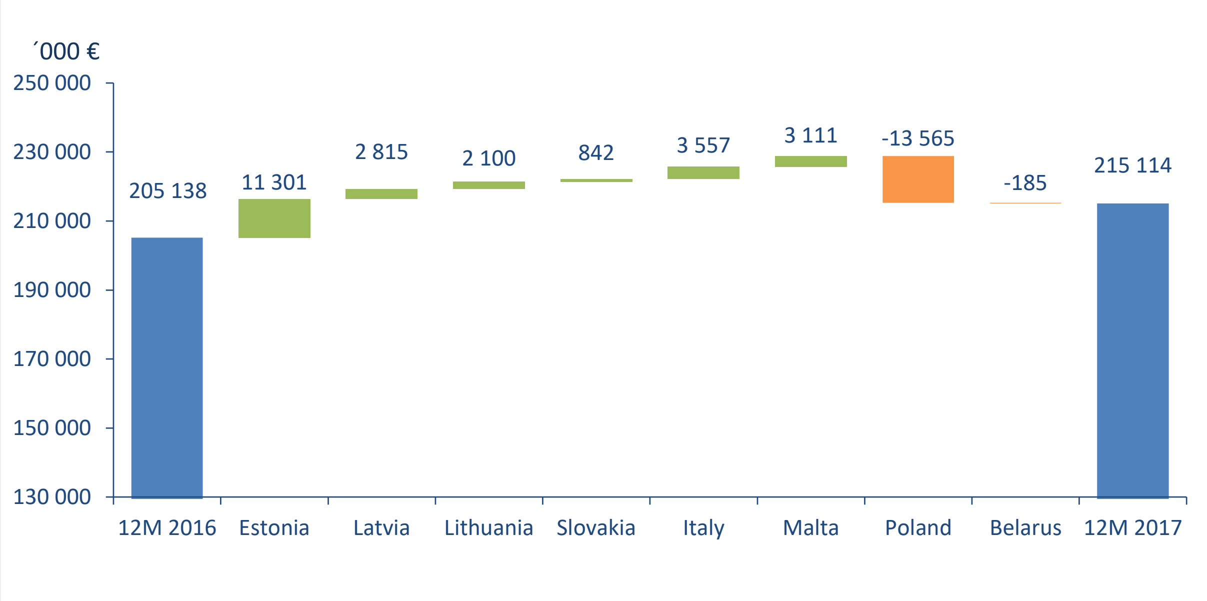
Management report

Overview of the economic activities

Key developments of the Group during 2017:

- The Group’s consolidated total revenue before gaming taxes for 2017 amounted to EUR 215.1 million, up 4.9% or EUR 10.0 million y-o-y.
- Total gaming revenue before gaming taxes accounted for 89.6% (192,7 m€) and other revenues for 10.4% (22.4 m€) of the Group’s consolidated total sales revenues for 2017. A year before the revenue split was 92.4% (189.5 m€) and 7.6% (15.7 m€), respectively.
- The Group’s consolidated EBITDA for 2017 amounted to EUR 47.3 million, a decline of 12.1% from EUR 53.8 million a year before. The Group’s consolidated operating profit decreased EUR 0.2 million (0.7%) to EUR 34.4 million. 2016 respective numbers included profit from the hotel real estate sales transaction in amount of EUR 17.8 million and impairment of goodwill and assets in Poland (loss from disposal of discontinued operation in Poland and remeasurement of net assets of discontinued operations was EUR 7.9 million).
- The Group’s consolidated net profit attributable to equity holders of the parent company for 2017 totalled EUR 30.0 million compared to EUR 29.3 million a year ago.
- In the current financial statements, Polish and Belarusian segments have been classified as discontinued operations, for which the net profit for 2017 amounted to EUR 0 million (in 2016 net loss of EUR 9.6 m).
- The financial results in the management report section of this report have been presented together with discontinued operations Poland and Belarus, whereas in the statement of comprehensive income the results of discontinued operations have been separated and presented in a single line. Please see page 13 for the income statements of continued and discontinued operations.
- The Group’s Polish subsidiary CG Warszawa Sp. z o.o. that operated the flagship casino of OEG in Warsaw until September 2016 submitted its bankruptcy petition to the court on 2 January 2017.
- On 11 January 2017 the Group established and registered the company Olybet Malta Limited in Malta with a share capital of EUR 5,000. The Group owns 100% of the shares of Olybet Malta Limited through a subsidiary. The aim of establishing the subsidiary is to develop a legal platform for the expansion of OEG group's activities in the business of remote gambling.
- The Group’s Polish subsidiaries Baina Investments sp. z o.o. and Silber Investments sp. z o.o. submitted their bankruptcy petitions to the court on 20 January 2017. These holding companies own shares in the OEG subsidiary CG Warszawa Sp. z o.o.
- On 27 February 2017 the Group announced that the Lithuanian subsidiary of OEG, UAB Orakulas, will be demerged into two entities within the first half of this year. The aim of the demerger was to adjust the group’s structure by separating the technology platform of online operations and trading and risk management for sports betting services from the operational activities of the subsidiary. OEG owned 100% of the shares in both entities after the demerger. The demerger was completed on 16 May 2017. The Group’s Lithuanian subsidiaries, Olympic Casino Group Baltija UAB and Orakulas UAB concluded a merger agreement on 7 June 2017. The merger was completed on 31 August 2017 and during the course of the merger Orakulas UAB was merged with Olympic Casino Group Baltija UAB. The aim of the merger was the adjustment of the group’s structure.
- On 28 March 2017 the Group initiated proceedings for delisting its shares from the main market of the Warsaw Stock Exchange. After receiving permission from the Polish Financial Supervision Authority the Group announced that its shares are delisted from Warsaw Stock Exchange as of 19 September 2017.
- On 4 April 2017 the Group announced that Bratislava City council adopted in 2017 two completely contradicting decisions regarding a petition to ban gambling operations. In case of the most negative scenario the subsidiaries of OEG have to close 3 casinos located in Bratislava on the expiry of licences from the beginning of 2019.
- The general meeting of shareholders held on 20 April 2017 decided to pay out dividends in the amount of EUR 15,179,120.60 (EUR 0.1 per share), that were paid out to shareholders on 9 May 2017.
- On 9 May 2017 the Group announced that the Italian subsidiaries of OEG, casino operating companies Slottery S.r.l. and Jackpot Game S.r.l., have concluded a merger agreement. The merger was finalised on 28 June 2017 and during the course of the merger Jackpot Game S.r.l. was merged with Slottery S.r.l. The aim of the merger was the adjustment of the group’s structure.
- On 29 May 2017 OEG announced of the liquidation of its Belarusian subsidiary Olympic Casino Bel IP. The aim of the liquidation was the adjustment of the group’s structure.
- On 18 October and 13 November OEG filed an action with a court regarding the decisions of cancellation of a permit to organise gambling activities in two and five casinos respectively located in Riga.
- Due to the expiry of the term of office for the members of the Management Board on 31 December 2017, the Supervisory Board of Olympic Entertainment Group AS decided on 7 December 2017 to prolong the term of office for the CEO until 31 December 2020 and for the COO until 31 December 2019.

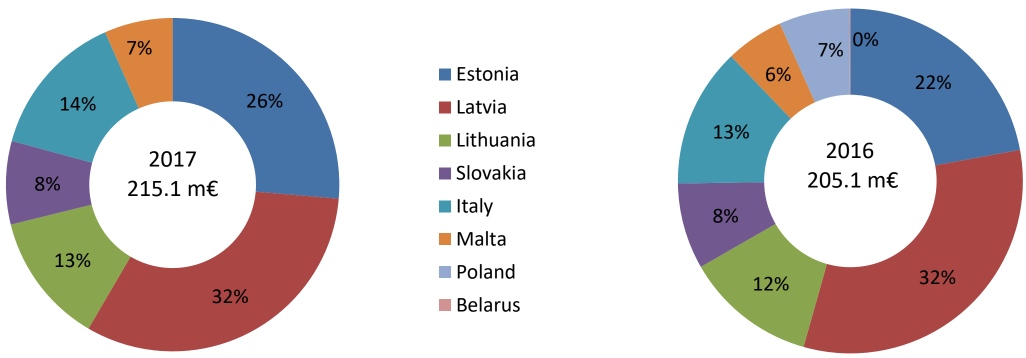
The Group's consolidated total revenue before gaming taxes bridge by segments:



The Group's consolidated total revenue before gaming taxes by segments:

'000€	2017	2016	Change
Estonia	56,665	45,364	24.9%
Latvia	69,000	66,185	4.3%
Lithuania	27,386	25,286	8.3%
Slovakia	17,388	16,546	5.1%
Italy	30,395	26,838	13.3%
Malta	14,280	11,169	27.9%
Poland	0	13,565	-100.0%
Belarus	0	185	-100.0%
Total	**215,114**	**205,138**	**4.9%**

Share of segments in the Group's total revenue before gaming taxes:



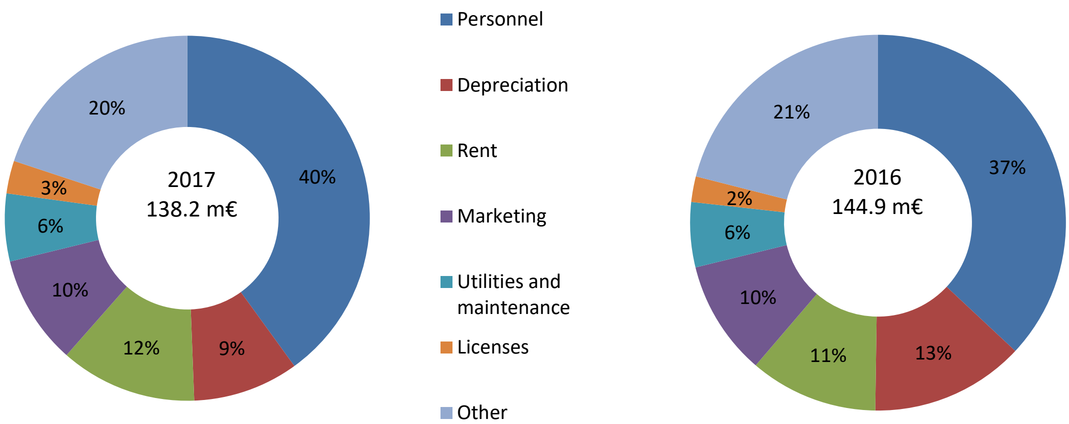
At the end of December 2017, the Group had 115 casinos with a total floor area of 36,690 m² (-2,123 m²) and 27 betting points with a total floor area of 690 m² (-166 m²).

Number of casinos by segment:

	31 December 2017	31 December 2016
Estonia	24	24
Latvia	53	54
Lithuania	17	18
Slovakia	6	8
Italy	14	15
Malta	1	1
Poland	0	0
Belarus	0	0
Total	**115**	**120**

The Group's consolidated operating expenses for 2017 amounted to EUR 138.2 million, down 4.6% or EUR 6.7 million y-o-y. Costs decline is caused by the fact that last year´s costs included impairment of goodwill and assets in Poland. Depreciation and impairment costs declined by 32.6% (-6.3 m€). The growth was highest in personnel expenses (+1.8 m€, +3.3%), licenses (+0.8m€, +25.8%), rent expenses (+0.7 m€, +4.6%) and utilities and maintenance costs (+0.2 m€, +2.3%). Personnel expenses (55.3 m€) and rent costs for premises (16.7 m€) represented the largest cost items accounting for 52.0% of total operating expenses.

The income statement presents revenue before gaming taxes, then gaming taxes and thereafter net revenue. Therefore, gaming taxes are not presented under operating expenses. Gaming taxes for 2017 decreased 3.4% (-1.5 m€) compared to 2016.



Key performance indicators of the Group

		2017	2016	2015	2014	2013
Revenue before gaming taxes	m€	215.1	205.1	177.2	157.8	149.0
Gaming tax	m€	-42.7	-44.2	-40.4	-34.4	-32.0
Net revenue	m€	172.4	161.0	136.8	123.4	117.0
Total net revenue and income	m€	172.6	179.5	137.4	123.8	117.6
EBITDA	m€	47.3	53.8	39.5	36.2	39.5
EBIT	m€	34.4	34.6	31.4	25.8	31.8
Net profit	m€	30.6	29.8	27.1	22.4	26.9
EBITDA margin	%	27.4	33.4	28.9	29.3	33.8
Operating margin	%	19.9	21.5	22.9	20.9	27.2
Net margin	%	17.8	18.5	19.8	18.2	23.0
Assets	m€	170.1	152.7	162.3	126.2	118.3
Equity	m€	145.3	129.9	122.9	109.2	102.0
ROE	%	22.8	24.4	23.4	21.4	29.4
ROA	%	19.0	18.9	18.8	18.3	23.7
Current ratio	times	2.7	2.1	1.4	3.0	3.2
Casinos at end of period	#	115	120	119	98	82
Casino floor area at end of period	m^2	36,960	39,083	33,969	32,242	28,031
Betting points at the end of period	#	27	31	34	0	0
Betting points floor area at end of period	m^2	690	856	970	0	0
Employees	#	2,938	3,024	3,118	2,665	2,515
Slot machines at end of period	#	4,019	4,123	4,101	3,470	3,003
Electronic roulette terminals at the end of period	#	110	106	122	96	160
Gaming tables at end of period	#	163	170	183	193	160
Tournament poker gaming tables at the end of period	#	59	64	65	46	61

Underlying formulas:

- EBITDA = earnings before financial expenses, income tax, depreciation and amortisation and impairment losses
- Operating profit = profit before financial expenses and income tax
- Net profit = net profit for the period before non-controlling interests
- EBITDA margin = EBITDA / net revenue
- Operating margin = operating profit / net revenue
- Net margin = net profit / net revenue
- ROE = net profit attributable to the shareholders of the parent company / average total equity attributable to the shareholders of the parent company
- ROA = net profit / average total assets
- Current ratio = current assets / current liabilities

Overview by markets

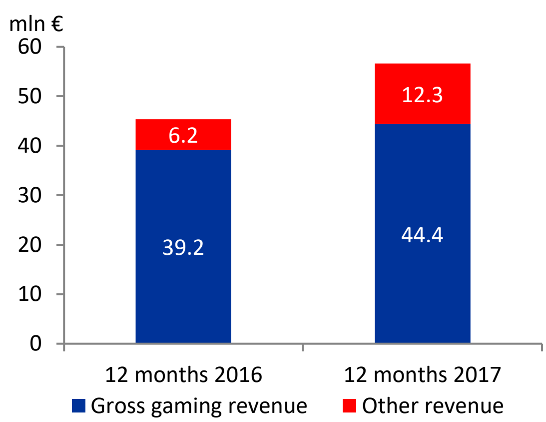
Estonia

Total revenue before gaming taxes of Estonian segment for 2017 amounted to EUR 56.7 million (+11.3 m€, +24.9%), EBITDA to EUR 10.7 million (-12.4 m€, -53.6%) and operating profit to EUR 7.0 million (-12.8 m€, -64.7%). The reason for the EBITDA and operating profit decline is that last year´s numbers included profit from the hotel property sales transaction in the amount of EUR 17.8 million. Gaming revenue before gaming taxes increased 13.3% y-o-y amounting to EUR 44.4 million and hotel revenue increased 50% y-o-y amounting to EUR 9.9 million.

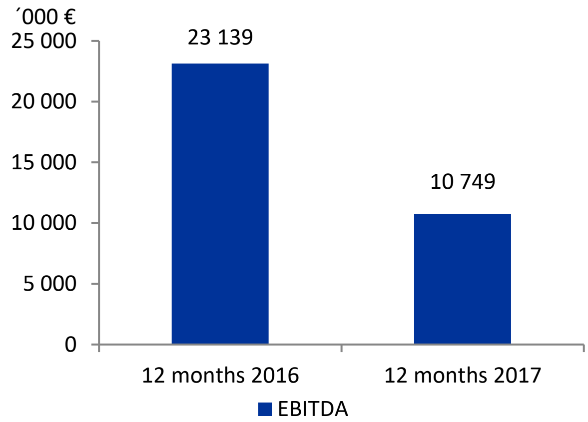
At the end of December 2017, there were 24 Olympic casinos with 988 slot machines, 46 electronic roulette terminals, 24 gaming tables and 24 poker tournament tables operating in Estonia. As at 31 December 2017 Estonian operations employed 709 people.

At the end of 2016, there were 24 Olympic casinos with 990 slot machines, 36 electronic roulette terminals, 24 gaming tables and 22 poker tournament tables operating in Estonia. As at 31 December 2016 Estonian operations employed 715 people.

Total revenue before gaming taxes



EBITDA



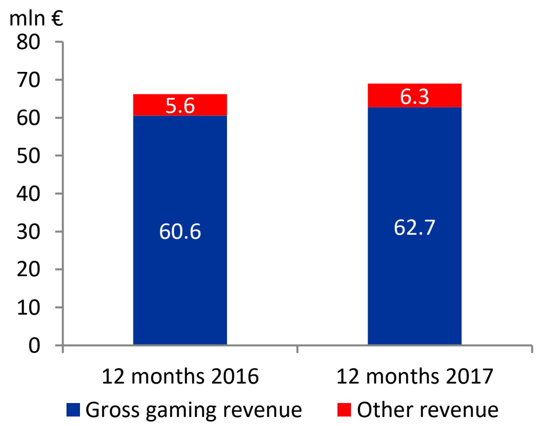
Latvia

Total revenue before gaming taxes of Latvian segment for 2017 amounted to EUR 69.0 million (+2.8 m€, +4.3%), EBITDA to EUR 29.0 million (+1.2 m€, +4.4%) and operating profit to EUR 25.0 million (+0.8 m€, +3.4%). Gaming revenue before gaming taxes increased 3.5% y-o-y amounting to EUR 62.7 million.

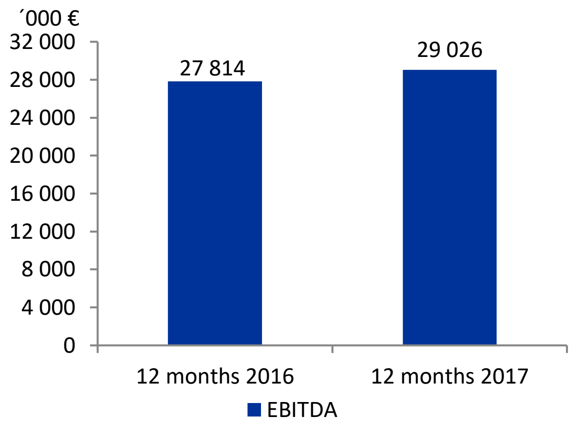
At the end of December 2017, there were 53 Olympic casinos with 1,463 slot machines, 8 electronic roulette terminals, 24 gaming tables and 9 poker tournament tables operating in Latvia. As at 31 December 2017 Latvian operations employed 920 people.

At the end of 2016, there were 54 Olympic casinos with 1,475 slot machines, 8 electronic roulette terminals, 24 gaming tables and 9 poker tournament tables operating in Latvia. As at 31 December 2016 Latvian operations employed 915 people.

Total revenue before gaming taxes



EBITDA



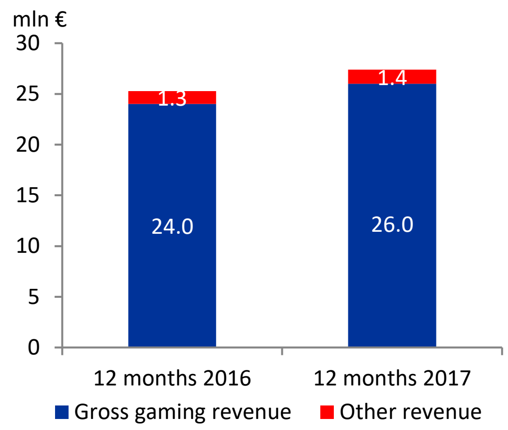
Lithuania

Total revenue before gaming taxes of Lithuanian segment for 2017 amounted to EUR 27.4 million (+2.1 m€, +8.3%), EBITDA to EUR 4.0 million (+1.7 m€, +75.3%) and operating profit to EUR 2.1 million (+1.4 m€, +185.6%). Gaming revenue before gaming taxes increased 8.3% y-o-y amounting to EUR 26.0 million.

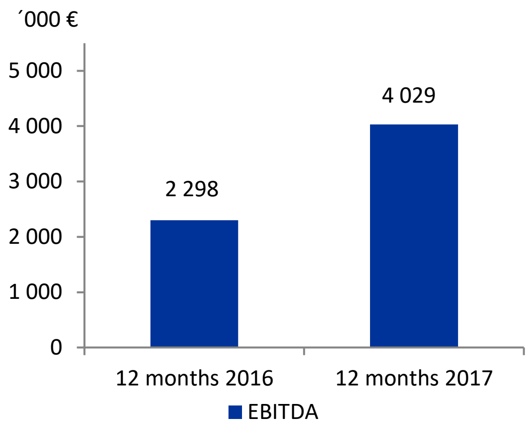
At the end of December 2017, there were 17 Olympic casinos with 511 slot machines, 8 electronic roulette terminals, 54 gaming tables and 2 poker tournament tables and 27 betting shops operating in Lithuania. As at 31 December 2017 Lithuanian operations employed 716 people.

At the end of 2016, there were 18 Olympic casinos with 543 slot machines, 8 electronic roulette terminals, 59 gaming tables and 2 poker tournament tables and 31 betting shops operating in Lithuania. As at 31 December 2016 Lithuanian operations employed 750 people.

Total revenue before gaming taxes



EBITDA



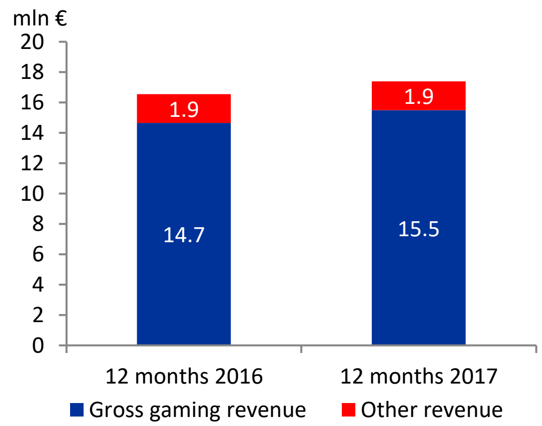
Slovakia

Total revenue before gaming taxes of Slovak segment for 2017 amounted to EUR 17.4 million (+0.8 m€, +5.1%), EBITDA to EUR 1.4 million (+0.3 m€, +25.3%) and operating profit to EUR 0.2 million (+0.2 m€). Gaming revenue before gaming taxes increased 5.7% y-o-y amounting to EUR 15.5 million.

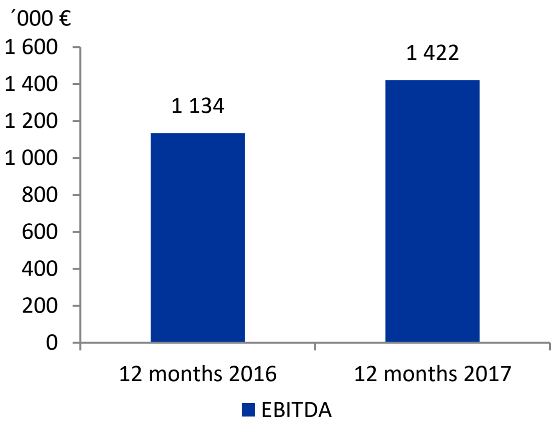
At the end of December 2017, there were 6 Olympic casinos with 249 slot machines, 30 electronic roulette terminals, 40 gaming tables and 19 poker tournament tables operating in Slovakia. As at 31 December 2017 Slovak operations employed 315 people.

At the end of 2016, there were 8 Olympic casinos with 291 slot machines, 36 electronic roulette terminals, 44 gaming tables and 21 poker tournament tables operating in Slovakia. As at 31 December 2016 Slovak operations employed 324 people.

Total revenue before gaming taxes



EBITDA



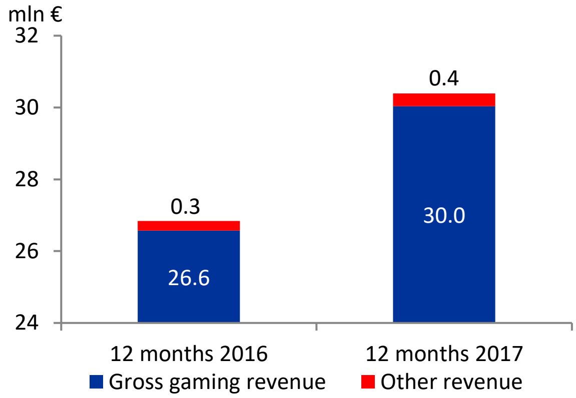
Italy

Total revenue before gaming taxes of Italian segment for 2017 amounted to EUR 30.4 million (+3.6 m€, +13.3%), EBITDA to EUR 1.3 million (+0.3 m€, +30.6%) and operating profit to EUR 0.5 million (-0.1 m€, -14.0%). Gaming revenue before gaming taxes increased 13.0% y-o-y amounting to EUR 30.0 million.

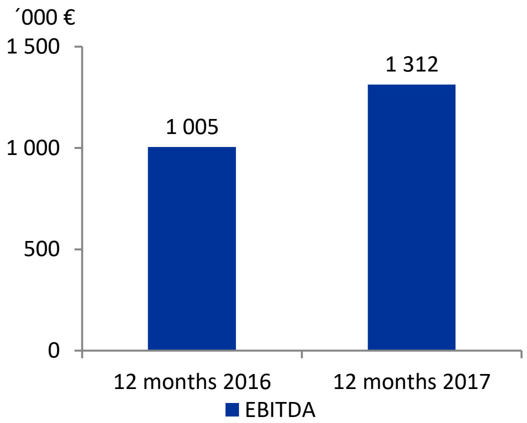
At the end of December 2017, there were 14 VLT slot casinos with 523 slot machines operating in Italy. As at 31 December 2017 Italian operations employed 88 people.

At the end of 2016, there were 15 VLT slot casinos with 539 slot machines operating in Italy. As at 31 December 2016 Italian operations employed 88 people.

Total revenue before gaming taxes



EBITDA



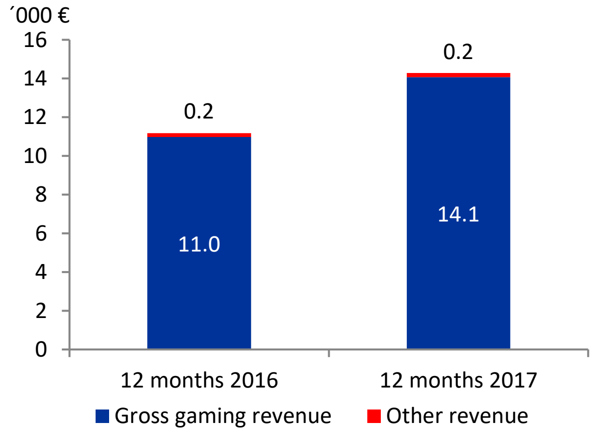
Malta

Total revenue before gaming taxes of Maltese segment for 2017 amounted to EUR 14.3 million (+3.1 m€, +27.9%), EBITDA to EUR 0.8 million (+0.9 m€) and operating loss to EUR 0.3 million (+0.9 m€). Gaming revenue before gaming taxes increased 28.1% y-o-y amounting to EUR 14.1 million.

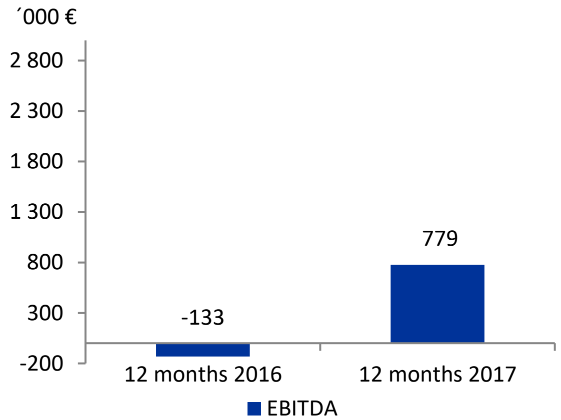
At the end of December 2017, there was 1 casino with 285 slot machines, 18 electronic roulette terminals, 21 gaming tables and 5 poker tournament tables operating in Malta. As at 31 December 2017 Maltese operations employed 189 people.

At the end 2016, there was 1 casino with 285 slot machines, 18 electronic roulette terminals, 19 gaming tables and 10 tournament poker tables operating in Malta. As at 31 December 2016 Maltese operations employed 209 people.

Total revenue before gaming taxes



EBITDA



Discontinued operations

Poland

Polish flagship casino was closed on 23 September 2016 due to the expiration of the location specific activity license. The Group remains to be interested in continuing its operations in the Polish market and plans to participate in the upcoming public tenders for the licenses. The main purpose of freezing the active operations was to minimise the everyday costs and expenses.

Belarus

In 2016 the Group announced its decision to exit the Belarusian gaming market due to the inefficient operations caused by the macroeconomic situation and poor prospects to increase profitability in Belarus.

The Group's income statements for continued and discontinued operations

Polish and Belarusian segments have been classified as discontinued operations.

	2017			**2016**		
	Continued operations	**Discontinued operations**	**Group total**	**Continued operations**	**Discontinued operations**	**Group total**
Gross gaming revenue	192,720	0	192,720	175,998	13,459	189,457
Other revenue	22,394	0	22,394	15,390	291	15,681
Total revenue before gaming taxes	**215,114**	**0**	**215,114**	**191,388**	**13,750**	**205,138**
Gaming taxes	-42,672	0	-42,672	-37,497	-6,672	-44,169
Net revenue	**172,442**	**0**	**172,442**	**153,891**	**7,078**	**160,969**
Other income	112	0	112	18,201	275	18,476
Total net revenue and income	**172,554**	**0**	**172,554**	**172,092**	**7,353**	**179,445**
Cost of materials, goods and services	-6,004	0	-6,004	-5,331	-113	-5,444
Other operating expenses	-63,574	0	-63,574	-60,311	-3,930	-64,241
Staff costs	-55,302	0	-55,302	-50,667	-2,872	-53,539
Depreciation, amortisation and impairment	-12,982	0	-12,982	-11,371	-7,858	-19,229
Changes in fair value of investment property	28	0	28	7	0	7
Other expenses	-357	0	-357	-525	-1,879	-2,404
Total operating expenses	**-138,191**	**0**	**-138,191**	**-128,198**	**-16,652**	**-144,850**
Operating profit (-loss)	**34,363**	**0**	**34,363**	**43,894**	**-9,299**	**34,595**
Interest income	13	0	13	26	47	73
Interest expense	-2	0	-2	-41	0	-41
Foreign exchange gains (losses)	-50	0	-50	16	5	21
Other finance income and costs	-21	0	-21	-23	0	-23
Total finance income and costs	**-60**	**0**	**-60**	**-22**	**52**	**30**
Profit (-loss) before income tax	**34,303**	**0**	**34,303**	**43,872**	**-9,247**	**34,625**
Income tax expense	-3,670	0	-3,670	-4,448	-371	-4,819
Net profit (-loss) for the period	**30,633**	**0**	**30,633**	**39,424**	**-9,618**	**29,806**
Attributable to equity holders of the parent company	*30,028*	*0*	*30,028*	*38,920*	*-9,628*	*29,292*
Attributable to non-controlling interest	*605*	*0*	*605*	*504*	*10*	*514*

Financial position
At 31 December 2017, the total assets of the Group amounted to EUR 170.1 million, up 11.4% or EUR 17.4 million compared to the same period a year ago.

Current assets totalled EUR 65.9 million or 38.7% of total assets and non-current assets EUR 104.2 million or 61.3% of total assets. The liabilities amounted to EUR 24.8 million and equity to EUR 145.3 million. The largest liabilities included suppliers payables and advances (9.1 m€), tax liabilities (5.6 m€) and payables to employees (5.3 m€).

Investments
Within 2017, the Group's expenditures on property, plant and equipment totalled EUR 10.2 million (-22.9 m€, -69.2%), of which EUR 6.2 million was invested into construction and reconstruction of casinos and EUR 3.4 million into new gaming equipment. 2016 also includes investments into the hotel construction, which is why investments for 2017 were lower.

Cash flows
The Group's cash flows generated within 2017 from operating activities amounted to EUR 46.0 million (+11.5 m€) and cash flows used in investing activities to EUR -10.0 million (+14.2 m€). Financing cash flows amounted to EUR -15.4 million (-8.3 m€). Net cash flows totalled EUR 20.6 million (+17.4 m€).

Staff
As at 31 December 2017 the Group employed 2,938 people, down by 86 y-o-y.

Within 2017, total personnel expenses amounted to EUR 55.3 million (+1.8 m€, +3.3%). In 2017, the members of the Management Board and Supervisory Board of all Group entities were paid remuneration and benefits including social security taxes in the amount of EUR 1,000 thousand (2016: EUR 1,286 thousand) and EUR 149 thousand (2016: EUR 149 thousand), respectively.

At 31 December 2017 share option agreements were concluded with the Members of the Management Board of Olympic Entertainment Group AS and Group's key employees. According to concluded share option agreement each Member of the Management Board is eligible to subscribe to 100,000 Olympic Entertainment Group AS shares till the end of the share option program. The number of shares that can be subscribed to by Group's key employees is individual. Exact number of shares that can be subscribed to by each Member of Management Board and key employee depends on the fulfilment of Group's financial objectives and objectives related to specific areas of responsibilities of each member of management board and key employee. Option holder has a right to subscribe to the shares starting from 1 January 2021. Share option program ends on 28 February 2021.

At 31 December 2014 share option agreements were concluded with the Members of the Management Board of Olympic Entertainment Group AS and Group's key employees. According to concluded share option agreement each Member of the Management Board is eligible to subscribe to 100,000 Olympic Entertainment Group AS shares till the end of the share option program. The number of shares that can be subscribed to by Group's key employees is individual. Exact number of shares that can be subscribed to by each Member of Management Board and key employee depends on the fulfilment of Group's financial objectives and objectives related to specific areas of responsibilities of each member of management board and key employee. Option holder has a right to subscribe to the shares starting from 1 January 2020. Share option program ends on 28 February 2020.

Basic principles of personnel policy
Olympic Casino is a learning and growing organization, constantly in pursuit of new and better HR practices to raise the bar for customer service.

The Human Resources function (HR) in the group provides strategic partnership to senior and line managers in respect to achievement of the company's mission – to give company guests a customer-orientated, secure and safe environment with the finest design and craftsmanship, unparalleled in the industry and supported by the excellence of our name and reputation. Following the company's mission statement and living its core values – passion for service, responsible, entertaining and rewarding – HR is there to ensure employees' engagement which is the cornerstone of the company's true success – customer engagement.

Following the goal to enhance customer satisfaction and loyalty, in 2017 we have revised the remuneration and bonus system for our frontline personnel by assigning a major role to desired pattern of behavior. By doing that we have given the ultimate opportunity to each employee at our casinos to be rewarded mainly based on personal competence level and attitude. As we have observed afterwards, the remuneration system upgrade has fostered employees' motivation to learn and contribute even more to the achievement of customer engagement.

We truly believe that clear goals and regular feedback is the foundation of a meaningful job which, in turn, is the foundation of employee engagement. For that reason, in 2017 we introduced a personal target system for all administration positions which directly link business key performance indicators to personal contribution. As a result of this change, our employees have got comprehensive priorities set for their daily routines and agreements with their managers of the target-related competence development needs.

By setting individual targets for administrative personnel and implementing the new remuneration system for frontline employees we have also reinforced the practice of regular communication and feedback-sharing between management and employees. Since 2017 we have strengthened a 3-level feedback system: (1) the policy of Info Days as the annual forum of all employees during which the feedback of last year’s results and achievements is given and the new year’s company targets and new projects are being disclosed in the group; (2) monthly feedback giving as a part of revised frontline monthly evaluation process; (3) individual and well-structured feedback sharing to all employees during the process of annual development discussions.

On parallel, we have been looking for new and engaging methods sharing know-how, obtaining new skills and knowledge and doing it in an efficient way. During 2017 we developed new training programs and conducted dozens of training workshops with our frontline employees to assess together the customer journey at our casinos and agree on the service improvement steps. We also worked on new project assignments which have given both a valuable professional and life experience to our talents.

Key objectives for year 2018

- To continue to increase its market share in all of its operating markets;
- To find new opportunities for the expansion of the Group’s business;
- To improve the Group’s position in the online services segment and to create additional synergies with other operating segments of the Group.

Economic environment

2017 did not bring any major changes in the economic environment of the countries where the Group operates that would significantly impact the Group’s operations. The Group is monitoring the labour market developments closely in light of the wage pressure.

	2017 quarterly GDP growth (% y-o-y)			
	Q1	**Q2**	**Q3**	**Q4**
Estonia	3.9	5.3	4.5	5.3
Latvia	4.2	4.9	6.2	4.7
Lithuania	4.0	4.1	3.6	3.8
Slovakia	3.1	3.4	3.5	3.6
Italy	1.3	1.6	1.7	1.6
Malta	6.1	7.7	7.7	
EU 28	2.2	2.5	2.8	2.6

Description of main risks

The risk management policy of the Group is based on the requirements established by regulative bodies, generally accepted practices and internal regulations of the Group. The Group is guided by the principle to manage risks in a manner that ensures an optimal risk to income ratio. As part of the risk management of the Group, all potential risks, their measurement and control are defined, and an action plan is prepared to reduce risks, thereby ensuring the achievement of financial and other strategic objectives of the Group.

Business risks

The macro-economic development of operated markets and related changes in the consumption habits of clients are the factors that influence the Group the most. To manage risks, the Group monitors and analyses the general development of markets and the activities of competitors, as a result of which the Group will adjust operational activities, including marketing activities, if necessary.

The gaming sector as a whole is significantly influenced by regulative changes and supervisory activities at the state and local level. The Group estimates that the regulative risk is managed by presence in six different jurisdictions.

Currency risk
The Group earns income in euros, thus changes in exchange rates of foreign currencies against the euro have no major effect on the Group's operating profit.

Credit risk
The Group's settlements with clients are to a great extent immediately carried out in cash or by payment cards. The Group accepts banks with the credit rating of A and B where the most of the Group's funds have been deposited. Credit risk of the Group is related to cash, its equivalents and other positions of financial assets.

Management and Supervisory Boards

The Management Board of Olympic Entertainment Group AS comprises of two members. In the daily management activities, the Management Board of the Company is independent and is guided by the best interests of all shareholders, thereby ensuring sustainable development of the Company according to the set objectives and strategy. The Management Board also ensures the functioning of internal control and risk management procedures in the Company. The Supervisory Board of Olympic Entertainment Group AS elects members of the Management Board for a term up to three years.

Madis Jääger – Chairman of the Management Board and CEO since 2012 (member of the Management Board since 2010). Madis Jääger graduated from Estonian Business School in 2002 with a degree in International Business Administration major in accounting and banking *cum laude*. Madis Jääger owns directly and through the companies controlled by him a total of 75,000 Company's shares.

Meelis Pielberg – member of the Management Board and head of casino operations since 2012. Meelis Pielberg graduated from Estonian Maritime Academy in 2000. Meelis Pielberg owns directly and through the companies controlled by him a total of 50,000 Company's shares.

The Supervisory Board of Olympic Entertainment Group AS comprises of three members, chairman of the Supervisory Board Armin Karu leads the work of Supervisory Board, Jaan Korpusov and Liina Linsi are the members of the Supervisory Board. The General Meeting of Shareholders of Olympic Entertainment Group AS elects members of the Supervisory Management Board for five years.

- Armin Karu – Chairman of the Supervisory Board since 2008. Armin Karu is the founder of the Company. He graduated from Haaga Institute in Finland (International Management Diploma 1998; MBA 2005). Armin Karu owns directly and through the companies controlled by him a total of 68,364,790 Company's shares.
- Jaan Korpusov – member of the Supervisory Board since 2006. Jaan Korpusov graduated from University of Tartu in 1985 the faculty of history. Jaan Korpusov owns directly and through the companies controlled by him a total of 28,761,910 Company's shares.
- Liina Linsi – member of the Supervisory Board since 2006. Liina Linsi graduated from University of Tartu (law) in 1984 *cum laude*. Liina Linsi owns directly and through the companies controlled by her a total of 26,000 Company's shares.

Shares of Olympic Entertainment Group AS

The shares of Olympic Entertainment Group AS are listed in the main list of Tallinn Stock Exchange since 23 October 2006. The Company's registered share capital is EUR 60,716,482.40. The share capital is divided into 151,791,206 ordinary shares with the book value of EUR 0.40 each.

Each share carries one vote. There are no preference shares. There are no other instruments that carry voting rights, nor are there restrictions or agreements on voting.

ISIN	EE3100084021
Ticker symbol	OEG1T
Market	BALTIC MAIN LIST
Number of securities issued	151,791,206
Number of listed securities	151,791,206
Listing date	23 October 2006

Movements in the share price (in EUR) and traded volume (number of securities) of Olympic Entertainment Group AS during the period of 01 January 2013 – 31 December 2017:

History of trading in the share in Olympic Entertainment Group AS (in euros):

	2013	2014	2015	2016	2017
Opening price	1.790	1.860	1.700	1.790	1.780
Highest price	2.060	2.060	2.020	2.020	1.910
Lowest price	1.680	1.660	1.670	1.730	1.670
Average price	1.871	1.886	1.846	1.867	1.801
Last price	1.860	1.700	1.790	1.780	1.810
Number of shares traded	26,938,802	19,637,838	16,571,997	19,511,231	20 503 120
Turnover (EUR million)	50.41	37.04	30.59	36.42	36.92
Capitalisation (EUR million)	281.47	258.05	271.71	270.19	274.74
P/E ratio	11.0	12.0	10.6	9.1	9.0

Comparison of the share of Olympic Entertainment Group AS with indices during the period of 01 January 2013 – 31 December 2017:

Index/share	1 Jan 2013	31 Dec 2017	+/-%
OMX Baltic Benchmark GI	546.98	944.09	72.60
OMX Tallinn	734.20	1,242.12	69.18
OEG1T	1.78 EUR	1.810 EUR	1.69

Largest shareholders of Olympic Entertainment Group AS at 31 December 2017:

	31.12.2017	31.12.2016
OÜ HANSAASSETS*	45.04%	45.04%
OÜ Hendaya Invest*	18.95%	18.95%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	3.69%	2.23%
RBC INVESTOR SERVICES BANK S.A./ LUX-NON RESIDENTS / DOMESTIC RATE-UCITS CLIENTS ACCOUNT	1.69%	1.80%
NORDEA BANK FINLAND PLC, CLIENTS	1.31%	1.13%
SEB S.A. CLIENT ASSETS UCITS	1.30%	1.17%
CITIBANK (NEW YORK) / GOVERNMENT OF NORWAY	1.28%	1.19%
FIREBIRD REPUBLICS FUND LTD	1.26%	1.11%
AB SEB BANKAS	1.09%	0.00%
TRIGON UUS EUROOPA FOND	0.95%	0.64%

**shareholders with over 5% holding*

Structure of Olympic Entertainment Group AS shareholders:

Dividends
The Group is under no permanent or fixed obligation to regularly pay dividends to its shareholders. The Group will try to keep the dividends payments at the level of previous years in case the capital structure allows it and there are no other better investment cases into Group expansion. Recommendation of the Management Board for profit allocation is based on financial performance, requirements for current capital, investment needs and strategic considerations. In 2017 the Group has paid dividends in the amount of 0.10 euros per share for the year of 2016.

Corporate governance recommendations

Olympic Entertainment Group AS (hereinafter also referred to as the "Company") observes applicable legislation, the rules of the Tallinn Stock Exchange, and the Corporate Governance Recommendations (CGR). The principles of the CGR which the Company does not comply with are explained below (in *italics*) together with references to relevant articles of the CGR.

General Meeting of Shareholders
The Company's highest governing body is the General Meeting of Shareholders. Each shareholder of Olympic Entertainment Group AS may attend the General Meeting where he or she may speak on any agenda item, may ask questions and may make proposals. The Company gives notice of a General Meeting on the website of the Tallinn Stock Exchange, on its own website at www.olympic-casino.com, and in at least one national daily newspaper. General Meetings may be attended by shareholders and their duly appointed proxies holding proper letters of authorisation.

The Company's Management and Supervisory Boards provide shareholders with all relevant information required for making decisions at the General Meeting and make all materials relevant to the agenda items available to the shareholders. The agenda of a General Meeting is published in the notice of the General Meeting, on the Company's website, and on the website of the Tallinn and Warsaw Stock Exchanges. Shareholders can review the proposals made and the arguments and explanations provided by the Supervisory Board before the General Meeting on the Company's website and on the website of the Tallinn and Warsaw Stock Exchanges. In addition, shareholders may send questions about the agenda items via email to info@oc.eu.

The Company does not make observing and attending General Meetings possible through communication channels to avoid excessive expenses and because of the lack of explicit need for it (CGR 1.3.3.).

In 2017, the Annual General Meeting of Shareholders convened on 20 April 2017 at the Conference centre of Hilton Tallinn Park (Kreutzwaldi 23, Tallinn, Estonia). The Chairman of the Supervisory Board Armin Karu, members of the Supervisory Board Jaan Korpusov and Liina Linsi, the Chairman of the Management Board Madis Jääger, the Member of the Management Board Meelis Pielberg and auditor Lauri Past attended the meeting.

Shareholders representing 72.24% shareholding were present at the Annual General Meeting. Under the Articles of Association of Olympic Entertainment Group AS, the General Meeting has a quorum when more than half of the votes represented by shares are present. Accordingly, the meeting had the quorum required for passing resolutions.

Management Board
The Management Board of Olympic Entertainment Group AS comprises two members, where the Chairman is Madis Jääger and member is Meelis Pielberg. The main area of responsibility of the Chairman of the Management Board Madis Jääger was

general management, financial management and investor relations issues. Member of the Management Board Meelis Pielberg was responsible for casino operations and implementation of development projects. The Management Board is completely independent in matters concerning the daily management of the Company and acts in the best interests of all shareholders, ensuring the sustainable development of the Company in accordance with set objectives and adopted strategies, and the implementation and execution of appropriate internal control and risk management procedures. The Supervisory Board of Olympic Entertainment Group AS elects members of the Management Board for a term up to three years.

The principles of paying remuneration to the members of the Management Board are decided by the Supervisory Board in conformity with the requirements of the CGR. The Management Board's bonus systems are based on board members' responsibilities and the attainment of specific, comparable and previously set targets.

The Company does not disclose basic remuneration, performance pay, and termination and other benefits, paid to each member of the Management Board because this constitutes sensitive personal information and its disclosure is not imperative for evaluating the Company's performance and management (CGR 2.2.7.). The aggregate amount of the benefits paid to the members of the Management Boards of all Group entities in 2017 is presented in the "Personnel" section of the management report. The members of the Management Board avoid conflicts of interest and observe the prohibition on competition.

Supervisory Board

In 2017, the Company's Supervisory Board had three members – Armin Karu, Jaan Korpusov and Liina Linsi. The Supervisory Board is elected for a term of five years. The terms of office of Jaan Korpusov and Liina Linsi will expire at 11 September 2018. The term of office of Armin Karu will expire at 13 August 2018.

The Chairman of the Supervisory Board is Armin Karu. Independent member of the Supervisory Board is Liina Linsi. All members of the Supervisory Board have the knowledge and experience required for performing their duties and act in accordance with effective legislation and the Corporate Governance Recommendations. The Supervisory Board supervises the activities of the Management Board and participates in the adoption of all significant decisions, acting in the best interests of all shareholders. The Supervisory Board meets according to the need but not less frequently than once in every three months. The Supervisory Board approves the Company's strategy, activity plans, risk management policies, annual budgets and investment plans and performs other duties vested in the Supervisory Board. The Supervisory Board evaluates the performance of the Management Board in implementing the Company's strategy on a regular basis. The Supervisory Board has formed an Audit Committee.

All members of the Supervisory Board have attended all meetings of the Supervisory Board. The members of the Supervisory Board avoid conflicts of interest, act in the best interests of all shareholders and observe the prohibition on competition. The Supervisory and Management Boards cooperate closely for better development of the Company, acting in conformity with the Company's Articles of Association. In data exchange and communication, all members of the Supervisory and Management Boards follow the confidentiality protocol. The Management Board ensures that the confidentiality protocol is also observed by the Company's employees who have access to price sensitive information.

The Company does not disclose the benefits, including basic remuneration, additional remuneration, and termination and other benefits, paid to each member of the Supervisory Board because this constitutes sensitive personal information and its disclosure is not imperative for evaluating the Company's performance and management (CGR 3.2.5.). The aggregate amount of the benefits paid to the members of the Supervisory Board of all Group entities in 2017 is presented in the "Personnel" section of the management report.

Disclosure of information, financial reporting and auditing

The Company follows all information disclosure requirements provided in the CGR and treats all shareholders equally. All required information and financial statements are made available in Estonian and in English on the Company's website and the website of the Tallinn Stock Exchange, and in English on the website of the Warsaw Stock Exchange.

The Company has published its 2017 annual and interim reports. The Management Board prepares the consolidated annual financial statements which are audited by the auditor. Supervisory Board approves the annual report and the Management Board presents the annual report to General Meeting for approval. The annual report is presented to the shareholders together with the Supervisory Board's written report on the annual report.

Transactions performed with related parties are disclosed in the notes to the consolidated annual financial statements.

On giving notice of the Annual General Meeting, the Supervisory Board will make information on the candidate for the Company's auditor available to shareholders. In making its decision, the Company observes the auditors' rotation requirement. Before signing the audit services contract, the Management Board will submit a draft of the contract for approval to the Supervisory Board.

The Company's Supervisory Board approved the audit services provided by AS PricewaterhouseCoopers in 2017. The auditor is remunerated in accordance with the contract signed with AS PricewaterhouseCoopers that specifies, among other things, the auditor's obligations and responsibilities in auditing the Company. According to the Company's information, the auditor has performed all its contractual obligations and has performed the audit in accordance with International Standards on Auditing.

During 2017, the auditor of the Company has provided to the Company (Group) tax advice and some other advisory services that are permissible in accordance with the Auditors Activities Act of the Republic of Estonia.

The Company does not disclose the amount of the audit fee because its non-disclosure does not affect the reliability of the audit services provided by the auditor (CGR 6.2.1.).

Audit Committee
Pursuant to clause 99 (1) 1) and clause 13 (1) 1) of the Auditors Activities Act (came into force at 01.07.2010), Olympic Entertainment Group AS has the obligation to form an Audit Committee. The Audit Committee consists of two members: Chairman Liina Linsi and member Armin Karu.

The Audit Committee at Olympic Entertainment Group AS is an advisory body to the Supervisory Board in the areas of accounting, auditing, risk management, internal control and audit, supervision and budget preparation and in respect of the legality of the activities of the Supervisory Board.

Related party transactions
For the purposes of these consolidated financial statements, related parties include:

a) shareholders with significant influence;
b) key management personnel (members of the Management Board and Supervisory Board of Group entities);
a) close family members of and companies related to the above.

Purchases of goods and services	2017	2016
Shareholders with significant influence	1	1
Total	**1**	**1**

As at 31 December 2017 and 31 December 2016, there were no balances of receivables and liabilities with related parties. There are no contractual obligations to purchase from or sell to the related parties.

In 2017, the members of the Management Board and Supervisory Board of all Group entities were paid remuneration and benefits including social security taxes in the amount of EUR 1,000 thousand (2016: EUR 1,286 thousand) and EUR 149 thousand (2016: EUR 149 thousand), respectively.

Articles of Association
The power to change the Articles of Association of Olympic Entertainment Group AS lies with the general meeting of shareholders. A resolution to change the Articles of Association requires at least 2/3 of the votes represented at the general meeting to vote for the resolution.

Corporate social responsibility report

Olympic Entertainment Group AS is a socially responsible Group that stands for transparency of business and high ethical standards, continuously invests in the development of its business, implements necessary measures to prevent money laundering, offers secure services and environment to its clients, and respects their privacy. The Group operates only under the laws established by states and has always been one of the initiators of development of legislation and enactment of necessary regulations. In continuous cooperation with local state authorities, we strive to develop the gaming market according to the highest standards and ensure protection to our clients in cooperation with the regulators of the given field. The Group contributes to the welfare of community by continuously attending charity programmes and supporting athletic, cultural, children's' health and welfare. In addition, the Group invests in its employees, supporting their professional and social development.

The Group is committed to the UN Convention for the Protection of Human Rights and Fundamental Freedom, and does not tolerate corruption in any form. Additionally, the Group is in the process of developing a group-wide policy that will cover the following areas: human rights, human resource management; corruption, environmental and social impact.

In its operations, Olympic Entertainment Group is guided by four main values of the Group:

Passion for service

- We have guests, not customers – we treat our customers like guests in our homes.
- We always try to exceed our guests' expectations – we love the job, we do more than is expected of us, we support our team and give more than 100%.

- We are champions in what we do – we are proud to offer the best service in the gaming industry, our people are the best and we support their development.

Responsible

- We always offer the most secure environment – we have a deserved reputation for high security standards and well developed responsible gaming programs.
- We take care of our own – we take responsibility for our own actions and always support our team.
- We are good citizens actively supporting the community through our participation in regular charity programs and deserving causes.

Entertaining

- We communicate with a smile – in addition to our wide choice of games and winning programs, we entertain our customers with a smile on our faces and in our hearts.
- We enjoy every moment – we enjoy working in our teams and with our colleagues, work is play and smiling employees smile to the guests as well.

Rewarding

- We create positive feelings – we share with our guests the joy of winning and we support them if they do not. We try to ensure that spending time with us is always a winning experience.
- We promote initiative – there are always ways to improve our product and our service, we reward initiative and encourage great ideas that will benefit our company, our guests and our staff.

As a responsible company, we are part of society and we behave accordingly in all our business areas. We regularly attend charity programmes and worthy projects and, through this, support social initiatives that make our living environment better. As a socially responsible company, Olympic Entertainment Group allocates a certain part of its budget to charity. The sponsored areas are sports, culture and social affairs. As regards the sports, we support the best known and loved areas of sport. In social fields, we prefer projects related to children; in cultural fields we base our sponsorship on the scope of a particular project.

Examples of charity and sponsorship activities and support:

Estonia

- Birgitta festival
- Estonian Basketball Association
- Estonian Olympic Committee
- FC Infonet MTÜ support
- Spordiselts MTÜ
- Estonian Paralympic Committee
- Tallinn Black Nights Film Festival
- Tallinn Jacht club MTÜ
- Nõmme BSC MTÜ
- Hockey club Narva Stars
- Estonian Cultural Capital
- Sports club ALL STARS
- The Estonian National Culture Foundation
- Estonian Football Association

Latvia

- Latvian Basketball Association
- Biedriba “ESI BRIVS” (be free from addictions)
- Amateur hockey support
- Biedrība "Dzīvnieku pansija Ulubele"(pets shelter)
- Nodibinājums "Valmieras sporta klubs" (Valmiera Sport club support to create beach tennis court)
- Biedrība"Latvijas sportistu atbalsta biedrība" (Support for sportsman)

Lithuania

- Kaunas Oriental Martial Arts Club support
- Klaipėda Amateur Basketball League support
- Mini football league support
- Mixed Martial Arts Support
- National Poker Club support
- Beach Volleyball Academy support
- Promo Events support

- Ultramarathon support
- Vapasport support
- Žalgiris Basketball team support
- Ideas group support
- Active time support

Slovakia

- HC Slovan Hockey Club support
- HC Bratislava Hockey Club support
- Ms HK Zilina hockey club support
- HK Dukla Trencin hockey club support
- FC Spartak Trnava footbal club support
- BC Good Angels Kosice basketball club support
- Igor Kmeto charity evening
- Miss Fodomodella de Europe (Slovakia) support
- Miss Carat Tunning support
- Queen & Beauty of Universe support
- Fashion Kultur support

Italy

- Legnano Basket Knights team support
- Varese Basketball Team support
- Comitato Amici di Andrea support
- Pollicino Onlus (association supporting orphans)
- CRI (raising funds for the earthquake victims in central Italy)
- UYBA Volleyball club support
- Parabiago Rugby Sound festival support

Malta

- L-Istrina Charity

Olympic Entertainment Group actively involves its employees in carrying out charity events. We have initiated a movement during which we strive to jointly carry out different good acts. For example: blood donation, joint collection of gifts to those in need. It is important that the employees contribute their time and energy, rather than collect only money. Our experience confirms that the time dedicated to and spent with those in need is even more important than money.

Promotion of responsible gaming

Olympic Entertainment Group has actively participated in the committees for drafting gaming legislation in its areas of activity, making proposals for achieving a responsible approach towards gaming. The Group has established the rules of social responsibility that set out requirements for subsidiaries that they are obliged to comply with the statutory requirements and take preventive measures to avoid gaming addiction. The rules also establish requirements for notifying clients of gaming addiction.

In all Group entities, the principles of responsible gaming are adhered to, the examples of which include:

- We act with social awareness – we are proud of our high ethical standards
- We ensure that we continuously develop our industry-specific knowledge
- We are committed to legal and responsible advertising
- We pro-actively enforce effective anti-money laundering measures
- We provide safe, licensed and responsible gaming services
- We rigorously respect customer confidentiality and privacy
- Gaming is entertainment
- We have established visitors' minimum age and registration
- Clients may apply voluntary casino access restrictions
- Our staff is trained to be aware of problem gambling
- We offer help against problem gambling
- We collaborate with problem gamblers groups

All our casinos have information materials that call for reasonable gaming and give information as to where help can be received. The Group also collaborates with several psychologists who help problem gamblers.

Hotel
Hilton Tallinn Park is part of 4DX (4 Disciplines of Execution) and OeX (Operational Excellence) programs which aim not only to work in a more efficient way but also to pin point and fix areas in hotel operations to save more energy, reduce waste and increase guest satisfaction. These projects involve the whole hotel team and provides a simple, proven formula for achieving the goals that every individual or organization needs to reach.

Hilton Tallinn Park continuously focuses on wider community through participations in local Career Fairs, offering internship placements for hospitality students and organizing open days in collaboration with other hotels in Tallinn. Cooperation with Estonian Cancer Association, Tallinn Children's Home and many other partners are team member led projects which give the hotel an opportunity to participate in local community and grow social responsibility.

Welfare of employees
We as responsible employer provide to our employees working conditions and environment which is motivating and regularly monitored, e.g.,

- fair, stimulating and sustainable remuneration offer which follows the latest market trends, facilitates employee personal contribution and supports business results in a long-term run;
- availability and awareness of individual targets along systematical education on how to favor our customer engagement;
- continuous competence growth and service improvement due to regular feedback and individual development discussions as well as formal trainings;
- conduction of regular risk analyses of the working premises and employee engagement surveys in order to identify the required areas of improvement;
- care of our corporate traditions and developing diverse entertainment opportunities to our employees;
- assurance of having no preference over certain gender nor age as the diversity of men versus female in the Group organization is equal and we have wide range of age groups working with us.

(in thousands of euros) Olympic Entertainment Group AS

Consolidated financial statements

Consolidated statement of financial position

	Notes	31.12.2017	31.12.2016
ASSETS			
Current assets			
Cash and cash equivalents	6	58,482	37,933
Financial investments	7	919	99
Receivables and prepayments	8	4,554	4,552
Prepaid income tax		286	913
Inventories	12	1,658	1,532
Total current assets		**65,899**	**45,029**
Non-current assets			
Deferred tax assets	13	507	426
Financial investments	7	457	4,988
Other long-term receivables and prepayments	8	3,957	776
Investment property	14	323	295
Property, plant and equipment	15	49,046	51,250
Intangible assets	17	49,935	49,932
Total non-current assets		**104,225**	**107,667**
TOTAL ASSETS		**170,124**	**152,696**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	18	22,082	19,806
Income tax payable		612	292
Provisions	19	1,780	1,329
Total current liabilities		**24,474**	**21,427**
Non-current liabilities			
Deferred tax liability	13	0	693
Other long-term payables	18	309	703
Total non-current liabilities		**309**	**1,396**
TOTAL LIABILITIES		**24,783**	**22,823**
EQUITY			
Share capital	20	60,716	60,716
Share premium		252	258
Treasury shares		-53	0
Statutory reserve capital	20	6,325	4,860
Other reserves	26	566	538
Translation reserves		19	-26
Retained earnings	20	71,209	57,825
Total equity attributable to equity holders of the parent		**139,034**	**124,171**
Non-controlling interest		6,307	5,702
TOTAL EQUITY		**145,341**	**129,873**
TOTAL LIABILITIES AND EQUITY		**170,124**	**152,696**

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

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(in thousands of euros) Olympic Entertainment Group AS

Consolidated statement of comprehensive income

	Notes	2017	2016
Continuing operations			
Gross gaming revenue	21	192,720	175,998
Other revenue	22	22,394	15,390
Total revenue before gaming taxes		**215,114**	**191,388**
Gaming taxes	21	-42,672	-37,497
Net revenue		**172,442**	**153,891**
Other income	23	112	18,201
Total net revenue and income		**172,554**	**172,092**
Cost of materials, goods and services	24	-6,004	-5,331
Other operating expenses	24	-63,574	-60,311
Staff costs	24	-55,302	-50,667
Depreciation, amortisation and impairment	15;17	-12,982	-11,371
Changes in fair value of investment property	14	28	7
Other expenses		-357	-525
Total operating expenses		**-138,191**	**-128,198**
Operating profit		**34,363**	**43,894**
Interest income		13	26
Interest expense		-2	-41
Foreign exchange gains (losses)		-50	16
Other finance income and costs		-21	-23
Total finance income and costs		**-60**	**-22**
Profit before income tax		**34,303**	**43,872**
Income tax expense	25	-3,670	-4,448
Net profit for the period from continuing operations		**30,633**	**39,424**
Net profit (-loss) for the period from discontinued operations	5	0	-9,618
Net profit for the period		**30,633**	**29,806**
Attributable to equity holders of the parent company		*30,028*	*29,292*
Attributable to non-controlling interest		*605*	*514*
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		45	1,130
Total comprehensive profit for the period		**30,678**	**30,936**
Attributable to equity holders of the parent company		*30,073*	*30,422*
Attributable to non-controlling interest		*605*	*514*
Basic earnings (loss) per share*	20	19.8	19.3
From continuing operations	*20*	*19.8*	*25.6*
From discontinuing operations	*20*	*0.0*	*-6.3*
Diluted earnings (loss) per share*	20	19.8	19.3
From continuing operations		*19.8*	*25.6*
From discontinuing operations		*0.0*	*-6.3*

* euro cents

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Consolidated statement of cash flows

	Notes	2017	2016
Cash flows from operating activities			
Net profit		30,633	29,806
Adjustments:			
Depreciation, amortisation and impairment	15;17	12,982	19,229
Profit / loss on disposal of non-current assets (net)	23	56	-17,943
Changes in fair value of investment property	14	-28	-7
Income tax expense	5;25	3,670	4,819
Allowance of tax prepayment		0	215
Impairment of net assets from discontinued operations		0	545
Currency translation differences from discontinued operations	5	0	946
Share option reserve		28	209
Other financial income and expenses (net)		60	-30
Changes in working capital:			
Receivables and prepayments		602	887
Inventories	12	-126	-149
Liabilities and prepayments		1,629	1,513
Interest paid		0	-72
Corporate income tax paid		-3,518	-5,451
Net cash generated from operating activities		**45,988**	**34,517**
Cash flows from investing activities			
Acquisition of property, plant, equipment and intangible assets	15;17	-9,982	-37,238
Proceeds from sale of property, plant, equipment	23	26	22,407
Purchase of financial investments		-70	-588
Proceeds from sale of financial investments		0	124
Acquisition of subsidiaries, net of cash acquired	27	0	-8,963
Interest received		13	60
Net cash used in from investing activities		**-10,013**	**-24,198**
Cash flows from financing activities			
Transactions with non-controlling interest	28	0	-1,115
Loans received		0	21,871
Repayments of loans received		-170	-5,105
Repayments of finance leases		0	-9
Acquisition of treasury shares		-59	0
Dividends paid	20	-15,179	-22,769
Net cash used in financing activities		**-15,408**	**-7,127**
Net cash flows		**20,567**	**3,192**
Cash and cash equivalents at beginning of the period	6	37,933	34,710
Exchange gains and losses on cash and cash equivalents		-18	31
Cash and cash equivalents at end of the period	6	**58,482**	**37,933**

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

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Consolidated statement of changes in equity

	Equity attributable to owners of the parent									
	Share capital	Share premium	Treasury shares	Statutory reserve capital	Other reserves	Currency translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 01.01.2016	**60,716**	**258**	**0**	**3,574**	**329**	**-1,156**	**51,822**	**115,543**	**7,326**	**122,869**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*29,292*	***29,292***	*514*	***29,806***
Other comprehensive income	*0*	*0*	*0*	*0*	*0*	*1,130*	*0*	***1,130***	*0*	***1,130***
Total comprehensive income for the period	0	0	0	0	0	1,130	29,292	**30,422**	514	**30,936**
Increase of statutory reserve capital (Note 20)	*0*	*0*	*0*	*1,286*	*0*	*0*	*-1,286*	***0***	*0*	***0***
Dividends paid (Note 20)	*0*	*0*	*0*	*0*	*0*	*0*	*-22,769*	***-22,769***	*0*	***-22,769***
Employee option programme (Note 26)	*0*	*0*	*0*	*0*	*209*	*0*	*0*	***209***	*0*	***209***
Total transactions with owners	0	0	0	1,286	209	0	-24,055	**-22,560**	0	**-22,560**
Acquired through business combinations	0	0	0	0	0	0	0	**0**	112	**112**
Other adjustments (Note 28)	0	0	0	0	0	0	766	**766**	-2,250	**-1,484**
Balance at 31.12.2016	**60,716**	**258**	**0**	**4,860**	**538**	**-26**	**57,825**	**124,171**	**5,702**	**129,873**
Balance at 01.01.2017	**60,716**	**258**	**0**	**4,860**	**538**	**-26**	**57,825**	**124,171**	**5,702**	**129,873**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*30,028*	***30,028***	*605*	***30,633***
Other comprehensive income	*0*	*0*	*0*	*0*	*0*	*45*	*0*	***45***	*0*	***45***
Total comprehensive income for the period	0	0	0	0	0	45	30,028	**30,073**	605	**30,678**
Increase of statutory reserve capital (Note 20)	*0*	*0*	*0*	*1,465*	*0*	*0*	*-1,465*	***0***	*0*	***0***
Dividends paid (Note 20)	*0*	*0*	*0*	*0*	*0*	*0*	*-15,179*	***-15,179***	*0*	***-15,179***
Acquisition of treasury shares	*0*	*-6*	*-53*	*0*	*0*	*0*	*0*	***-59***	*0*	***-59***
Employee option programme (Note 26)	*0*	*0*	*0*	*0*	*28*	*0*	*0*	***28***	*0*	***28***
Total transactions with owners	0	-6	-53	1,465	28	0	-16,644	**-15,210**	0	**-15,210**
Balance at 31.12.2017	**60,716**	**252**	**-53**	**6,325**	**566**	**19**	**71,209**	**139,034**	**6,307**	**145,341**

The notes on pages 29 to 62 are an integral part of these consolidated financial statements.

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Notes to the consolidated financial statements

Note 1 General information

Olympic Entertainment Group AS (hereinafter the "Company") is a company registered in Estonia at 15 November 1999. The consolidated financial statements of the Company prepared for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a leading gaming services provider in the Baltic States (Estonia, Latvia and Lithuania) and it operates casinos in Slovakia, Italy and Malta.

Group entities include:

	Domicile	Ownership 31.12.2017	Ownership 31.12.2016	Area of activity
Olympic Casino Eesti AS	Estonia	95%	95%	Gaming services
Kungla Investeeringu OÜ	Estonia	100%	100%	Bar services
OÜ Oma & Hea	Estonia	95%	95%	Bar services
Fortuna Travel OÜ	Estonia	100%	100%	Hotel operations
Nordic Gaming OÜ	Estonia	100%	100%	Holding activities
Kasiino.ee OÜ	Estonia	100%	100%	Internet solutions
Olympic Casino Latvia SIA	Latvia	100%	100%	Gaming services
Ahti SIA	Latvia	100%	100%	Bar services
Olympic Casino Group Baltija UAB	Lithuania	100%	100%	Gaming services
Mecom Grupp UAB	Lithuania	100%	100%	Bar services
UAB Orakulas ******	Lithuania	0%	100%	Gaming services
UAB Orakulas Services	Lithuania	100%	0%	Software services
Silber Investments Sp. z o.o.**	Poland	100%	100%	Holding activities
Baina Investments Sp. z o.o.**	Poland	100%	100%	Holding activities
CG Warszawa Sp. z o.o.***	Poland	100%	100%	Gaming services
Ultramedia Sp. z o.o.	Poland	100%	100%	Holding activities
Olympic Casino Slovakia S.r.o	Slovakia	100%	100%	Gaming services
OlyBet Slovakia S.r.o.	Slovakia	100%	100%	Gaming services
Olympic Casino Bel IP ****	Belarus	0%	100%	Under liquidation
The Box S.r.l.	Italy	100%	100%	Holding activities
Jackpot Game S.r.l. *****	Italy	0%	100%	Gaming services
Slottery S.r.l.	Italy	100%	100%	Gaming services
Jessy Investments B.V.	Holland	100%	100%	Holding activities
Gametech Services Ltd	Jersey	100%	100%	Software services
Brandhouse Ltd	Jersey	100%	100%	Holding activities
OEG Malta Holding Ltd	Malta	100%	100%	Holding activities
OEG Malta Gaming Ltd	Malta	100%	100%	Holding activities
Olybet Malta Ltd	Malta	100%	0%	Gaming services
Casino Malta Ltd*	Malta	0%	0%	Gaming services
Casino Malta Catering Ltd*	Malta	0%	0%	Bar services

* Detailed information is included in Note 4.
** Polish subsidiaries Silber Investments Sp. z o.o., Baina Investments Sp. z o.o. and CG Warszawa Sp. z o.o. have submitted their bankruptcy petition to the court on 20 January 2017.
*** Polish subsidiary CG Warszawa Sp. z o.o. bankruptcy petition was approved by the court.
**** Olympic Casino Bel IP was liquidated on 29 May 2017, therefore the ownership at 31 December 2017 equals 0.
***** On 28 June 2017 Jackpot Game S.r.l. was merged with Slottery S.r.l., therefore the ownership at 31 December 2017 equals 0.
***** *On 31 August 2017 UAB Orakulas was merged with Olympic Casino Group Baltija UAB, therefore the ownership at 31 December 2017 equals 0.

The Management Board authorised these consolidated financial statements for issue at 26 March 2018. In accordance with the commercial legislation of the Republic of Estonia, the financial statements are approved by the Supervisory Board of the Company and approved by the General Meeting of Shareholders.

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Note 2 Summary of significant accounting policies

Basis of preparation
The consolidated financial statements of Olympic Entertainment Group AS for the year 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed otherwise in the accounting policies. Group entities use uniform accounting policies. The accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

The consolidated financial statements for the year 2017 are presented in thousands of euros.

Revenue and gaming tax presentation
In 2016 the presentation of gaming taxes has been changed in order to align it with the general market practice. The income statement now presents revenue before gaming taxes, then gaming taxes and thereafter net revenue. Previously gaming tax was recognised either as an expense or as a reduction of revenue, based on the specifics of the gaming tax regulations in respective countries. The current presentation unified the presentation of gaming taxes for all segments.

Discontinued operations
On 23 September 2016 the Group announced that it is forced to freeze active operations in Poland from 24 September 2016 due to the lack of valid location specific activity license.

On 23 September 2016 the Group announced of its decision to exit Belarusian gaming market due to the inefficient operations caused by the macroeconomic situation and poor prospects to increase profitability in Belarus.

Therefore, the Polish and Belarusian segments have been classified as discontinued operations in these financial statements. Information on discontinued operations is presented in Note 5.

Adoption of new or revised standards and interpretations

New or revised standards and interpretations
Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2017, but which do not have a material impact on the Group.

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2018:

IFRS 9, Financial Instruments	(effective for annual periods beginning on or after 1 January 2018)	Key features of the new standard are: Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL). Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is

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		based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables. Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging. The Group has assessed that IFRS 9 did not have a material impact its financial statements as at 1 January 2018 because impairment of receivables has been historically not material and cash and deposits are held in credit institutions with a high rating; therefore applying the expected loss model, including assessment of forward-looking information, did not cause material impairment losses. All the financial assets meet SPPI requirement and are held to collect, thus will continue to be measured using the amortised cost method. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The Group does not apply hedge accounting thus there will be no impact from IFRS 9. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
IFRS 15, Revenue from Contracts with Customers	(effective for annual periods beginning on or after 1 January 2018)	The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group has assessed that the new revenue standard will have an immaterial impact on limited revenue areas of the group, such as accounting for customer loyalty points.
IFRS 16, Leases	(effective for annual periods beginning on or after 1 January 2019)	The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of EUR 91,906 thousand, see note 16. The group estimates that approximately below 5% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. However, the group has not

		yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward. Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group does not intend to adopt the standard before its effective date. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.
Share-based Payments - Amendments to IFRS 2	(effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU).	The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. The Group is currently assessing the impact of the amendments on its financial statements.

Other new or revised standards or interpretations that are not yet effective are not expected to have a material impact on the Group.

Group accounting

Consolidation

The financial statements of all subsidiaries (except for the subsidiaries acquired for the purpose of selling) under the control of the parent company have been combined on a line-by-line basis in the consolidated financial statements. All intra-group receivables and liabilities, inter-company transactions and the resulting income and expenses have been eliminated. The share of non-controlling interests in the net income and equity of the companies that are controlled by the parent company is included within equity in consolidated balance sheet, separately from equity attributable to the equity holders of the parent company and as a separate item in the consolidated income statement.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

If a subsidiary is disposed of during the reporting period, the income and expenses of the subsidiary disposed of are included in the consolidated income statement until the date of disposal. The difference between the proceeds from the disposal and the carrying amount of the net assets of the subsidiary (including goodwill) as at the date of the disposal is recognised as a gain or loss on disposal of the subsidiary. If a part of a subsidiary is disposed of and the Group's control over the entity falls below 50%, but influence over the entity does not completely disappear, the consolidation of the entity is ceased as at the date of the disposal and the remaining interest in the assets, liabilities and goodwill of the subsidiary is recognised as an associate, a jointly controlled entity or another financial asset. The fair value of the remaining investment is considered to be its new cost.

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

Separate primary financial statements of the parent company presented in the notes to the consolidated financial statements
According to the Accounting Act of Estonia, the notes to the consolidated financial statements shall include disclosures on the separate primary financial statements of the consolidating entity (parent company). In preparing the primary financial statements of the Parent Company, the same accounting policies have been used as also in preparing the consolidated financial statements. The accounting policies for reporting subsidiaries have been amended in the separate primary financial statements disclosed as supplementary information in the Annual Report in conjunction with IAS 27 "Consolidated and Separate Financial Statements". In the separate primary financial statements of the parent company presented in the notes to the consolidated financial statements (see Note 32) the investments in subsidiaries are carried at fair value.

Foreign currency translation
All currencies other than the functional currency, the euro, are considered to be foreign currencies. Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency (receivables and loans payable in cash) are translated into the functional currency based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are recorded in the income statement of the reporting period. Non-monetary assets and liabilities that are denominated in a foreign currency but that are not measured at fair value (e.g. prepayments, inventories measured at cost, and property, plant and equipment and intangible assets) are not translated at the balance sheet date but they continue to be reported using the official exchange rate of the European Central Bank prevailing at the date of the initial transaction.

Financials of foreign subsidiaries
For the purpose of consolidation of subsidiaries and other business units that are located abroad, their financial statements are translated from the functional currency into the presentation currency of the parent company. When the functional currency of a foreign business unit differs from the presentation currency of the parent company, the following exchange rates are applied to translating the financial statements prepared in a foreign currency:

a) all asset and liability items are translated using the official exchange rate of the European Central Bank prevailing at the balance sheet date;
b) revenue, expenses, other changes in equity and cash flows are translated using the weighted average exchange rate of the period.

The differences arising from the translation of financial statements are recognised within equity as *Currency translation differences* in the consolidated balance sheet. On a disposal of a foreign subsidiary, the cumulative amount presented within equity as *Currency translation differences* related to that foreign subsidiary is recognised as a profit or loss for the financial year.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of the parent company that makes strategic decisions.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, bank account balances, term deposits with maturities of 3 months or less at the time of acquisition.

Financial assets

The Group has the following financial assets: *held-to-maturity investments* and *loans and receivables*. Classification depends on the purpose of the acquisition of financial assets. Management makes the decision regarding the classification of financial assets at their initial recognition.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has a positive intention and ability to hold until maturity. Held-to-maturity investments are measured at their amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. Loans and receivables are initially recognised at their fair value plus all transactions costs directly attributable to the acquisition of a financial asset, except for the financial assets at fair value through profit or loss, where all transaction costs directly attributable to the acquisition of a financial asset are expensed. After initial recognition loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the initial effective interest rate.

Purchases of financial instruments are recognised at the trade date, i.e., at the date the Group commits to purchase the financial asset. Financial assets are derecognized from the balance sheet when the assets are redeemed or the rights to cash flows from the assets otherwise expire or the rights to the cash flows from the financial assets have been transferred while also transferring substantially all risks and rewards of ownership of the assets to the third party.

Inventories

Inventories are recorded in the balance sheet at their acquisition cost, which consists of the purchase costs and other costs incurred in bringing the inventories to their present location and condition. Purchase costs of inventories include the purchase price, customs duties and other non-refundable taxes and direct transportation costs related to the purchase, less discounts. The weighted average method is used to account for the cost of inventories.

Inventories are measured in the balance sheet at the lower of acquisition cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investment property

Real estate properties (land, buildings) that the Group holds for the purposed of earnings rental income or for capital appreciation and that are not used in it its operating activities are recorded under investment property. An item of investment property is initially recognised in the balance sheet at cost, including any directly attributable expenditure (e.g. notary fees, property transfer taxes, professional fees for legal services, and other transaction costs without which the transaction would have not taken place). It is subsequently measured at its fair value which is based on the market value determined annually by independent evaluator. Fair value adjustments are recognised separately in the income statement line *Change in the fair value of investment property*. No depreciation is calculated on investment property measured at fair value.

Investment property is derecognised on disposal or when the asset is withdrawn from use and no future economic benefits are expected. Gains or losses from derecognition of investment properties are recognised separately in the income statement line for the reporting period *Change in the fair value of investment property*.

When the purpose of use of an investment property changes, the asset is reclassified in the balance sheet. From the date of the change, the accounting policies of the group into which the asset has been transferred are applied to the asset.

Property, plant and equipment

Property, plant and equipment are assets used in the operations of the Group with the useful life of over one year. An item of property, plant and equipment is initially recognised at its cost which consists of the purchase price (incl. customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operating condition and location. Items of property, plant and equipment are carried in the balance sheet at cost less any accumulated depreciation and any accumulated impairment losses. Items of property, plant and equipment leased under the finance lease terms are accounted for similarly to purchased property, plant and equipment.

Subsequent expenditure incurred for items of property, plant and equipment are recognised as non-current assets when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Other repair and maintenance costs are recognised as expenses at the time they incur.

The straight-line method is used for determining depreciation. The depreciation rates are set separately for each item of property, plant and equipment depending on its useful life. For assets with significant residual value, only the depreciable amount, i.e. difference between cost and residual value is depreciated over the useful life of the asset.

If an item of property, plant and equipment consists of separately identifiable components with different useful lives, these components are accounted for as separate assets and accordingly, separate depreciation rates are set for them depending on their useful lives.

The annual depreciation ranges for the groups of property, plant and equipment are as follows:

Buildings	5%
Renovation expenditure	10-25% (the term of the lease agreement is generally used as the basis)
Machinery and equipment	10-40%
Other property, plant and equipment	25-40%

Depreciation of an asset begins when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount, when the asset is permanently withdrawn from use. At each balance sheet date, the appropriateness of the depreciation rates, the depreciation method and the residual value are reviewed.

Where an asset's recoverable amount (higher of an asset's fair value less costs to sell and value in use) is lower than its carrying amount, it is written down immediately to its recoverable amount.

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition of items of property, plant and equipment are included either within other operating income or other operating expenses in the income statement.

Intangible assets

Intangible assets are recognised in the balance sheet when the asset can be controlled by the Group, the expected future benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is initially recognised at cost, comprising of its purchase price and any directly attributable expenditures. Intangible assets are carried in the balance sheet at acquisition cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are divided into assets with finite useful lives and assets with indefinite useful lives.

Intangible assets with indefinite useful lives (goodwill which arose in a business combination) are not subject to amortisation, but they are tested for impairment at each balance sheet date and if their carrying amounts are not recoverable, they are written down to their recoverable amount.

Intangible assets with finite useful lives are amortised using the straight-line method depending on the useful life of the asset. The appropriateness of the amortisation periods and method is assessed at each balance sheet date. The annual amortisation rates for the groups of non-current assets are as follows:

Software and licenses	1 to 5 years

Assets with finite useful lives are tested for impairment whenever there is any evidence of an impairment loss.

Software

Computer software which is not an integral part of the related hardware is recognised as an intangible asset. Software development costs are included within intangible assets when they are directly related to the development of such software items that can be distinguished from one another, are controlled by the Group and from which the future economic benefits for a period longer than one year are expected to flow to the Group. Software development costs subject to capitalisation include labour costs and other expenses directly related to development. Ongoing software maintenance costs are recognised as expenses in the income statement. Capitalised software costs are amortised over the estimated useful life not exceeding 5 years.

Licenses, trademarks
Expenditures related to the acquisition of trademarks, licenses and certificates are capitalised when it is possible to evaluate the related future economic benefits. Licenses and trademarks are amortised on a straight-line basis over the estimated useful life of the asset not exceeding 5 years.

Goodwill
Goodwill is the excess of the cost of acquisition over the fair value of the net assets acquired, reflecting the portion of the acquisition cost which was paid for such assets of the acquired entity that cannot be separated and recognised separately. Goodwill is recognised at its acquisition cost as an intangible asset at the date of the acquisition.

Goodwill is subsequently measured at its acquisition cost less any impairment losses. Goodwill is not amortised. Instead, an impairment test is performed annually (or more frequently if an event or change in circumstances indicates that the value of goodwill may be impaired). Goodwill is tested for impairment by performing an impairment test on the cash-generating unit which goodwill has been allocated to. Goodwill is written down to its recoverable amount if the carrying amount is not recoverable. Impairment losses of goodwill are not reversed.

Impairment of assets
Assets that have indefinite useful lives (including goodwill) are not subject to amortisation but they are tested annually for impairment, by comparing their carrying amounts with their recoverable amounts.

Assets with an unlimited useful life and depreciable assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In the event of such circumstances, the recoverable amount of the asset is assessed and is compared with the carrying amount.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of the asset is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit).

Impairment losses are recognised in profit or loss.

At each following balance sheet date, assets that have been written down are assessed to determine whether their recoverable amount has increased (except for impairment losses of goodwill that are not reversed). If the impairment test indicates that the recoverable amount of an asset or asset group (cash-generating unit) has increased above its carrying amount, the previous impairment loss is reversed up to the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Reversals of impairment losses are recognised in the income statement as a reduction of the impairment loss.

Finance and operating leases
Leases of property, plant and equipment which transfer all significant risks and rewards of ownership to the lessee are classified as finance leases. Other leases are classified as operating leases.

The Group as the lessee
Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges (interest expense). Finance costs are allocated to rental period so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The property, plant and equipment acquired under finance leases is depreciated similarly to acquired assets over the shorter of the useful life of the asset and the lease term. Initial direct costs directly attributable to concluding finance lease agreements and incurred by the lessee are added to the cost of the leased asset.

Operating lease payments are reported in the income statement as expenses on a straight-line basis over the lease term.

The Group as the lessor
Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term. Initial direct costs incurred by lesser in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Financial liabilities

All financial liabilities (supplier payables, borrowings, accrued expenses and other short and long-term borrowings) are initially recorded at the proceeds received, net of transaction costs incurred. After initial recognition, financial liabilities are measured at amortised cost.

The amortised cost of the current financial liabilities normally equals their nominal value; therefore, current financial liabilities are stated in the balance sheet in their redemption value. To calculate the amortised cost of non-current financial liabilities, they are initially recognised at fair value of the proceeds received (net of transaction costs incurred) and an interest cost is calculated on the liability in subsequent periods using the effective interest rate method.

Financial liabilities are classified as current when they are due to be settled within twelve months after the balance sheet date; or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings that are due within 12 months after the balance sheet date, but which are refinanced after the balance sheet date as non-current, are recognised as short-term. Also, borrowings are classified as short-term if the lender had at the balance sheet date the contractual right to demand immediate repayment of the borrowing due to the breach of conditions set forth in the agreement.

Payables to employees

Payables to employees include the performance pay payable to employees on the basis of employment contracts which are calculated by reference to the Group's financial results and fulfilment of the employees' individual performance objectives.

Performance pay is recognised as an expense and a payable to employees if the disbursement takes place during the next reporting period. The performance pay liability includes both the performance pay and related social tax and unemployment insurance charges.

In addition, payables to employees include vacation pay liabilities calculated at the reporting date in accordance with effective employment contracts and applicable legislation. The vacation pay liabilities include both the direct vacation pay liability and associated social tax and unemployment insurance charges.

Termination benefits

The Group recognises termination benefits as a liability and an expense only when the Group is demonstrably committed to terminating an employee's or a group of employees' employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Social security tax payments also include contributions to mandatory funded pension. The Group has neither a legal or constructive obligation to make pension or similar payments in addition to social security tax.

Share-based payments

The share options granted to the Group's key personnel are recognised as equity-settled consideration for services rendered to the Group.

Owing to the complexity of determining the fair value of services received, the fair value of the services rendered by the key personnel is measured by reference to the fair value of the equity instruments granted.

The cost of equity-settled share-based payment transactions is recognised as an expense with a corresponding increase in equity over the period in which the employee provided services until the date of vesting of equity instruments. At each balance sheet date, the Group recognises expenses related to share-based payments based on an estimate of the number of equity instruments expected to vest. Any change in the cumulative remuneration expense from the date of the current reporting period is recognised in profit or loss for the period.

The grant of share options is conditional on the employee remaining in the Group's employment until the end of the vesting period and satisfying certain performance conditions. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the share options at the measurement date. Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that will eventually vest. Hence, on a cumulative basis, no amount is recognised for services received if the equity instruments granted do not vest because of the failure to satisfy a vesting condition, e.g. when the counterparty fails to complete a specified service period or a performance condition is not satisfied.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The provisions are recognised based on the management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the balance sheet in the amount according to the management is necessary as of the balance sheet date for the meeting of the obligation arising from the provision or transfer to the third party.

Other possible or present obligations the realisation of which is less probable than non-realisation and whose accompanying costs cannot be measured with sufficient reliability are disclosed in the notes to the financial statements as contingent liabilities.

Corporate income tax

Income tax assets and liabilities and income tax expenses and income are classified as payable and deferred income tax. Payable income tax is included either within current assets or liabilities and deferred income tax in non-current assets or liabilities.

Corporate income tax on profits and deferred income tax expense or income of the subsidiaries located in Latvia, Lithuania, Slovakia, Italy, the Netherlands, Jersey and Malta as well as corporate income tax on dividends of Estonian entities are reported in the consolidated income statement.

According to the Income Tax Act, the annual profit earned by entities is not taxed in Estonia. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. Dividends are taxed with the rate of 20/80, on the net amount payable. In certain circumstances, it is possible to distribute dividends without any additional income tax expense. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. An income tax liability is due at the 10th day of the month following the payment of dividends.

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Due to the nature of the taxation system, the entities registered in Estonia do not have any differences between the tax bases of assets and their carrying amounts and hence, no deferred income tax assets and liabilities arise. A contingent income tax liability which would arise upon the payment of dividends is not recognised in the balance sheet. The maximum income tax liability which would accompany the distribution of retained earnings is disclosed in the notes to the financial statements.

Corporate income tax in Latvia

In accordance with the tax law effective until 2017, profits of entities in Latvia were taxable with income tax. Therefore, until that, deferred tax was provided for on all temporary differences arising between the tax bases of assets and liabilities of Latvian subsidiaries and their carrying amounts in the consolidated financial statements. In accordance with the new Corporate Income Tax Law, starting from 1 January 2018, corporate income tax with a rate of 20/80 is levied on profits arisen after 2017 only upon their distribution. (Transitional provisions of the law allow for reductions in the income tax payable on dividends, if the entity has unused tax losses or certain provisions recognised by 31 December 2017.)

Due to the new tax law, there are no longer differences between the tax bases and carrying amounts of assets and liabilities, and hence, deferred income tax assets and liabilities no longer arise in respect of subsidiaries in Latvia. All deferred tax assets and liabilities recognised in previous periods were derecognised in 2017 and related income tax expense/income was recorded in the statement of profit or loss (or in other comprehensive income/equity in respect of deferred income tax assets/liabilities recognised through other comprehensive income/equity).

Foreign subsidiaries

According to the income tax laws of Latvia, Lithuania, Slovakia, Italy, Netherlands, Jersey and Malta, the corporations of the respective countries are under the obligation to pay corporate income tax on the taxable profit earned in the financial year. The following income tax rates were effective in 2017: 15% in Latvia (2016: 15%), 15% in Lithuania (2016: 15%), 21% in Slovakia (2016: 22%), 24% in Italy (2016: 27.5%), 20% - 25% in Netherlands, 0% in Jersey and 35% in Malta.

For foreign subsidiaries, the deferred income tax assets or liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. A deferred income tax balance is measured at tax rates applicable in those periods in which the temporary differences will reverse or tax loss carry-forward will be utilised. Deferred income tax assets and liabilities are offset only within an individual group entity. Deferred tax assets are recognised in the balance sheet only if it is probable that future taxable profit will be available against which the deductions can be made.

Revenue recognition

Gross gaming revenue is the aggregate of gaming wins and losses. Gross gaming revenue is accounted for under the accrual method of accounting and is presented in the “Consolidated statement of comprehensive income” before deducting gaming taxes. The statement of comprehensive income presents revenue before gaming taxes, gaming taxes and thereafter net revenue.

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Other revenue includes sale of goods in bars and hotel end revenue from rendering of services.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates granted. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, when the amount of revenue and the costs incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from the provision of services is recorded upon the provision of the service.

Interest income is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably. Interest income is recognised taking into account the effective interest rate, except if the receipt of the interest is uncertain. In such cases the interest income is accounted for on a cash basis. Dividends are recognised when the right to receive payment is established.

Statutory reserve capital
Reserve capital is formed to comply with the requirements of the Commercial Code. Reserve capital is formed from annual net profit allocations. During each financial year, at least one-twentieth of the net profit shall be entered in reserve capital, until reserve capital reaches one-tenth of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from reserve capital.

Earnings per share
Basic earnings per share are calculated by dividing profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Note 3 Financial risk management

The risk management policy of the Group is based on the requirements established by regulative bodies, generally accepted practices and internal regulations of the Group. The Group is guided by the principle to manage risks in a manner that ensures an optimal risk to income ratio. As part of the risk management of the Group, all potential risks, their measurement and control are defined, and an action plan is prepared to reduce risks, thereby ensuring the achievement of financial and other strategic objectives of the Group.

Financial instruments by category

	Held-to-maturity investments		Loans and receivables		Total	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Cash and cash equivalents (Note 6)	0	0	58,482	37,933	**58,482**	**37,933**
Financial investments (Note 7)	998	889	378	4,198	**1,376**	**5,087**
Trade receivables (Note 8, 9)	0	0	974	681	**974**	**681**
Interest receivables (Note 11)	0	0	0	21	**0**	**21**
Other short-term receivables (Note 11)	0	0	608	108	**608**	**108**
Long-term receivables (Note 8)	0	0	3,255	0	**3,255**	**0**
Total	**998**	**889**	**63,697**	**42,941**	**64,695**	**43,830**

Liabilities at amortised cost

	31.12.2017	31.12.2016
Trade payables (Note 18)	5,718	4,310
Other liabilities (Note 18)	2,618	1,470
Other long-term payables (Note 18)	309	703
Total	**8,645**	**6,483**

Financial risks
The Company's activities expose it to various types of financial risks – market risk (currency risk and interest rate risk), credit risk and liquidity risk.

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Currency risk

The Group earns income in euros, thus changes in exchange rates of foreign currencies against the euro have no major effect on the Group's operating profit.

Internal transactions of the Group are primarily concluded in euros.

Possible increase and decline of currency risk is evaluated by using exchange rate fluctuation between 01.01.2017 and 31.12.2017 for US dollars and UK pound sterling.

Exposure to currency risks at 31.12.2017

	EUR	USD	GBP	Others	Total
Cash and cash equivalents (Note 6)	58,416	36	17	13	**58,482**
Financial investments (Note 7)	1,376	0	0	0	**1,376**
Trade receivables (Note 8, 9)	974	0	0	0	**974**
Interest receivables (Note 11)	0	0	0	0	**0**
Other short-term receivables (Note 11)	608	0	0	0	**608**
Long-term receivables (Note 8)	3,255	0	0	0	**3,255**
Total	**64,629**	**36**	**17**	**13**	**64,695**
Trade payables (Note 18)	-5,718	0	0	0	**-5,718**
Other current liabilities (Note 18)	-2,618	0	0	0	**-2,618**
Other long-term payables (Note 18)	-309	0	0	0	**-309**
Total	**-8,645**	**0**	**0**	**0**	**-8,645**
Net exposure	**55,984**	**36**	**17**	**13**	**56,050**
Appreciation of the currency exchange rate against EUR (%)	-	14%	4%	-	**-**
Depreciation of the currency exchange rate against EUR (%)	-	-14%	-4%	-	**-**
Effect on profit and equity	**0**	**5**	**1**	**0**	**6**
Effect on profit and equity	**0**	**-5**	**-1**	**0**	**-6**

Exposure to currency risks at 31.12.2016

	EUR	USD	GBP	Others	Total
Cash and cash equivalents (Note 6)	37,538	173	207	15	**37,933**
Financial investments (Note 7)	5,087	0	0	0	**5,087**
Trade receivables (Note 8, 9)	681	0	0	0	**681**
Interest receivables (Note 11)	21	0	0	0	**21**
Other short-term receivables (Note 11)	108	0	0	0	**108**
Long-term receivables (Note 8)	0	0	0	0	**0**
Total	**43,435**	**173**	**207**	**15**	**43,830**
Trade payables (Note 18)	-4,310	0	0	0	**-4,310**
Other current liabilities (Note 18)	-1,470	0	0	0	**-1,470**
Other long-term payables (Note 18)	-703	0	0	0	**-703**
Total	**-6,483**	**0**	**0**	**0**	**-6,483**
Net exposure	**36,952**	**173**	**207**	**15**	**37,347**
Appreciation of the currency exchange rate against EUR (%)	-	3%	17%	-	**-**
Depreciation of the currency exchange rate against EUR (%)	-	-3%	-17%	-	**-**
Effect on profit and equity	**0**	**5**	**35**	**0**	**40**
Effect on profit and equity	**0**	**-5**	**-35**	**0**	**-40**

Interest rate risk

The Group's term deposits (see Note 7) are with fixed interest rates. The Group has invested in Lithuanian government bonds, which interest rates in 2017 was -0.18% - 0.58% (2016: -0.18% - 2.6%). The Group is not exposed to interest rate risk of cash-flows.

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Credit risk

The Group's settlements with clients are to a great extent immediately carried out in cash or by payment cards. The Group accepts banks with credit rating A and B where the most of the Group's funds have been deposited. Since the Group invests available liquid assets in short-term interest-bearing instruments, such as overnight deposits, short- and long-term deposits offered by the banks primarily with the credit rating of A, they do not expose the Group to any credit risk. All financial assets, except for receivables as disclosed in Note 9, are not due. No credit losses have arisen in 2017 from trade receivables that are not yet overdue.

	31.12.2017	**31.12.2016**
Cash and cash equivalents in bank accounts (Note 6)	49,884	30,479
Short- and long-term financial investments (Note 7)	1,376	5,087
Trade receivables (Note 8, 9)	974	681
Other short-term receivables (Note 11)	608	108
Other long-term receivables (Note 8)	3,255	0
Total	**56,097**	**36,355**

Credit quality of financial assets in financial institutions by credit risk ratings as published by Moody's Investor Service website:

	31.12.2017	**31.12.2016**
Cash and cash equivalents on bank accounts		
Banks with credit rating A	47,672	28,041
Banks with credit rating B	1,261	1,853
Other banks	951	585
Total cash and cash equivalents on bank accounts	**49,884**	**30,479**
Short- and long-term financial investments		
Banks with credit rating A	1,012	973
Including Lithuanian government bonds	*927*	*889*
Banks with credit rating B	70	3,823
Other banks	294	291
Total short- and long-term financial investments	**1,376**	**5,087**

Liquidity risk

The Group holds its available cash on bank accounts. Liquidity risk is mitigated by positive working capital, which as at 31.12.2017 totalled EUR 41,355 thousand and as at 31.12.2016 EUR 23,602 thousand, respectively. The undiscounted cash-flows arising from the Group's financial liabilities divided by maturity:

31.12.2017	**1-3 months**	**1-5 years**	**Total**
Trade payables (Note 18)	5,718	0	**5,718**
Other liabilities (Note 18)	2,618	0	**2,618**
Other long-term payables (Note 18)	0	309	**309**
Total	**8,336**	**309**	**8,645**

31.12.2016	**1-3 months**	**1-5 years**	**Total**
Trade payables (Note 18)	4,310	0	**4,310**
Other liabilities (Note 18)	1,470	0	**1,470**
Other long-term payables (Note 18)	0	703	**703**
Total	**5,780**	**703**	**6,483**

Fair value

According to the assessment of the Group's management, the carrying amounts of the Group's assets and liabilities do not differ significantly from their fair values. Trade receivables and payables are short-term and therefore the management estimates that their carrying amount is close to their fair value. Based on the above, the management estimates that the fair values of long-term payables and receivables are an approximation of their carrying amount.

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Capital risk management

The Group finances business activities with equity. The objective of capital risk management is to ensure an optimal capital structure and capital price. In shaping the financing structure and assessing risks, the Group monitors the share of equity in the balance sheet total. The aim of the Group is to maintain the share of equity at least at the level of 50% of the total balance sheet.

	31.12.2017	**31.12.2016**
Total equity of the Group	145,341	129,873
Balance sheet total of the Group	170,124	152,696
Share of equity of the balance sheet total	85%	85%

Information about requirements regarding the equities of subsidiaries of the Group is disclosed in Note 20.

Note 4 Critical accounting estimates and judgements

The preparation of financial statements in compliance with IFRSs requires making estimates and assumptions. Application of accounting policies requires making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and assumptions, and judgements are based on historical experience and various other factors, including projections of future events, which are believed to be reasonable under current circumstances.

Estimating the recoverable amount of goodwill (Note 17)

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill as an intangible asset with an indefinite useful life is not amortised, but is tested for impairment at least once a year. The management of the Group has carried out impairment tests of goodwill. Estimates used by the management for valuation of goodwill are disclosed in Note 17.

As at 31 December 2017 the carrying amount of goodwill was EUR 47,307 thousand and as at 31 December 2016 EUR 47,307 thousand.

Accounting for the sale and lease-back of Hilton hotel property

In accounting for the sale and leaseback of Hilton hotel property, which took place in 2016, the leaseback of the property has been classified per management's assessment as an operating lease as opposed to a finance lease. The management in carrying out the assessment has considered the following situations which, if applicable, would normally lead to a lease being classified as a finance lease:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
- The lease term is for the major part of the economic life of the asset, even if title is not transferred.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

According to management's assessment and taking into account the terms included in the rental contracts none of the above criteria is applicable to the lease-back transaction of the sold property.

Calculations carried out in respect of the present value of minimum lease payments resulted in a conclusion that the present value of the minimum lease payments does not amount to substantially all of the fair value of the leased asset. The relevant factors the Group management took into account, when making these calculations, included, but were not limited to, lease payments, lease term, interest rate implicit in the lease, fair value of the leased property and unguaranteed residual value.

The lease term is 20 years which is substantially shorter period than the expected economic life of the asset. The management currently does not have a set view on extending the lease term of the agreements.

Control over Malta subsidiaries

The casino opened in Malta in 2015 is operated by companies Casino Malta Ltd and Casino Malta Catering Ltd. These companies have signed an agreement with Group subsidiaries OEG Malta Holding Ltd and OEG Malta Gaming Ltd for operating the casino. Although the Group does not own shareholding with voting rights in Casino Malta Ltd and Casino Malta Catering Ltd, according to management´s assessment, the Group does have control over these companies. Due to this, the financial results of Casino Malta Ltd and Casino Malta Catering Ltd are consolidated in Group's annual report on line-by-line basis.

Management assesses that Group has control over the companies operating the casino in Malta despite not having shareholding with voting rights in respective companies, because according to the management agreement signed for 10 year term the Group has the right to make decisions regarding management of the casino, participate in profit distribution and has an opportunity to influence the amount of the profit. Additionally, according to budget forecasts, the Group is eligible for more than half of the casino's profits and the Group has control over possible premature termination of the agreement.

2017 consolidated annual report reflect gross gaming revenue of EUR 14,064 thousand (2016: EUR 10,982 thousand) from Maltese casino operations and operating loss of EUR 338 thousand (2016: EUR 1,223 thousand), of which EUR 57 thousand (2016: EUR 452 thousand) belongs to non-controlling interest. More information about the assets, liabilities and revenues of Maltese operations is disclosed in Note 21.

Useful lives of property, plant and equipment (Note 15)

Management determines the useful lives of property, plant and equipment on the basis of historical experience and assessment of future trends and prospects.

As at 31 December 2017, the carrying amount of non-current assets was EUR 49,046 thousand and as at 31 December 2016, EUR 51,250 thousand.

If useful lives of items of property, plant and equipment were decreased by 10%, the annual depreciation charge would increase by EUR 1,304 thousand and if useful lives of items of property, plant and equipment were increased by 10%, the annual depreciation charge would decrease by EUR 1,067 thousand.

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Note 5 Discontinued operations

On 23 September 2016 the Group announced that it is forced to discontinue active operations in Poland from 24 September 2016 due to the lack of valid location specific activity license. On 2 January 2017 CG Warszawa Sp. z o.o. that operated the flagship casino of OEG in Warsaw until 23rd September 2016 submitted to the court its bankruptcy petition.

Non-monetary loss from remeasurements in total was 7,893 thousand euros. Goodwill was written-off in full by 6,986 thousand euros, other non-current assets were impaired in the amount of 616 thousand euros and loss arising from impairment of net assets was 580 thousand euros, and currency exchange differences previously recognised in a reserve in equity were recycled to income statement in the amount of 292 thousand euros.

On 23 September 2016 the Group announced of its decision to exit Belarusian gaming market due to the inefficient operations caused by the macroeconomic situation and poor prospects to increase profitability in Belarus.

Non-monetary loss from remeasurements in total was 1,269 thousand euros. Currency exchange differences previously recognised in a reserve in equity were recycled to income statement in the amount of 1,238 thousand euros.

Therefore, the Polish and Belarusian segments have been classified as discontinued operations in these financial statements.

Consolidated income statement of discontinued operations

		Poland		**Belarus**	
	Notes	**2017**	**2016**	**2017**	**2016**
Gross gaming revenue		0	13,283	0	176
Other revenue		0	282	0	9
Total revenue before gaming taxes		**0**	**13,565**	**0**	**185**
Gaming taxes		0	-6,631	0	-41
Net revenue		**0**	**6,934**	**0**	**144**
Other income		0	214	0	61
Total net revenue and income		**0**	**7,148**	**0**	**205**
Cost of materials, goods and services		0	-106	0	-7
Other operating expenses		0	-3,713	0	-217
Staff costs		0	-2,767	0	-105
Depreciation, amortisation and impairment	15;17	0	-249	0	-2
Other expenses		0	-250	0	-74
Total operating expenses		**0**	**-7,085**	**0**	**-405**
Operating profit (-loss)		**0**	**63**	**0**	**-200**
Interest income		0	41	0	6
Foreign exchange gains		0	5	0	0
Total finance income		**0**	**46**	**0**	**6**
Profit (-loss) before income tax		**0**	**109**	**0**	**-194**
Income tax expense		0	-371	0	0
Loss after income tax		**0**	**-262**	**0**	**-194**
Loss from disposal of discontinued operation and remeasurement of net assets of discontinued operations		0	-7,893	0	-1,269
- including impairment of net assets		0	-8,185	0	-31
- including currency translation differences reclassified to profit or loss		0	292	0	-1,238
Net loss for the period from discontinued operations		**0**	**-8,155**	**0**	**-1,463**

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Consolidated statement of cash flows of discontinued operations

	Poland		Belarus	
	2017	**2016**	**2017**	**2016**
Net cash used in operating activities	0	-1,771	0	-333
Net cash from (used in) investing activities	0	489	0	283
Net cash flows	**0**	**-1,282**	**0**	**-50**
Cash and cash equivalents at beginning of the period	0	2,092	0	50
Exchange gains and losses on cash and cash equivalents	0	19	0	0
Cash and cash equivalents at end of the period	**0**	**829**	**0**	**0**

The cash as at 31.12.2016 in Poland belongs to a subsidiary Ultramedia Sp. z o.o.

Note 6 Cash and cash equivalents

	31.12.2017	**31.12.2016**
Cash on hand and at gaming halls	8,598	7,454
Cash in bank accounts	48,530	28,482
Cash in transit	1,354	1,997
Total cash and bank	**58,482**	**37,933**

The Group approves banks with A and B credit ratings in which the majority of the Group's funds are deposited (Note 3).

Note 7 Short- and long-term financial investments

Short-term financial investments	**31.12.2017**	**31.12.2016**
Lithuanian government bonds	758	0
Deposits with maturities between 4 months and 1 year	0	1
Deposits used as collateral for rental premises	90	97
Other guarantee deposits	71	1
Total short-term financial investments (Note 3)	**919**	**99**
Long-term financial investments		
Lithuanian government bonds	169	889
Other guarantee deposits	288	4,029
Other investments	0	70
Total long-term financial investments (Note 3)	**457**	**4,988**

In accordance with the Lithuanian gaming legislation, a gaming organiser has to put up collateral by investing part of its capital in government bonds or making a deposit to the extent of amount of the reserve. Effective rates of collateral are as follows:

- EUR 11,585 per gaming table;
- EUR 7,241 per slot machine (A category);
- EUR 145 per slot machine (B category);
- EUR 72,250 for the betting;
- EUR 72,400 for the e-casino.

The Group has opted to invest in the government bonds of the Republic of Lithuania. There were no transactions with bonds in 2017 and 2016. The interest rates on bonds were -0.18% - 0.58% (2016: -0.18% - 2.6%). In 2017, interest income on the bonds amounted to EUR 0.5 thousand and in 2016, EUR 14 thousand.

In 2016 other long-term guarantee deposits include the guarantee deposits required in accordance with the valid gaming legislation of the Slovak Republic. Starting from 2017 these deposits are reflected under other long-term receivables (Note 8). Correction was caused by legislation changes in Slovakia. Deposit is set up in the amount of EUR 500 thousand for every casino.

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Note 8 Short- and long-term receivables and prepayments

	31.12.2017	31.12.2016
Short-term receivables and prepayments		
Trade receivables (Notes 3, 9)	974	681
Prepaid taxes (Note 10)	278	985
Other receivables and prepayments (Note 11)	3,302	2,886
Total short-term receivables and prepayments	**4,554**	**4,552**
Long-term receivables and prepayments		
Rent prepayments	702	776
Other long-term receivables (Note 3)	3,255	0
Total long-term receivables and prepayments	**3,957**	**776**

Deposits required according to Slovak Republic gaming legislation are reflected under long-term receivables (Note 7).

Note 9 Trade receivables

	31.12.2017	31.12.2016
Trade receivables not yet due	974	681
Trade receivables overdue and impaired	0	5
Provision for impairment of receivables	0	-5
Total trade receivables (Note 8)	**974**	**681**

Impairment of doubtful receivables	**2017**	**2016**
Balance at the beginning of year	-5	-339
Impairment of receivables and write-off from balance sheet	5	334
Balance at the end of the year	**0**	**-5**

Impairment losses on doubtful receivables are recognised in *Other expenses* in the income statement.

Note 10 Taxes

	31.12.2017		31.12.2016	
	Prepayment	Liability	Prepayment	Liability
Gaming tax	4	1,852	0	2,035
Value added tax	247	622	966	1,255
Personal income tax	0	772	0	803
Social security tax	0	1,746	0	1,641
Income tax on gifts, fringe benefits	0	29	0	44
Other taxes	27	12	19	12
Total taxes (Notes 8, 18)	**278**	**5,033**	**985**	**5,790**

Tax rates effective at 31.12.2017 by country

	Estonia	Latvia	Lithuania	Slovakia	Italy	Malta
Gaming tax (per month)*						
per gaming table (EUR)	1,278	1,500	1,738	30%	N/A	36%
per slot machine (EUR)	10%+300	267	232	459	6.3%	40%
Value added tax	20%	21%	21%	20%	22%	18%
Corporate income tax**	20/80	15%	15%	21%	24%	35%
Personal income tax	20%	23%	15%	19-25%	23-43%	0-35%
Social security tax	33%	34.09%	40%	28.35%	39-45%	20%

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Tax rates effective at 31.12.2016 by country

	Estonia	Latvia	Lithuania	Slovakia	Italy	Malta
Gaming tax (per month)*						
per gaming table (EUR)	1,278	1,500	1,738	29%	N/A	36%
per slot machine (EUR)	10%+300	267	232	417	6.3%	40%
Value added tax	20%	21%	21%	20%	22%	18%
Corporate income tax**	20/80	15%	15%	22%	27.5%	35%
Personal income tax	20%	23%	15%	19-25%	23-43%	0-35%
Social security tax	33%	34.09%	40%	28.35%	39-45%	20%

* In Slovakia and Malta gaming tax is calculated as a percentage of the income from gaming transactions (gross gaming revenue). In Italy gaming tax is calculated as a percentage of total wagers. In Estonia on slots there is a combination of fixed gaming tax and 10% tax on gaming revenues.

** Pursuant to the Income Tax Act in effect, dividends are taxable in Estonia only to the extent of the amount paid out as net dividends.

Note 11 Other receivables and prepayments

	31.12.2017	31.12.2016
Prepaid expenses		
Lease of premises	1,293	1,223
Licenses	255	358
Software and equipment maintenance	139	113
Other prepaid expenses	916	1,032
Total prepaid expenses	**2,603**	**2,726**
Other short-term receivables		
Other receivables from employees	91	31
Interest receivable (Note 3)	0	21
Other short-term receivables (Note 3)	608	108
Total other short-term receivables	**699**	**160**
Total (Note 8)	**3,302**	**2,886**

Note 12 Inventories

	31.12.2017	31.12.2016
Goods purchased for resale	832	725
Gaming equipment	270	247
Jackpot prizes	40	56
Spare parts for slot machines	149	85
Other materials	367	419
Total inventories	**1,658**	**1,532**

Note 13 Deferred tax assets and liabilities

Deferred tax assets	Property, plant and equipment	Provisions	Other	Total
Deferred tax assets at 01.01.2016	358	312	131	**801**
Impact on income statement	-196	-58	-121	**-375**
Deferred tax assets at 31.12.2016	162	254	10	**426**
Impact on income statement	-128	64	145	**81**
Deferred tax assets at 31.12.2017	34	318	155	**507**

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Deferred tax liabilities	Property, plant and equipment	Total
Deferred tax liabilities at 01.01.2016	513	**513**
Impact on income statement	180	**180**
Deferred tax liabilities at 31.12.2016	693	**693**
Impact on income statement	-693	**-693**
Deferred tax liabilities at 31.12.2017	0	**0**

Note 14 Investment property

	Land	Buildings	Total
As at 1 January 2016	**159**	**129**	**288**
Net gain from fair value adjustments	7	0	**7**
As at 31 December 2016	**166**	**129**	**295**
Net gain from fair value adjustments	28	0	**28**
As at 31 December 2017	**194**	**129**	**323**

As at 31.12.2017 and 31.12.2016 land includes forest land acquired for capital appreciation and buildings include apartment in Tallinn acquired to earn rental income and for capital appreciation.

In 2017 and 2016, there were no sales.

In 2017 and 2016, the investment property was valued using real estate agency Uus Maa and Metsatervenduse OÜ.

Comparable transactions' method was used to evaluate investment property in Tallinn in 2017 and 2016. Actual transaction prices of commercial real estate objects located in the centre of Tallinn were used as a basis for comparison. Using this method the market value of a real estate object is measured based on the comparison of the evaluated object and similar objects sold in the free market conditions and corrected by adjustment factors.

Forest survey data was used for the evaluation of the forest property.

The fair value of real estate is defined using evaluation techniques, which use as much market data as possible (in case such data is available) and the Group's own assessments as little as possible. Quoted prices of identical assets or liabilities (unadjusted) on active markets are rated as level 1. Investment property is rated as level 2 when all significant input data for measuring the fair value is available. If one or several significant inputs of data are not available on the market then the investment property is as level 3.

At the balance sheet date the Group's investment properties are rated at level 2 in the amount of EUR 129 thousand (31.12.2016: EUR 129 thousand) and at level 3 in the amount of EUR 194 thousand (31.12.2016: EUR 166 thousand). The possible change of the significant market data used, which is not available at the market, for the measurement of the fair value of the investment property classified as level 3, does not have the material effect on the fair values of the Group's investment property. There have been no reclassifications of the investment property items between the rated levels during the year.

In the reporting period, rental income from investment property totalled EUR 6 thousand and in 2016, EUR 6 thousand. Other expenses on investment property (utility, security, insurance, and land tax charges) totalled EUR 2 thousand and in 2016 EUR 2 thousand.

Note 15 Property, plant and equipment

Lease payments and lease liabilities are disclosed in Note 16.

In 2017 property, plant and equipment was impaired in the amount of EUR 310 thousand. In 2016 property, plant and equipment was impaired in the amount of EUR 616 thousand, which relates to impairment of assets in Poland, which was classified as a discontinued operation in 2016 (Note 5). In 2017, property, plant and equipment were written off with the carrying amount of EUR 217 thousand (2016: EUR 242 thousand).

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	Buildings	Renovation expenditures	Machinery & equipment	Other PP&E	Construction in progress	Total
As at 1 January 2016						
Cost	16	25,685	71,712	6,577	22,873	**126,863**
Accumulated depreciation	-16	-15,392	-48,005	-4,573	0	**-67,986**
Carrying amount	**0**	**10,293**	**23,707**	**2,004**	**22,873**	**58,877**
Changes in 2016						
Continuing operations						
Additions	0	4,253	4,178	1,368	23,275	**33,074**
Acquired through business combinations (Note 27)	0	0	198	17	0	**215**
Reclassifications	29,374	4,351	2,886	7,223	-44,126	**-292**
Disposals	-29,227	0	-14	-2	0	**-29,243**
Write-offs	0	-66	-125	-46	0	**-237**
Depreciation charge	-147	-3,119	-5,382	-1,248	0	**-9,896**
Discontinued operations (Note 5)						
Additions	0	58	7	1	0	**66**
Reclassifications	0	84	0	0	-84	**0**
Disposals	0	-28	-404	0	0	**-432**
Write-offs	0	0	-4	-1	0	**-5**
Depreciation charge	0	-25	-162	-18	0	**-205**
Impairment loss	0	-287	-260	-69	0	**-616**
Exchange differences	0	-10	-39	-7	0	**-56**
As at 31 December 2016						
Cost	0	28,954	69,826	14,388	1,938	**115,106**
Accumulated depreciation	0	-13,450	-45,240	-5,166	0	**-63,856**
Carrying amount	**0**	**15,504**	**24,586**	**9,222**	**1,938**	**51,250**

	Buildings	Renovation expenditures	Machinery & equipment	Other PP&E	Construction in progress	Total
As at 1 January 2017						
Cost	0	28,954	69,826	14,388	1,938	**115,106**
Accumulated depreciation	0	-13,450	-45,240	-5,166	0	**-63,856**
Carrying amount	**0**	**15,504**	**24,586**	**9,222**	**1,938**	**51,250**
Changes in 2017						
Continuing operations						
Additions	0	1,369	3,418	634	4,783	**10,204**
Reclassifications	0	2,805	2,413	197	-5,455	**-40**
Disposals	0	-56	-36	-10	0	**-102**
Write-offs	0	-164	-28	-25	0	**-217**
Depreciation charge	0	-3,925	-6,159	-1,655	0	**-11,739**
Impairment loss	0	0	-310	0	0	**-310**
As at 31 December 2017						
Cost	0	31,609	72,352	14,833	1,266	**120,060**
Accumulated depreciation	0	-16,076	-48,468	-6,470	0	**-71,014**
Carrying amount	**0**	**15,533**	**23,884**	**8,363**	**1,266**	**49,046**

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Note 16 Leased assets

The Group is the lessee

Assets leased under operating lease terms

Group entities lease rental premises under operating lease terms. In 2017, operating lease payments totalled EUR 22,041 thousand and in 2016 EUR 19,663 thousand (Note 24), including contingent lease payments in the amount of EUR 4,507 thousand (2016: EUR 4,256 thousand) related to Italy.

The amounts of non-cancellable operating lease payments have been determined on the basis of lease payments under non-cancellable lease agreements. The non-cancellable operating lease payments do not include contingent lease payments. Lease agreements do not establish any restrictions to the activities of the Group.

Payments due

	2017	2016
Due in less than 1 year	12,082	12,424
Due between 1 and 5 years	29,994	33,798
Due after 5 years	49,830	56,626

The Group is the lessor

The Group as the lessor leases out investment property under operating lease terms (Note 14). Also the premises initially leased by the Group's subsidiaries are partially subleased to the third parties. In 2017, operating lease income totalled EUR 459 thousand and in 2016, EUR 441 thousand.

Future lease income under non-cancellable operating leases

	2017	2016
Due in less than 1 year	41	63
Due between 1 and 5 years	0	0
Due after 5 years	0	0

Note 17 Intangible assets

	Goodwill	Software and licences	Prepayments	Total
As at 1 January 2016				
Cost	50,775	6,335	61	**57,171**
Accumulated depreciation	0	-3,229	0	**-3,229**
Carrying amount	**50,775**	**3,106**	**61**	**53,942**
Changes in 2016				
Continuing operations				
Additions	0	416	303	**719**
Acquisitions through business combinations (Note 28)	3,330	13	0	**3,343**
Write-offs	0	-18	0	**-18**
Reclassifications	278	272	-258	**292**
Depreciation charge	0	-819	0	**-819**
Impairment	0	-401	0	**-401**
Discontinued operations (Note 5)				
Depreciation charge	0	-41	0	**-41**
Impairment	-6,985	-6	0	**-6,991**
Exchange differences	-91	-3	0	**-94**
As at 31 December 2016				
Cost	47,307	13,336	106	**60,749**
Accumulated depreciation	0	-10,817	0	**-10,817**
Carrying amount	**47,307**	**2,519**	**106**	**49,932**

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	Goodwill	Software and licenses	Prepayments	Total
As at 1 January 2017				
Cost	47,307	13,336	106	**60,749**
Accumulated depreciation	0	-10,817	0	**-10,817**
Carrying amount	**47,307**	**2,519**	**106**	**49,932**
Changes in 2017				
Continuing operations				
Additions	0	369	310	**679**
Acquisitions through business combinations (Note 28)	0	0	0	**0**
Write-offs	0	-2	0	**-2**
Reclassifications	0	408	-368	**40**
Depreciation charge	0	-714	0	**-714**
At 31 December 2017				
Cost	47,307	7,097	48	**54,452**
Accumulated depreciation	0	-4,517	0	**-4,517**
Carrying amount	**47,307**	**2,580**	**48**	**49,935**

In 2017 intangible assets were not impaired. In 2016 intangible assets in amount of EUR 7,392 thousand were impaired, of which EUR 6,991 thousand was related to discontinuing operations in Poland (Note 5) and EUR 401 thousand was the residual value of a technological platform, the use of which will be discontinued due to moving to another platform.

Impairment tests and impairment losses

Management has tested goodwill for impairment as at 31 December 2017 and 31 December 2016. The Group regards segments as cash-generating units. The break-down of goodwill between segments is as follows:

Segment	**31.12.2017**	**31.12.2016**
Estonia	16,436	16,436
Latvia	22,097	22,097
Lithuania	3,707	3,707
Poland	58	58
Italy	5,009	5,009
	47,307	**47,307**

The recoverable amount of goodwill was identified by reference to the units' value in use. Value in use was determined using detailed pre-tax operating cash flow estimates for the next five years. The weighted average cost of capital (WACC) used was pre-tax and reflects specific risks applicable to the specific market and industry sector. The growth rates used for projections have been derived from the past experience of the growth in respective industry and the management's expectations of the respective growth rates in the projected future years in the respective region. The following key assumptions were applied:

	Average income growth in 5-year period		**Average expense growth in 5-year period**		**WACC**		**Terminal growth rate**	
Segment	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Estonia	3%	5%	4%	4%	11.30%	9.51%	3%	3%
Latvia	4%	4%	5%	4%	10.60%	9.19%	3%	3%
Lithuania**	3%	8%	3%	6%	10.00%	9.59%	3%	3%
Italy	4%	8%	4%	6%	13.20%	12.10%	3%	3%

* Pre-tax discount rate is used.
** 2016 goodwill impairment test relates to subsidiary UAB Orakulas.

In 2017 no impairment losses were recognised for goodwill. In 2016 goodwill related to the Polish segment in amount of EUR 6,986 thousand as written off due to the expiration of location-based casino license of the Casino in Warsaw.

For other cash-generating units, reasonable changes in key assumptions used in impairment tests would not cause the decrease of recoverable amount below the carrying amount.

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Note 18 Trade and other short and long-term payables

	31.12.2017	31.12.2016
Customer prepayments	3,374	3,370
Trade payables	5,718	4,310
Other payables (Note 27)	1,370	812
Tax liabilities (Note 10)	5,033	5,790
Payables to employees	5,339	4,866
Other accrued expenses	1,248	658
Total trade and other short-term payables	**22,082**	**19,806**
Other long-term payables (Note 27)	**309**	**703**

Note 19 Provisions

	2017	2016
Provisions for winnings		
At beginning of the year	682	735
Recognised during the year	1,141	1,207
Used during year	-1,099	-1,260
Provisions for winnings at end of the year	**724**	**682**
Provisions for expenses		
At beginning of the year	647	1,107
Recognised during the year	1,083	656
Used during year	-674	-533
Reversed during the year	0	-583
Provisions for expenses at end of the year	**1,056**	**647**
Total provisions	**1,780**	**1,329**

Provisions for winnings include the amounts calculated by electronic jackpot systems. The jackpot amount increases on account of stakes played at each automatic slot machine connected to the system. The likelihood of winning depends on the number of automatic slot machines connected to the system, the stakes made by the clients and the number of clients playing at such automatic slot machines. The winnings occur within a range that is determined in the system on a random basis.

Provisions for expenses include the bonus provisions for employees that will realise in one year. Accruals connected with a legal dispute outstanding as at 31.12.2015 were reversed in 2016.

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Note 20 Equity

The General Meeting of Shareholders held at 20 April 2017 decided to pay dividends to the shareholders of 0.10 euros per share in the total amount of 15,179,120.60 euros. The dividends were paid out to the shareholders on 9 May 2017. This meeting has also adopted a decision to increase reserve capital by EUR 1,465 thousand.

The General Meeting of Shareholders held at 16 June 2016 decided to pay dividends to the shareholders of 0.15 euros per share in the total amount of 22,768,680.90 euros. The dividends were paid out in two parts; 0.10 Euros per share was paid to the shareholders on 15 July 2016 and 0.05 Euros per share was paid to the shareholders on 14 October 2016. This meeting has also adopted a decision to increase reserve capital by EUR 1,286 thousand.

Each ordinary share carries one vote at the General Meetings of Shareholders of Olympic Entertainment Group AS.

Largest shareholders of Olympic Entertainment Group AS:

	31.12.2017	**31.12.2016**
OÜ HANSAASSETS	45.04%	45.04%
OÜ Hendaya Invest	18.95%	18.95%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	3.69%	2.23%
RBC INVESTOR SERVICES BANK S.A./ LUX-NON RESIDENTS / DOMESTIC RATE-UCITS CLIENTS ACCOUNT	1.69%	1.80%
NORDEA BANK FINLAND PLC, CLIENTS	1.31%	1.13%
SEB S.A. CLIENT ASSETS UCITS	1.30%	1.17%
CITIBANK (NEW YORK) / GOVERNMENT OF NORWAY	1.28%	1.19%
FIREBIRD REPUBLICS FUND LTD	1.26%	1.11%
AB SEB BANKAS	1.09%	0.00%
TRIGON UUS EUROOPA FOND	0.95%	0.64%

Number of shares owned directly and through companies controlled by Members of the Supervisory Board and Management Board:

Name	**31.12.2017**	**31.12.2016**
Armin Karu	68,364,790	68,364,790
Jaan Korpusov	28,761,910	28,761,910
Liina Linsi	26,000	26,000
Madis Jääger	75,000	75,000
Meelis Pielberg	50,000	50,000

Dividends

At 31 December 2017 Group consolidated retained earnings (taking into the consideration the legal requirement to transfer 1/20 of the net profit for the reporting period to statutory reserve capital) amounted to EUR 71,210 thousand (31.12.2016: EUR 56,360 thousand). Payment of dividends to the shareholders is usually accompanied by income tax cost in amount of 20/80 of sum paid out as net dividend. If a company pays out dividends, which are received from its subsidiary, from which the income tax has already been paid or whose profit has already been taxed in the country of origin, then distribution of a parent company dividends does not create liability to pay additional income tax. At 31 December 2017 Olympic Entertainment Group AS, as a parent company, can pay dividends without additional income tax costs in total amount of EUR 61,839 thousand (31.12.2016: EUR 56,360 thousand). Therefore at the balance sheet date Olympic Entertainment Group AS could pay dividends to shareholders from retained earnings in the amount of EUR 61,839 thousand without accompanying income tax liability.

In 2017 dividends were paid out to the shareholders in total amount EUR 15,179,120.60 (2016: EUR 22,768,680.90).

Capital requirements

The Estonian gaming legislation imposes a restriction that gaming services can only be provided by such legal entities whose share capital equals at least EUR 1 million. In Latvia, the share capital of a gaming services provider has to amount to at least EUR 1.4 million. In Lithuania, the share capital of a gaming services provider has to amount to at least EUR 1.158 million. In Slovakia, the minimum share capital requirement for a gaming services provider is EUR 1.7 million. There are no inconsistencies with the requirements listed above. In Malta and Italy, there are no specific requirements for a share capital amount of a gaming services provider.

(in thousands of euros) Olympic Entertainment Group AS

Earnings per share

	2017	2016
Net profit for the period	30,028	29,292
Weighted average number of shares outstanding (in thousand)	151,791	151,791
Basic earnings per share (euro cents)	19.8	19.3
Diluted earnings per share (euro cents)	19.8	19.3

Basic earnings per share are calculated by dividing profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted earnings per share also takes into consideration the share options granted to employees (see Note 26).

Note 21 Segment reporting

The Group's segments have been determined on the basis of reports monitored and analysed by the parent company's Management Board. Financial results are monitored by geographical regions. The results of operating segments are evaluated on the basis on external sales revenue and operating profit. During 2017, the Group had operations in the Estonian, Latvian, Lithuanian, Slovak, Italian and Maltese markets. Polish and Belarusian segments have been classified as discontinued operations with results presented in Note 5.

All segments generate majority of their income from gaming transactions. In addition, Estonian segment is engaged in hotel services from the 1st of June 2016. Management estimates that inter-segment transactions have been concluded at market prices and under market conditions.

2017	**Estonia**	**Latvia**	**Lithuania**	**Slovakia**	**Italy**	**Malta**	**Total**
Gross gaming revenue	44,403	62,708	26,008	15,499	30,038	14,064	**192,720**
Other revenue	12,841	6,320	1,704	1,891	357	216	**23,329**
Inter-segment revenue	-579	-28	-326	-2	0	0	**-935**
Revenue before gaming taxes	**56,665**	**69,000**	**27,386**	**17,388**	**30,395**	**14,280**	**215,114**
Gaming taxes	-7,826	-5,907	-2,948	-3,389	-17,244	-5,358	**-42,672**
Net revenue	**48,839**	**63,093**	**24,438**	**13,999**	**13,151**	**8,922**	**172,442**
Other income	40	16	0	31	23	2	**112**
Total net revenue and income	**48,879**	**63,109**	**24,438**	**14,030**	**13,174**	**8,924**	**172,554**
Total expenses	-41,918	-38,155	-22,327	-13,842	-12,687	-9,262	**-138,191**
Incl. Depreciation, amortisation and impairment losses	-3,788	-4,072	-1,918	-1,234	-825	-1,117	**-12,954**
Total operating profit (-loss)	**6,961**	**24,954**	**2,111**	**188**	**487**	**-338**	**34,363**
Segment assets	100,965	48,082	19,592	9,960	10,058	7,393	**196,050**
Other assets							**1,053**
Unallocated assets*							**793**
Eliminations							**-27,772**
Total assets							**170,124**
Incl. PPE and intangible assets	*35,243*	*37,728*	*10,181*	*3,556*	*7,576*	*5,020*	***99,304***
Segment liabilities	9,070	8,202	8,280	8,354	9,505	8633	**52,044**
Other liabilities							**12**
Unallocated liabilities**							**612**
Eliminations							**-27,885**
Total liabilities							**24,783**
Purchase of PPE and intangible assets (incl. through the business combinations)	2,986	5,123	1,719	472	463	120	**10,883**
Total investments							**10,883**

* Unallocated assets include prepaid corporate income tax, deferred tax assets and interest receivable.
** Unallocated liabilities include corporate income tax liability, deferred tax liabilities, interest payable and debt.

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2016	Estonia	Latvia	Lithuania	Slovakia	Italy	Malta	Total
Gross gaming revenue	39,184	60,592	24,004	14,662	26,574	10,982	**175,998**
Other revenue	6,606	5,611	1,316	1,884	264	191	**15,872**
Inter-segment revenue	-426	-18	-34	0	0	-4	**-482**
Revenue before gaming taxes	**45,364**	**66,185**	**25,286**	**16,546**	**26,838**	**11,169**	**191,388**
Gaming taxes	-7,305	-6,005	-3,029	-3,186	-15,025	-2,947	**-37,497**
Net revenue	**38,059**	**60,180**	**22,257**	**13,360**	**11,813**	**8,222**	**153,891**
Other income	17,962	97	1	99	38	4	**18,201**
Total net revenue and income	**56,021**	**60,277**	**22,258**	**13,459**	**11,851**	**8,226**	**172,092**
Total expenses	**-36,304**	**-36,148**	**-21,518**	**-13,494**	**-11,285**	**-9,449**	**-128,198**
Incl. Depreciation, amortisation and impairment losses	-3,423	-3,684	-1,559	-1,169	-438	-1,091	**-11,364**
Total operating profit (-loss)	**19,717**	**24,129**	**740**	**-35**	**566**	**-1,223**	**43,894**
Segment assets	87,898	44,795	17,055	10,662	10,054	7,510	**177,974**
Other assets							**1,003**
Unallocated assets*							**1,360**
Eliminations							**-27,641**
Total assets							**152,696**
Incl. PPE and intangible assets	*35,990*	*36,676*	*10,379*	*4,415*	*7,941*	*6,017*	***101,418***
Segment liabilities	8,391	6,541	7,876	9,145	9,569	8247	**49,769**
Other liabilities							**27**
Unallocated liabilities**							**985**
Eliminations							**-27,958**
Total liabilities							**22,823**
Purchase of PPE and intangible assets (incl. through the business combinations)	27,289	5,969	1,686	911	1,699	253	**37,807**
Total investments							**37,807**

* Unallocated assets include prepaid corporate income tax, deferred tax assets and interest receivable.
** Unallocated liabilities include corporate income tax liability, deferred tax liabilities, interest payable and debt.

Note 22 Other revenue

	2017	2016
Hotel revenue	9,871	3,948
Bar service revenue	9,606	8,387
Other revenue	2,917	3,055
Total other revenue	**22,394**	**15,390**

2017 was the first full year of operations for the hotel, which explains the growth in hotel revenues.

Note 23 Other income

	2017	2016
Gains on disposal of property, plant and equipment	41	17,873
Miscellaneous income	71	328
Total other income	**112**	**18,201**

In 2016 the Group divested with a profit of EUR 17,837 thousand the 100% holding in its Estonian subsidiary Kesklinna Hotelli OÜ that owns the hotel and entertainment complex building in Tallinn, where the Hilton Tallinn Park hotel and the flagship casino of OEG group, Olympic Park Casino, are based in (Note 4). Of the transaction value of EUR 48 million, EUR 21.7 million was received in cash and the remaining amount was compensated by the purchaser by taking over liabilities.

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Note 24 Operating expenses

	2017	2016
Cost of materials, goods and services used		
Direct catering, accommodation and bar service expenses	-5,947	-5,244
Other services	-57	-87
Total cost of materials, goods and services used	**-6,004**	**-5,331**
Other operating expenses		
Marketing expenses	-16,171	-16,477
Rental expenses (Note 16)	-22,041	-19,663
Maintenance expenses (equipment and premises)	-9,111	-9,163
Licence fees and taxes	-4,262	-3,570
Administrative expenses	-5,141	-5,141
IT expenses	-1,447	-1,386
Other expenses	-5,401	-4,911
Total other operating expenses	**-63,574**	**-60,311**
Staff cost		
Salaries	-43,576	-40,015
Social security taxes	-11,726	-10,652
Total staff cost	**-55,302**	**-50,667**
Total operating expenses	**-124,880**	**-116,309**

At 31 December 2017, the Group employed 2,938 (at 31 December 2016: 3,001) employees in continued operations.

Note 25 Income tax expense

	2017	2016
Profit before income tax	34,303	43,872
Calculated income tax on profits of subsidiaries	-4,370	-3,902
Tax effects on expenses not deductible for tax purposes	7	-546
Tax effect from de-recognition of deferred tax liability due to change in tax laws in Latvia (Note 13)	693	0
Income tax expense in the income statement	**-3,670**	**-4,448**

Estimated income tax on profits of subsidiaries is calculated using valid income tax rates applicable in the countries of the Group's subsidiaries.

Note 26 Share-based payments

At 31 December 2017 share option agreements were concluded with Olympic Entertainment Group AS management board members and Group's key employees. According to concluded share option agreement management board member is eligible to subscribe to 100,000 Olympic Entertainment Group AS shares till the end of share option program; number of shares that can be subscribed by Group's key employees is individual. Exact number of shares that can be subscribed by each member of management board and key employee depends on fulfilment of Group's financial objectives and objectives connected with specific areas of responsibilities of each member of management board and key employee. The price for exercising the share option will be the nominal value of the share or the calculated value per one share. Options are conditional based on the 3-year employment relationship at the time of options realisation. Option holder has a right to subscribe for shares starting from 1 January 2021. Share option program ends 28 February 2021.

At 31 December 2014 share option agreements were concluded with Olympic Entertainment Group AS management board members and Group's key employees. According to concluded share option agreement management board member is eligible to subscribe to 100,000 Olympic Entertainment Group AS shares till the end of share option program; number of shares that can be subscribed by Group's key employees is individual. Exact number of shares that can be subscribed by each member of management board and key employee depends on fulfilment of Group's financial objectives and objectives connected with specific areas of responsibilities of each member of management board and key employee. The price for exercising the share option will be the nominal value of the share or the calculated value per one share. Options are

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conditional based on the 5-year employment relationship at the time of options realisation. Option holder has a right to subscribe for shares starting from 1 January 2020. Share option program ends 28 February 2020. In 2017 the expense of share-based payments recognised as personnel expense amounted to EUR 28 thousand (2016: EUR 209 thousand).

Amount of exercisable share options (in thousands):

	2017	2016
Share options outstanding at beginning of the year	**775**	**950**
Cancelled share options	-50	-175
Share options granted during the year	985	0
Share options outstanding at the end of the year	**1,710**	**775**

At the time of issuing options, 31.12.2017, the fair value of the option programme was determined using the *Black-Scholes* valuation model. The fair value of the option program amounted to EUR 1,005 thousand. A change in the fair value of options or shares during the period of the option programme does not affect the amount of income subsequently recognised in the income statement. The significant inputs into the model were share price of EUR 1.81 at the grant date, exercise price of EUR 0.4 at the grant date, volatility of 24%, dividend yield of 8.3%, an expected option life of three years and risk-free interest rate of 0.6%. The volatility measured at the standard deviation based on statistical analysis of daily share prices over the last three years.

At the time of issuing options, 31.12.2014, the fair value of the option programme was determined using the *Black-Scholes* valuation model. A change in the fair value of options or shares during the period of the option programme does not affect the amount of income subsequently recognised in the income statement. The significant inputs into the model were share price of EUR 1.7 at the grant date, exercise price of EUR 0.4 at the grant date, volatility of 30%, dividend yield of 5.9%, an expected option life of three years and risk-free interest rate of 1.2%. The volatility measured at the standard deviation based on statistical analysis of daily share prices over the last three years.

Note 27 Business combinations

In 2017 there were no transactions connected with acquisition of business combinations.

On 16 February 2016, after receiving an approval from the Estonian Competition Authority, OEG has completed the acquisition of 95% shareholding in Estonian casino operator AS MC Kasiinod, which is also the 100% owner of the subsidiary OÜ Oma ja Hea, which is providing casino bar services. This was also the date when Group gained control over the subsidiary and prepared the purchase price allocation. Although the group holds 95% in the subsidiary, it controls it, because the Group is exposed to and has rights to, variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity.

The acquisition has increased the market share of OEG in Estonian gaming sector, which was also the reason for the business combination. As a result of the completion of the transaction OEG now owns 24 casinos in Estonia. The nature of the goodwill is mainly the extended market share and the goodwill was allocated to Estonian segment. The goodwill is not deductible for tax purposes.

If the Group had acquired the Estonian companies from the beginning of 2016, the Group's 2016 year revenues would have been approximately EUR 242 thousand higher and net profit ca EUR 3 thousand lower. From the acquisition date, AS MC Kasiinod and Oma ja Hea OÜ have generated revenues of EUR 2,284 thousand and profit of EUR 505 thousand to the Group.

The following table gives an overview of acquired identifiable assets and liabilities of Estonian companies at the moment of acquisition. Non-controlling interest has been recognised proportionate to the basis of acquired identifiable net assets.

Fair value	**AS MC Kasiinod and Oma ja Hea OÜ**
Cash and cash equivalents	2,148
Other receivables and assets	49
Property, plant and equipment (Note 15)	215
Intangible assets (Note 17)	13
Liabilities	-178
Total identifiable net assets	**2,247**
Non-controlling interest	2,135*
Goodwill (Note 17)	3,372
Total consideration paid in cash	5,507
Cash and cash equivalents of purchased company	2,148
Total net cash outflow to the Group	**3,359**

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* 95%

Total net cash outflow to the Group in amount of EUR 3,359 thousand includes the unpaid amounts for the acquisition of subsidiaries in amount of EUR 500 thousand (Note 18), which is due in February 2018.

Note 28 Subsidiaries with significant non-controlling interest

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

At the balance date the Group owned the following subsidiaries with minority interest:

	Domicile	Ownership 31.12.2017	Ownership 31.12.2016	Area of activity
Olympic Casino Eesti AS	Estonia	95%	95%	Gaming services

The following table contains unconsolidated financial indicators of subsidiaries with minority interest:

Statement of financial position	**31.12.2017 Olympic Casino Eesti AS**	**31.12.2016 Olympic Casino Eesti AS**
Current assets	11,177	8,239
Non-current assets	105,190	96,897
Total assets	**116,367**	**105,136**
Current liabilities	6,468	5,323
Non-current liabilities	375	1,243
Total liabilities	**6,843**	**6,566**
Retained earnings	**106,096**	**95,142**
Non-controlling interest	*5,305*	*4,757*
Statement of comprehensive income		
Total net revenue and income	37,219	32,142
Net profit for the period	10,954	19,031
Total comprehensive income for the period	**10,954**	**19,031**
Attributable to non-controlling interest	*548*	*952*
Statement of cash flows		
Cash flows from operating activities	12,622	9,738
Cash flows used in investing activities	-7,784	-15,057
Cash flows used in financing activities	-361	1,900
Net cash flows	**4,477**	**-3,419**

During 2016 the Group liquidated its subsidiary Siquia Holding B.V. with 5% non-controlling interest and acquired the remaining 20% holding in its subsidiary CG Warszawa Sp. z o.o. These transactions reduced the non-controlling equity interest in the Group by EUR 2,250 thousand (recorded in the Consolidated statement of changes in equity).

Note 29 Related party transactions

For the purposes of these consolidated financial statements, related parties include:

a) shareholders with significant influence;
b) key management personnel (members of the Management Board and Supervisory Board of Group entities);
c) close family members of and companies related to the above.

Purchases of goods and services	**2017**	**2016**
Shareholders with significant influence	1	1
Total	**1**	**1**

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As at 31 December 2017 and 31 December 2016, there were no balances of receivables and liabilities with related parties. There are no contractual obligations to purchase from or sell to the related parties.

In 2017, the members of the Management Board and Supervisory Board of all Group entities were paid remuneration and benefits including social security taxes in the amount of EUR 1,000 thousand (2016: EUR 1,286 thousand) and EUR 149 thousand (2016: EUR 149 thousand), respectively.

At 31 December 2014 and 31 December 2017, share options were granted to all the members of the Management Board of all Group entities. At 31 December 2017 the key management personnel may subscribe for up to 1,710,000 (at 31 December 2016: 775,000) shares of Olympic Entertainment Group AS on the basis of the concluded option agreement until the end of the option programs. Options are conditional and their details are described in Note 26.

Note 30 Contingent liabilities

In assessing the probability that a contingent liability will result in a present obligation, management relies on its best judgment, historical experience, general background information and indications of possible future events.

Potential liabilities related to tax audit

Tax authorities may at any time inspect the books and records of the companies belonging to the Group within 5 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties. The parent Company's management is not aware of any circumstances which may give rise to a potential material liability to Group companies in this respect.

Note 31 Events after the balance sheet date

On 19 February 2018 OEG established and registered the company Olybet Italia S.r.l. in Italy with share capital of EUR 10,000. OEG owns through a subsidiary 100% of the shares of Olybet Italia S.r.l. The aim of establishing the subsidiary is to develop the legal platform for the expansion of OEG group's activities in the business of remote gambling.

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Note 32 Parent company's separate primary financial statements

According to the Accounting Act of Estonia, the notes to the consolidated financial statements shall include disclosures on the separate primary financial statements of the consolidating entity (parent company). The parent's primary financial statements have been prepared using the same accounting policies as for the preparation of the consolidated financial statements, except for investments in subsidiaries that are carried at fair value in the separate primary financial statements. The fair value of investments in subsidiaries is determined using the market value method.

Separate statement of financial position of Olympic Entertainment Group AS

	31.12.2017	31.12.2016
ASSETS		
Current assets		
Cash and cash equivalents	23,222	14,233
Receivables from group companies	4,587	4,203
Other receivables and prepayments	82	33
Total current assets	**27,891**	**18,469**
Non-current assets		
Shares of subsidiaries	251,326	255,789
Long-term receivables from group companies	37,334	37,628
Investment property	194	166
Property, plant and equipment	23	10
Intangible assets	293	23
Total non-current assets	**289,170**	**293,616**
TOTAL ASSETS	**317,061**	**312,085**
LIABILITIES AND EQUITY		
Current liabilities		
Payables to group entities	1,130	2,586
Other liabilities	686	805
Provisions	197	17
Total current liabilities	**2,013**	**3,408**
Non-current liabilities		
Long-term payables to group companies	81,200	72,246
Total non-current liabilities	**81,200**	**72,246**
TOTAL LIABILITIES	**83,213**	**75,654**
EQUITY		
Share capital	60,716	60,716
Share premium	252	258
Treasury shares	-53	0
Statutory reserve capital	6,325	4,860
Other reserves	566	538
Retained earnings	166,042	170,059
TOTAL EQUITY	**233,848**	**236,431**
TOTAL LIABILITIES AND EQUITY	**317,061**	**312,085**

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Separate statement of comprehensive income of Olympic Entertainment Group AS

	2017	2016
Other revenue	104	157
Other income	5	76
Other operating expenses	-1,081	-833
Staff costs	-1,266	-1,177
Depreciation, amortisation and impairment	-14	-44
Change in fair value of investment property	28	7
Other expenses	-1	-9,515
Change in fair value of subsidiaries	-4,523	-11,364
Dividends received from subsidiaries	20,100	35,600
Interest income	755	965
Interest expense	-1,472	-1,433
Other finance income and costs	-8	255
Net profit for the period	**12,627**	**12,694**
Total comprehensive income for the period	**12,627**	**12,694**

Separate statement of cash flows of Olympic Entertainment Group AS

	2017	2016
Cash flows from operating activities		
Net profit for the period	12,627	12,694
Adjustments		
Depreciation, amortisation and impairment	14	44
Change in fair value of investment property	-28	-7
Gain / loss on investments in subsidiaries	-15,577	-24,236
Allowance of Polish loan receivable	0	8,900
Allowance of tax prepayment	0	215
Share options reserve	28	209
Other finance income and costs (net)	715	201
Changes in working capital:		
Receivables and prepayments	132	233
Liabilities and prepayments	409	403
Interest paid	0	-34
Net cash used in operating activities	**-1,680**	**-1,378**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-293	-8
Proceeds from sale of financial investments	0	70
Acquisition of subsidiaries	-60	-17,694
Proceeds from reduction of subsidiaries' share capital	0	1,370
Loans granted	-662	-26,281
Repayment of loans granted	956	22,225
Interest received	791	423
Dividends received	19,500	34,100
Net cash generated from investing activities	**20,232**	**14,205**
Cash flows from financing activities		
Proceeds from loans received	25,844	36,001
Repayments of loans received	-20,170	-17,441
Acquisition of treasury shares	-59	0
Dividends paid	-15,179	-22,769
Net cash used in financing activities	**-9,564**	**-4,209**
Net cash flows	**8,988**	**8,618**
Cash and cash equivalents at beginning of period	14,233	5,615
Exchange gains and losses on cash and cash equivalents	1	0
Cash and cash equivalents at end of period	**23,222**	**14,233**

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Separate statement of changes in equity of Olympic Entertainment Group AS

	Share capital	Share premium	Treasury shares	Statutory reserve capital	Other reserve	Retained earnings	Total
Balance at 1.01.2016	**60,716**	**258**	**0**	**3,574**	**329**	**181,420**	**246,297**
Profit for the financial year	0	0	0	0	0	12,694	**12,694**
Increase of statutory reserve capital	0	0	0	1,286	0	-1,286	**0**
Dividends paid	0	0	0	0	0	-22,769	**-22,769**
Employee option programme	0	0	0	0	209	0	**209**
Balance at 31.12.2016	**60,716**	**258**	**0**	**4,860**	**538**	**170,059**	**236,431**
Interests in companies under control or significant influence:							
Carrying amount under the fair value method							**-255,789**
Carrying amount under the equity method							**203,441**
Adjustment of the loan receivable							**-1,601**
Adjusted unconsolidated equity at 31.12.2016							**182,482**
Balance at 1.01.2017	**60,716**	**258**	**0**	**4,860**	**538**	**170,059**	**236,431**
Profit for the financial year	0	0	0	0	0	12,627	**12,627**
Increase of statutory reserve capital	0	0	0	1,465	0	-1,465	**0**
Dividends paid	0	0	0	0	0	-15,179	**-15,179**
Acquisition of treasury shares	0	-6	-53	0	0	0	**-59**
Employee option programme	0	0	0	0	28	0	**28**
Balance at 31.12.2017	**60,716**	**252**	**-53**	**6,325**	**566**	**166,042**	**233,848**
Interests in companies under control or significant influence:							
Carrying amount under the fair value method							**-251,326**
Carrying amount under the equity method							**173,303**
Adjustment of the loan receivable							**-3,267**
Adjusted unconsolidated equity at 31.12.2017							**152,558**

Independent auditor's report

To the Shareholders of Olympic Entertainment Group AS

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Olympic Entertainment Group AS and its subsidiaries (together the Group) as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

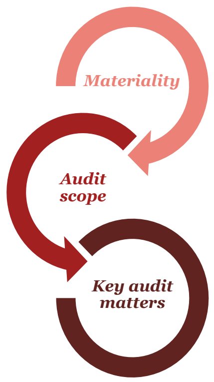
Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59^1 of the Auditors Activities Act of the Republic of Estonia.

Our audit approach

Overview



Materiality
Overall group materiality is EUR 1.7 million, which represents 5% of profit before income tax from continuing operations.

Audit scope
A full scope audit was performed by us or, under our instructions, by PwC network firms or other external auditors for Group entities covering 96% of the Group's revenues and 93% of the Group's assets. Selected audit procedures were performed on remaining balances to ensure we obtained sufficient appropriate audit evidence to express an opinion on the Group's financial statements as a whole.

Key audit matters
- Revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	EUR 1.7 million
How we determined it	5% of profit before income tax (EUR 34.3 million)
Rationale for the materiality benchmark applied	We have applied this benchmark, as profit before tax is the key measure used both internally by management and, we believe, externally by stakeholders in evaluating the performance of the Group.

Key audit matters

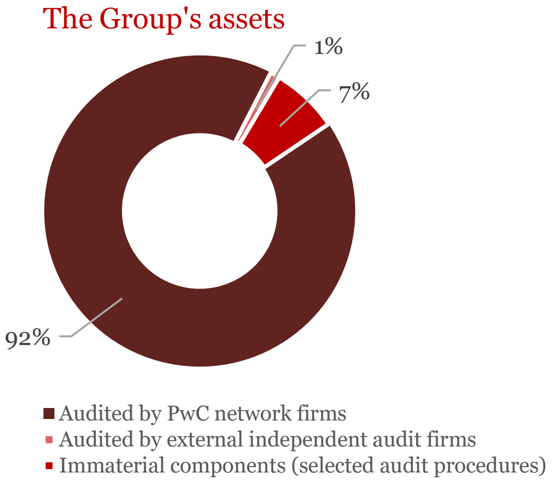
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

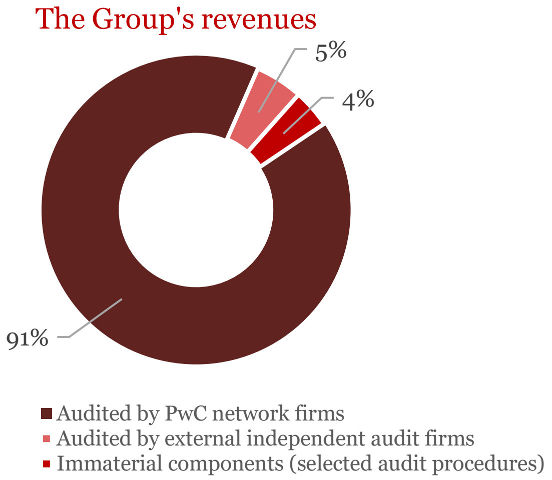
Key audit matter	*How our audit addressed the key audit matter*
Revenue recognition Additional information is disclosed in Note 2 "Summary of significant accounting policies – Revenue recognition", Note 21 "Segment reporting" and Note 22 "Other revenue". In 2017 the Group has recognised net revenue in the amount of EUR 172.4 million. The Group's revenues are generated across a large number of locations from various different channels, such as land-base and online gaming, sales of food and beverages in casinos, and providing accommodation services. The Group has a number of different IT systems and configurations in place to record revenue, which require transfer of data to the accounting system. Transfer of data between revenue and accounting systems increases the risk of error. Although the low value of individual transactions means an individual error would be both difficult to detect and insignificant, the high volume of transactions means that systemic failure could lead to errors that, in aggregate, may become material. As such, revenue recognition requires significant time and resource to audit due to its magnitude, and is, therefore, considered to be a key audit matter.	We audited revenue recognition through a combination of controls testing, including IT general controls over the Group's IT systems, and performing of analytical procedures and tests of detail, including: • We updated our understanding of the revenue accounting policy and evaluated it against the requirements of IFRS. • We updated our understanding of the revenue processes and controls and observed, reperformed or inspected key management controls related to recognition and measurement of revenue. • We performed testing of the general IT control environment of the systems used to record revenue, followed by testing of the processes to assess the completeness and accuracy of revenue entries arising from these systems. • We assessed the opportunity or incentive for management override of controls and tested reasonableness of certain journal entries impacting revenue, which were selected using professional judgment. • We reconciled, on a sample basis, confirmations from third party service providers about gaming wins and losses with underlying accounting data. • We performed analytical procedures, which included comparing actual results against historical and investigating the reasons for deviations from expectations. • We verified the accuracy of recognition and measurement of revenue by tracing a sample of transactions throughout the year to source data. • We traced a sample of revenue transactions from cash collected to revenue booked to the general ledger. • We reperformed or inspected cash counts performed by the Group in a sample of casinos. We did not identify any exceptions from our testing of IT control environment that impacted our audit approach. We found no material exceptions from our analytical procedures or detailed testing.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises a number of subsidiaries that are further disclosed in Note 1. A full scope audit was performed by PwC Estonia or, under our instructions, by other PwC network firms for entities covering 92% of the Group's assets and 91% of the Group's revenues, and, under our instructions, by an external independent audit firm covering 1% of the Group's assets and 5% of the Group's revenues. The remaining components of the Group were immaterial, therefore, we only performed selected audit procedures on these components relating to specified account balances or disclosures.





Where work was performed by component auditors from other PwC network firms or from an external independent audit firm, we determined the level of involvement we needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. The nature, timing and extent of the work impacting the Group audit opinion is set and monitored by the Group audit team in Estonia, with input from the teams outside Estonia at the risk assessment stage.

We also audited the consolidation process and performed procedures to assess that the audits of the group entities and of specified account balances covered all material items in the Group's financial statements.

Other information

The Management Board is responsible for the other information contained in the consolidated annual report in addition to the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment and period of our audit engagement

We were first appointed as auditors of Olympic Entertainment Group AS for the financial year ended 31 December 2009. Our appointment has been renewed by audit tenders in the intermediate years, representing the total period of our uninterrupted engagement appointment for Olympic Entertainment Group AS of 9 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of Olympic Entertainment Group AS can be extended for up to the financial year ending 31 December 2028.

AS PricewaterhouseCoopers

Ago Vilu
Certified auditor in charge, auditor's certificate no.325

Lauri Past
Auditor's certificate no.567

15 March 2018